counteract

Counteract

SFDR Article 9 Website Disclosure

Website Disclosure for Financial Products with a
Sustainable Investment Objective
As referred to in Article 9(1), (2) and (3) of Regulation (EU) 2019/2088 and Article 5 of Regulation (EU) 2020/852

Product name
Counteract One

Legal entity identifier
213800TC84IUXUARJT55

Does this financial product have a sustainable investment objective?	
☒ **Yes**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective**: 100% ☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a proportion of [X]% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective**: [X]%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system, establishing a list of **environmentally sustainable economic activities**. For the time being, it does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

i. Summary

Counteract believes that Carbon Dioxide Removal (CDR) is integral to any 1.5^{0}C climate pathway, but that the solutions needed are not yet proven or even identified. We are aiming to bring forward rapid, scaled and just adoption of CDR through our investment activities.

In order to constrain global heating to 2.0^{0}C, let alone 1.5^{0}C, CDR is estimated to become a minimum $1 trillion/p.a. market by 2050. This will require significant advances in R&D and trillions of dollars in capital expenditure.

It is in this context that Counteract One ("the Fund") has been established with a single and clear sustainable objective to 'catalyse 5 gigatons of CO_2e removal by 2050'.

It will be achieved by investing in early stage commercial and sustainable growth companies (at the seed and pre-seed stage) that are focused on developing solutions within the emergent greenhouse gas (GHG) removal markets through:

- developing key technologies and materials that deliver potential optimal/lower cost pathways for GHG capture and sequestration;
- developing new business models that facilitate the creation of new markets for GHG capture;
- developing tools that enhance transparency, trust and credibility to GHG measurement and tracking;
- overcoming impediments/bottlenecks to the development of markets or supply chains, and
- where possible, delivering co-benefits as part of the just transition, especially in the 'global South' and those economies most effected by climate change

The Fund is closed-ended which looks to generate significant returns for its investors, principally through long-term capital appreciation, by making, holding and disposing of illiquid and privately negotiated equity and equity-related investments.

As a result, once an investment has been made, it is difficult to dispose of the asset apart from at specific liquidity events which would often be outside of the Fund's control. This means that the evaluation of the investment objectives and risks (including Sustainability Factors) at the initial investment decision point is critical, as there is limited ability to impact these after the initial investment has been made.

However, and as with many funds in early stage investment, the availability and quality of information and data is limited at the point of investment.

Currently there is no EU Climate Transition Benchmark or EU Paris-aligned Benchmark that is applicable to GHG removal. Nonetheless, GHG removal will clearly assist in achieving the emissions targets referred to in the EU Paris-aligned Benchmark under Title III, Chapter 3a, of Regulation (EU) 2016/1011.

It is anticipated that, as the nascent market for GHG removal develops and matures, suitable benchmarks and methodologies and measures will evolve that the Fund will, as appropriate, adopt.

ii. No significant harm to the sustainable investment objective

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

As an investor in early-stage growth companies focused on GHG removals, there is limited risk of significant (or material) harm to sustainability factors at the point that an investment is made. This is due to the size of the companies (micro-enterprises with typically with less than 10 employees), their stage of development (in research or early development) and their limited operational footprint.

However, the risk of causing significant harm is likely to increase after an investment is made, once research and development had been progressed such that scale operations are established.

As a result, the Fund's investment adviser, Counteract Partners Limited ("**Counteract**") will look to undertake an assessment of the potential to cause harm 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 significant harm 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 pathway, as part of Counteract's investment due diligence, will reveal the potential adverse impacts of the GHG removal pathway and evaluate the nature of these risks and potential mitigants. This will be assessed as a core part of the Investment Committee decision-making criteria and, where deemed to cause significant harm and where no mitigations are possible, will result in a decision not to invest.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Counteract will ensure that the Fund's new investments do not cause significant harm by undertaking a clear approach to potential principal adverse impacts in its investment process, its asset management activities and how it engages with investee companies.

- 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 the indicators for adverse impacts in Table 1 of Annex and the selected 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 Taxonomy aligned. These sections, in turn, are considered by the Investment Committee prior to making any investment decision.
    - In our asset management activities, and subject to data availability and materiality, Counteract will look to measure and monitor an investee company's principal adverse

indicators (both the 14 mandatory adverse impact indicators and relevant optional indicators). However, given the size and stage of development of the Fund's typical investee company (micro enterprise or small SME), it is noted that the availability and quality of data across these indicators may be limited.

- Finally, and in accordance with the Fund's ESG & Sustainability Policy, Counteract will look to engage with its investee companies to ensure that investee companies consider mitigating actions to reduce any identified material adverse impacts and also progressively adopt suitable policies in line with their stage of development.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

As an investor in early-stage growth companies focused on GHG removals, Counteract looks, as part of its due diligence, to identify management teams at investee companies who share Counteract's fundamental values in relation to sustainability. This is the first step is ensuring that the Fund's sustainable investments are, at the highest level, aligned with the principles behind the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Given the size and stage of development of the investee companies (micro-enterprises or small SMEs), many companies will not yet have developed, or be at the early stage of developing suitable policies and procedures that formalise many of the guidelines and principles detailed in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

However, as the businesses develop and grow, Counteract will actively engage with the Fund's investee companies to encourage the more formal adoption, where relevant, of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights into the investee companies' policies and procedures.

iii. Sustainable investment objective of the financial product

Does this financial product consider principal adverse impacts on sustainability factors?

Yes

~~**No**~~

iv. Investment strategy

What investment strategy does this financial product follow?

The Fund is closed-ended which looks to generate significant returns for its investors, principally through long-term capital appreciation, by making, holding and disposing of illiquid and privately negotiated equity and equity-related investments.

As a result, once an investment has been made, it is difficult to dispose of the asset apart from at specific liquidity events which would often be outside of Counteract's control. This means that the evaluation of the investment objectives and risks (including Sustainability Factors) at the initial investment decision point is critical, as there is limited ability to impact these after the initial investment has been made.

The Fund's investment strategy is to invest in early-stage growth companies focused on GHG removals. The strategy comprises the following components:

- **Catalytic Impact:** The Fund will only invest in businesses with a prospect of delivering or catalysing 0.5 Gt of GHG removal by 2050. Furthermore, the GHG removal pathways that they seek to employ or enable should be able to demonstrate a route to achieving additionality, durability and measurability as a GHG removal solution.
- **Self-sustaining:** The Fund invests in commercial businesses that have team, business model, market and IP dynamics that underpin a self-sustaining, profit-generating and growing business.
- **Solution diversity:** In order to manage both risk and opportunity, Counteract is focused on the diversity of the Fund's investment portfolio(s). This manages exposure to the various GHG pathways, geographic/regulatory risks and ecosystem risks. It also recognises the importance of diversity in teams.
- **Responsible Investment:** In addition to our core focus on GHG removal, Counteract values and considers broader Sustainability Factors in its investment process for the Fund. These include, for example, resource intensity, life on water, life on land, 'just transition' & community impacts. Counteract will further consider the potential adverse impacts of our investments as part of the Fund's investment process.

Our investment strategy further incorporates the following parameters:

- The Fund invests in companies focused on GHG removal technologies and projects, and also companies developing enabling technologies and markets/models that support the growth of the GHG removal sector.
- The Fund invests in companies in the full range of GHG removal sub-sectors including: nature based solutions, engineered solutions, ocean based solutions and enhanced mineralisation.
- Investment is made at Seed and Pre-seed stages, with some follow-on investment into Series A.
- The Fund will typically make an initial investment of between £250,000 and £1 million in each company
- Counteract will act as a lead investor or co-investor
- The Fund's Investments will typically result in minority equity positions of between 5% and 15%

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

The binding elements of the Fund's investment strategy are defined within the Investment Policy within the LPA. These are:

- **Primary Objective:** The primary objective is to generate significant returns for its investors, principally through long-term capital appreciation, by making, holding and disposing of privately negotiated equity and equity-related investments in a diversified selection of portfolio companies at pre-Seed and Seed stage (with optional follow-on up to and including Series A), across private companies that are building and commercialising technologies to catalyse the removal of 5 Gt of CO_2e by 2050 through investments into commercially attractive early stage businesses aiming to drive GHG removal.
- **Geography:** The fund aims to be globally geographically diverse with no specific geographic restrictions.
- **Types of Transactions:** The fund will primarily focus on acquiring minority stakes in the equity or other relevant ownership structure of investee companies. It is envisaged that minority stakes, if any, would be acquired with the benefit of appropriate minority rights and protections for the stage of development of such investee companies.
- The Fund may allocate up to 10 per cent of total fund commitments in investments not falling under the key binding elements.
- The Fund will not, without agreement from the Fund's investors, invest more than the lesser of: (i) £5 million; and (ii) 15% of total fund commitments, in any single investment
- Finally, investments will only be made in accordance with the Fund's ESG & Sustainability Policy

which covers sectoral and company exclusions and alignment with Counteract's values and Counteract's approach to sustainable investment.

What is the policy to assess good governance practices of the investee companies?

Given the size and stage of development of the Fund's typical investee company (micro enterprise or small SME), many companies will not yet have developed, or be at the early stage of developing suitable good governance practices. As a result, the Fund's policy to assess good governance practices is to:

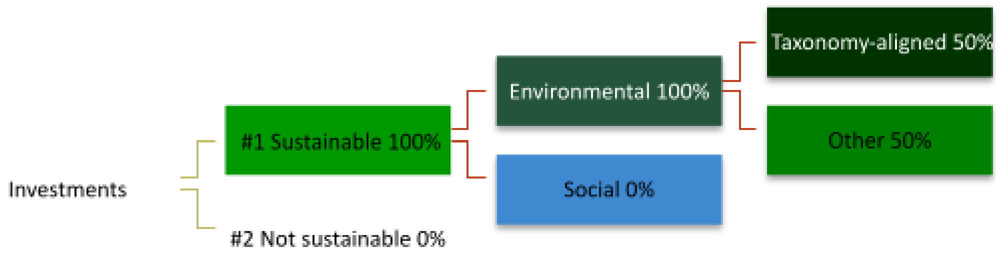
- Through engagement with investee companies' management teams during due diligence, gain comfort that new management teams share Counteract's values in relation to good governance.
- As part of negotiations pre-financial close, where possible, incorporate expectations regarding the development and implementation of good governance practices and policies.
- After investment, actively engage with investee companies to encourage the more formal adoption, where relevant, of good governance practices and policies.

v. Proportion of investments

What is the asset allocation and the minimum share of sustainable investments?

By virtue of only investing in companies focused on advancing the GHG removals sector, the Fund's target is that all investments will be environmentally sustainable. As a result, the target is that 100% of investments will be Sustainable. It is further expected that 100% of investments will be Environmental.

As described in more detail in the section below, however, the Fund is targeting a minimum of 50% of its sustainable investments will be Taxonomy aligned.



How does the use of derivatives attain the sustainable investment objective?

Derivatives do not form part of the Fund's investment strategy, and therefore do not contribute to attaining the sustainable investment objective.

However, the Fund reserves the right to use financial instruments to manage risk exposures related to foreign exchange and interest rate movements.

What is the minimum share of investments in transitional and enabling activities?

The expectation is that 0% of investments will be in transitional activities.

However, there may be a significant but undefined proportion of investments that may be in new enabling technologies or activities that facilitate GHG removal that fall both within and outside of the current EU Taxonomy category definitions. It is not possible to put a minimum figure to the share of investments in enabling activities given the early stage of development of the GHG ecosystem.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The expectation is that between 0% and 50% of investments may not be aligned to the EU Taxonomy.

100% of investments will be into early stage commercial and sustainable growth companies that are focused on developing solutions within the emergent greenhouse gas (GHG) removal markets. As a result, it is expected that 100% of investments will be sustainable and environmental. However, not all sustainable investments may fall within the EU Taxonomy. This is because of the early stage of development of the GHG ecosystem where there may be new technologies or processes that target or enable GHG removal that fall outside of the current and evolving EU Taxonomy category definitions.

What is the minimum share of sustainable investments with a social objective?

N/A

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

N/A

vi. Monitoring of sustainable investment objective

How are the sustainable investment objective and the sustainability indicators, which are used to measure the attainment of the sustainable investment objective, monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms?

The primary objective of the Fund is to 'catalyse 5 gigatons of CO_2e removal by 2050'. As a result, the Fund will look to measure the actual and potential impact on GHG removals to which each of its investments contribute. This will then be aggregated into a portfolio view for the Fund.

The key sustainability indicator that will be monitored will be **net CO_2e removed**. CO_2e (also written as carbon dioxide equivalent, CO_2 equivalent or CO_2eq) is a metric measure that is used to compare emissions from various GHGs on the basis of their global warming potential (GWP) by converting amounts of other gases to the equivalent amount of CO_2.

The Fund will be investing in early-stage growth companies focused on GHG removals, they will typically be micro-enterprises (typically with less than 10 employees), in research or early development and with limited operational footprint. When investing at this early stage, there is limited ability to, or benefit from detailed continuous monitoring of the sustainable objective/indicators. However, at the early stages of investment, the monitoring of the investee companies will be based on progress against development milestones and any KPIs relevant to the specific GHG pathway. These measurements will be subject to internal control only given the availability of data, materiality and level of likely impact.

As the investee companies develop and become operational, it is expected that the measurement of the sustainable objective and associated sustainability indicators will become more material and relevant. At this point (and in addition to development KPIs), the measurement and monitoring of the investee companies' sustainability indicators will be undertaken according to third party protocols (e.g Greenhouse Gas Protocol) and third party certification/verification providers (Verra, Gold Standard etc). These will, in turn, be utilised according to the agreed principles (as outlined in the LPA) that define the framework for calculating the key sustainability objective of **actual and projected net CO_2e removed.** At this point, an external specialist will be used to apply the framework to convert the measurable sustainability indicators to the ultimate sustainability objective.

vii. Methodologies

Please describe the methodologies used to measure the attainment of sustainable objectives promoted by the financial product?

The methodologies that will be utilised include:

- **Life Cycle Analyses (LCAs):** Where relevant, Investee companies will be expected to produce LCAs related to their GHG removal pathway to estimate the levels of CO_2e removal. These will often be undertaken by, or reviewed by 3rd party LCA specialists, or indeed using a methodology that would be prescribed by one of the emergent carbon certifying companies (e.g. Puro, Gold Standard, Verra, IC-VCM etc) .
- **Scope 1, 2 & 3 emissions calculations:** Where relevant carbon emissions related to investee companies will be calculated in accordance with the Greenhouse Gas Protocol.
- **Volumes of CO_2 Removal Certificates (CORCs) created:** Where relevant, investee companies (or partners) will be creating and selling, CORCs that have been independently verified by a third party and acquired by a company as an offset.

The Fund has further developed a set of agreed principles that define the framework for calculating the key sustainability indicator of **actual and projected net CO_2e removed** and how this relates to the objective of catalysing 5 gigatons of CO_2e removal by 2050. The principles include the following factors:

- **CO_2e discount/projection for fund life:** Given that the Fund has a 12-year duration (to 2034), the framework will consider how any discount (or projection) should be made to adjust the 2050 objective of 5 gigatons of CO_2e removal to the point at which the Fund's contribution is calculated.
- **Investment company typology:** The Fund will invest in a range of companies - some focused on enabling technologies, and some involved directly in GHG removal projects. For each company type, KPIs that link investee company performance to their carbon impact shall be developed.
- **Direct company impact:** The framework will incorporate a calculation of an investee company's direct CO_2e impact. This will include the company's direct CO_2e impact together with the impact of related companies/projects which incorporate/utilise the investee company's technologies or methodologies.
- **External/catalytic impact:** In addition to a company's direct CO_2e impact, an investee company can, in some cases, be deemed to have a catalytic impact on the development of a GHG removal sector. The framework will incorporate an estimation of the broader contribution that an investee company has had on a GHG removal sector.

viii. Data sources and processing

Please describe what data sources were used to attain each of the sustainable investment objectives.

Given the nascent nature of the GHG removal sector, there are a limited number of data sources that are available today to estimate the CO_2e removals related to the various GHG removals pathways. It is anticipated that these will develop over time as the pathways themselves develop and third party data collection, measurements and methodologies mature.

What measures are taken to ensure data quality?

Counteract will review the materiality of the data collected and consider this alongside the stage of development of each investee company in order to determine whether it would be proportionate to employ 3rd party specialists to assist with enhancing the quality of any relevant data.

How is data processed?

Currently Counteract utilises Microsoft Excel spreadsheets and Google Sheets to process investee company data. However, it is continually reviewing a number of third party ESG data reporting tools that may assist with more efficient collation and reporting of investee company and portfolio data.

What proportion of data is estimated?

At the point of investment into each early stage company, the vast majority of data is estimated. This is because the investee companies are at the seed and pre-seed stage and have not yet developed their respective GHG pathway or indeed the operational application of any relevant enabling technology.

As the investee companies develop and transition from a research and development focus into early operations, we would expect improved data and measurement methodologies to become increasingly available.

ix. Limitations to methodologies

Please describe any limitations to the methodologies and data sources in achieving sustainable investment objectives.

In many GHG removals pathways, estimated or inferred figures will always be required as direct measurement will not be possible. For example, in afforestation, soil carbon or ocean carbon projects, the level of CO_2e removals will never be able to be directly measured. As a result, estimates will be made using appropriate sampling and inference from, for example, soil samples and satellite imagery.

It is anticipated that the methodologies for estimating the levels of CO_2e removals will be progressively developed and refined. Indeed, it is anticipated that these methodologies will need to be accepted by key international bodies as the basis for calculations of carbon offsets, or carbon removals goals.

How do such limitations not affect the attainment of the sustainable investment objective?

Although many of the methodologies have not yet been fully developed at the time the Fund was established, the clear focus of the Fund on investment only into companies in GHG removals provides significant comfort with alignment with the sustainable investment objective.

At the point of investment due diligence is undertaken that includes, inter alia, a techno-economic analysis of the specific GHG pathway and an ingoing estimate of the GHG removals opportunity. By setting a requirement that the Fund will only invest in businesses with a prospect of delivering or catalysing 0.5 Gt of GHG removal by 2050, Counteract believes that any limitations around the methodologies for estimating GHG removals will only impact that quantum of the calculation and not its positive contribution to the removals of GHGs - and hence the attainment of the sustainable investment objective.

What actions will be taken to address such limitations?

As the methodologies for GHG removals develop, Counteract will look to ensure that its investee companies adopt the best developed and most apposite methodologies that are recognised within the market. These will often by developed and/or verified by third party verification/certification agencies such as Verra, Puro, Gold Standard etc.).

x. Due diligence

What internal and external controls are in place on that due diligence?

As part of its investment process, Counteract follows a gated process that requires increasing levels of due diligence that, inter alia, consider a range of Sustainability Factors. These include:

- The use of a checklist that incorporates the indicators for adverse impacts. 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 assessing whether it contributes to the sustainable investment objective.
- The investment team must also 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 assess the following:
    - Investment & CO_2e rationale
    - CO_2e objective
    - Other sustainability objectives
    - Climate-related and other sustainability related risks
- These, in turn, are considered by Counteract's Investment Committee prior to making any investment decision.
- Once Counteract's Investment Committee has made its decision to recommend the investment, this is then passed on to MJ Hudson Fund Services Guernsey Limited (in its capacity as manager of Counteract One LP) (the "**Manager**") for review and final decision.

After the initial investment, and given that the Fund is pursuing a strategy to invest and hold illiquid private market investments, there is limited ability to undertake ongoing due diligence that might result in an adjustment in the Fund's holdings to impact the sustainable investment objective.

However, all potential follow-on investments in investee companies will undergo the same level of due diligence described above to ensure the continued suitability of the investment.

Furthermore, and as part of ongoing monitoring of and engagement with investee companies, Counteract will undertake an ongoing evaluation of an investee company's progress in achieving the sustainable investment objective and provide updates to the Manager. Where it is deemed important, Counteract may employ third party specialists to assist with the measurement/evaluation of such information.

xi. Engagement policies

Is engagement part of the environmental or social investment strategy?
Yes, active engagement with the Fund's investee companies is part of the environmental investment strategy.
If so, please describe the engagement policies implemented, including any management procedures applicable to sustainability-related controversies in investee companies.
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.

xii. Attainment of the sustainable investment objective
How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?
Not applicable – there is no established benchmark/index covering GHG removals.
How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?
Not applicable – there is no established index covering GHG removals.
How does the designated index differ from a relevant broad market index?
Not applicable – there is no established index covering GHG removals
Where can the methodology used for the calculation of the designated index be found?
Not applicable – there is no established index covering GHG removals. However, it is anticipated that these will be developed over time as the GHG removals market develops.

xiii. Where can I find more product-specific information online?
More product-specific information can be found on the following website:
www.counteract.net/disclosures