

Statement on Principal Adverse Impact Statements of Investment Decisions on Sustainability Factors

1. Definitions

For the purposes of this Statement, although Counteract Partners Ltd (“**Counteract**”) is providing investment advice to MJ Hudson Fund Services Guernsey Limited (insofar as it remains appointed as the manager of the investment fund “Counteract One LP”), Counteract works with the manager in the investment processes relating to the Counteract One LP and does not provide “investment advice” to MJ Hudson Fund Services Guernsey Limited in the manner that Article 11 of Regulation 2022/1288 contemplates. Therefore, Counteract Partners Ltd has “upscaled” its Statement to align to the standards of a financial market participant and “investment decisions” of Counteract should be interpreted to mean the investment advice of Counteract to MJ Hudson Fund Services Guernsey Limited solely in the latter’s capacity as manager of Counteract One LP.

The following definitions from the EU Sustainable Finance Disclosure Regulations (SFDR) framework are used and paraphrased below:

- **ESG:** Environmental, Social and Governance.
- **Principal Adverse Sustainability Impacts, or Principal Adverse Impacts:** This means those impacts of investment decisions and advice that result in negative effects on Sustainability Factors.
- **Sustainability Factors:** This means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
- **Sustainable Investment:** This is an investment in an economic activity which:
 - contributes either to an environmental objective or a social objective;
 - does not significantly harm¹ any environmental or social objectives; and
 - the investee company follows good governance practices.
- **Sustainability Risk:** This is an environmental, social or governance event or condition which, if it occurs, could cause a material negative impact on the value of an investment.

2. Financial Market Participant

Name: Counteract Partners Limited

LEI: N/A

¹ Article 25 of the Framework Regulation amends the SFDR to include additional detail on what “do not significantly harm” means in practice.

3. Summary

Counteract Partners Limited (LEI: N/A) considers Principal Adverse Impacts of its investment decisions on Sustainability Factors. The present statement is the statement on Principal Adverse Impacts on Sustainability Factors of Counteract Partners Limited.

With Counteract’s first and only fund, Counteract One (the “**Fund**”), being established on 8th July 2022 with the first close on the 16th December 2022, this Principal Adverse Impacts Statement covers the reference period from 16th December 2022 to 31st December 2022.

4. Description of Principal Adverse Impact On Sustainability Factors

With Counteract’s first and only fund, Counteract One, becoming active on 16th December 2022, Counteract has not yet collected any of the information related to the Principal Adverse Impacts on Sustainability Factors. However, Counteract will begin to take the necessary preparations to collect, monitor and report on the Principal Adverse Impact indicators detailed in Annex 1 of EU Regulation 2019/2088 as listed in the table below.

Counteract will provide an updated version of this statement by no later than 31st March 2024, reporting on the Principal Adverse Impact indicators covering the reference period from 1 January 2023 to 31 December 2023.

From 31st March 2025 onwards, Counteract will provide historical comparisons with previous reference periods.

Indicators applicable to investments in investee companies		
Adverse Sustainability Factor	Metric	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS: TABLE 1		
Greenhouse Gas Emissions	1. GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector

Indicators applicable to investments in investee companies		
Adverse Sustainability Factor		Metric
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS: TABLE 1		
Social and Employee Matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS: TABLE 2		

Indicators applicable to investments in investee companies		
Adverse Sustainability Factor	Metric	
Additional climate and other environment-related indicators		
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS: TABLE 3 Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Social and Employee Matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy

In the context of Counteract’s first and only fund, Counteract One, Counteract recognises the potential issues of data availability and accuracy in the above indicators given the Fund’s focus on seed and pre-seed investments (typically minority equity stakes) in early-stage growth companies focused on GHG removals.

It further recognises that the measurement of Principal Adverse Impacts will, to some extent, be subjective and based on judgement. Counteract will seek to ensure accuracy by implementing internal and/or external reviews where appropriate to reduce the margin of errors and/or increase the confidence in the indicators.

5. Description of policies to identify and prioritise Principal Adverse Impacts

Whereas this statement covers Counteract at the entity level, it is recognised that the practical application of its approach to Principal Adverse Impacts will be to be articulated at the fund level. With Counteract’s first and only fund, Counteract One, the approach will reflect the strategy of the Fund, the nature of the Principal Adverse Impacts of the Fund’s investments, the availability of information and the scale of the Fund investment activities.

For example, Counteract One is a specialist investor in early-stage growth companies focused on GHG removals. As a result, there is limited risk of material Principal Adverse Impacts to Sustainability Factors at the point that an investment is made. This is due to the size of the investee companies (micro-enterprises with typically less than 10 employees), their stage of development (in research or early development) and their limited operational footprint.

However, the risk of Principal Adverse Impacts is likely to increase after an investment is made, once research and development has been progressed such that scale operations are established.

As a result, Counteract will look to undertake an assessment of the potential Principal Adverse Impacts by an investee company at the point in time that the investment is made. This will mainly cover a risk-based approach that will undertake basic checks on potential headline environmental issues and social/employment/governance issues that may arise in a small company operating in a particular geography, as well as reference checks on the key founders and/or managers.

The majority of the focus on the potential for Principal Adverse Impacts will look into the investee company's proposed GHG removal pathway itself. This is because, only when the investee company implements its solution at a commercial scale will the level of adverse impacts become material in nature. An analysis of the GHG removal pathway, as part of Counteract's investment due diligence, will reveal the potential adverse impacts of the specific pathway and evaluate the nature of these risks and potential mitigants.

During the investment process, Counteract follows a gated process that requires increasing levels of due diligence that, inter alia, consider Principal Adverse Impacts. These include:

- The use of a checklist that incorporates, inter alia, the Principal Adverse Impacts indicators detailed in Table 1 of Annex 1 (of EU Regulation 2019/2088) and the selected relevant indicators from Tables 2 and 3 of Annex 1. These are used as a guide by the investment team to ensure that suitable consideration is made of potential adverse impacts at the point of investment.
- Reference to the relevant 'do no significant harm' (DNSH) sections of the technical screening criteria within the EU Taxonomy Report: Technical Annex. This is used to identify whether a potential investment is likely to be eligible or aligned with the EU Taxonomy, and consider criteria that may be relevant to any Principal Adverse Impacts.
- The investment team must use pre-designed templates for submission to Investment Committee meetings. These templates include defined sections that, inter alia, require the investment team to consider, and present assess actual and potential Principal Adverse Impacts related to the potential investment. The template also includes a section that requires the investment team to consider whether the investment is EU Taxonomy aligned. These sections, in turn, are considered by the Investment Committee prior to making any investment decision.

Further details of Counteract's approach to identifying and prioritising Principal Adverse Impacts are covered within Counteract's ESG & Sustainability Policy and also within its prescribed investment process.

6. Engagement Policies

As an investor dedicated to GHG removals, Counteract will encourage its investee companies to act as role models and leaders with respect to developing the nascent GHG removals marketplace.

Counteract will further look to engage with its investee companies to:

- ensure that they measure, monitor and report on relevant material Principal Adverse Impacts;

- consider mitigating actions to reduce any identified material Principal Adverse Impacts, and also
- progressively adopt suitable policies related to good corporate governance in line with their stage of development.

As Counteract will typically be minority owners in investee companies, it is recognised that its level of influence may be limited and will rely upon any reporting requirements detailed at the point of investment, the level of board representation, the alignment of other shareholders and the relationships with senior management.

Further details of Counteract's approach to engagement with investee companies are covered within Counteract's ESG & Sustainability Policy.

7. References to International Standards

Counteract's ESG & Sustainability Policy is aligned with internationally recognised standards for responsible business operations and investment practices but appropriate for the size of the business and the nature of its investment activities.

As a recently established and small investor, Counteract supports the aims and principles of a number of international bodies and will, as appropriate, progressively look to become a signatory. These include:

- United Nations Guiding Principles (UNGPs)
- United Nations Global Compact (UNGC) Principles
- United Nations Sustainable Development Goals (SDGs)
- International Labour Organization (ILO) standards
- United Nations Principles for Responsible Investment (UN PRI)
- Voluntary Principles on Security and Human Rights
- The Sustainable Ocean Principles
- Task Force on Climate-related Financial Disclosure (TCFD).

Counteract measures and monitors the carbon emissions of its investee companies in accordance with the Greenhouse Gas Protocol.

Finally, Counteract fully supports the goals set out by the 2015 Paris Agreement.