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**RESPONSIBLE  
INVESTMENT  
POLICY**

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December 2024



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# 1. Our objective: accelerate the global energy transition through clean hydrogen

Hy24's purpose is to accelerate the global energy transition through investments in strategic infrastructure projects relying on clean hydrogen and in the value chain (i.e. equipment manufacturers) that enable that transition. In doing so, the management company will responsibly create sustainable value across the clean hydrogen value chain and build the infrastructure for tomorrow's energy models.

Hy24 will aim at substituting fossil fuels and grey hydrogen with clean hydrogen. Hydrogen is a key enabler of renewable and low-carbon energy, allowing it to access sectors for which decarbonization is otherwise difficult. As a result, climate change mitigation is at the core of Hy24's identity. Our funds are, by their very nature, aligned with the objectives of the Paris Agreement.

Hy24 is committed to deploying an ESG approach that reflects our Sustainability-focused investor mindset and our Funds' main objective, as described above, throughout the investment cycle.

Hy24 is committed to aligning with the requirements of Article 9 classification, as defined by the European Sustainable Finance Disclosure Regulation (SFDR), which we will precise further below.

Hy24 is also a signatory of the UN Principles for Responsible Investment and, in this context, is committed to applying the six principles in its investment approach.



The UN Principles for Responsible Investment urge investors to integrate environmental, social and governance issues into their decision-making to better manage risks, generate sustainable returns and have a positive impact on society as a whole.

## 2. Hy24 in the ESG regulatory landscape

### 2.1 A glance at applicable ESG regulations

As a French management company, Hy24 will comply with European and French regulations.

At the European level, the EU has adopted regulations which aims at reorienting investments towards sustainable technologies and companies. Two regulations are particularly important with regards to Hy24 activities: the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy for sustainable activities (Regulation (EU) 2020/852) with expected future regulatory developments.

Both Regulations have been complemented by several delegated acts further defining the regulatory environment defining sustainable investments in the EU

### 2.2 The Sustainable Finance Disclosure Regulation ("SFDR") and Regulatory technical standards (RTS)

The Sustainable Finance Disclosure Regulation ("SFDR") lays down obligations on how financial market participants and financial advisors must disclose information related to sustainability. The underlying core objective is to regulate under which conditions a financial actor can claim to pursue sustainable goals and the information they must disclose to justify such claims.

The SFDR is complemented by regulatory technical standards which specify, in detail, the content, methodologies, and presentation of information that must be collected, analysed, and disclosed when financial products promote environmental or social characteristics and sustainable investment objectives. It further details information that must be made available in pre-contractual documents, on websites and in periodic reports.

**In combination with the EU Taxonomy, these regulations are expected to significantly contribute to avoid “greenwashing” practices. This goal is pursued through the following requirements: 2.2.1 Classification:**

the SFDR provides a fund classification:

- “Article 6 funds” which do not promote environmental or social characteristics and do not pursue a sustainability objective.

In practice, Article 6 funds may take into account ESG issues in their investment cycle to a certain extent but they are not formally committed to do it neither to report on it. Transparency obligations are limited to the integration of sustainability risks.

- “Article 8 funds”: funds which promote environmental or social characteristics, or a combination of both, provided that the underlying companies follow good governance practices.

In practice, Article 8 funds are committed to incorporate ESG considerations as part of their investment process, to formalize their approach and to report on their practice according to reporting requirements established by SFDR, including a set of predefined ESG KPIs.

- “Article 9 Funds”, such as Hy24’s fund, are products which have sustainable investment as part of their investment objective.

In practice, Article 9 funds have to define an environmental or social objective at the core of their investment strategy, in line with the EU Taxonomy, explained below, if the objective is environmental. These funds are committed to reflect these objectives in their investment selection process while ensuring to assess potential adverse impacts on other social and environmental aspects. “Article 9” funds must also comply with specific disclosure requirements, for which a template is provided in a document called the Regulatory Technical Standards (“RTS”). In late 2022, The European Commission and Financial regulators clarified that “Article 9 Funds” should make **only** “sustainable investments” within the meaning of the SFDR

As mentioned above, Hy24 qualifies its Funds as “Article 9” (otherwise known as “dark green”) and will comply with its demanding requirements.

## **2.2.2 Disclosure requirements:**

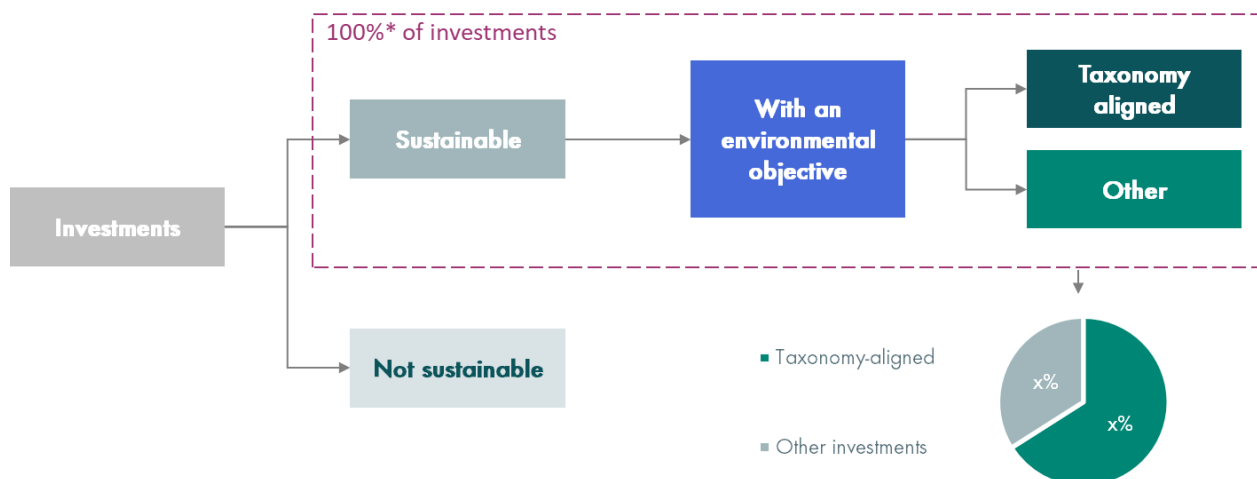
The regulations require financial undertakings to disclose:

- Their sustainability risks strategy – i.e. how ESG risks might impact their investments
- Sustainability indicators which highlight the attainment of the environmental objective pursued
- Adverse sustainability indicators known as “Principal Adverse Impacts” which operationalise the principle of “do not no significant harm”
- Information on the extent their remuneration policy is aligned with their ESG objectives
- Other specific information

The Regulatory Technical Standards, adopted in 2022, provide detailed requirements on the content and form of data to be disclosed in pre-contractual documents, on websites and in periodic reports. These require Article 9 funds to disclose inter alia the share of sustainable investments they have made.

The Regulatory Technical Standards of the SFDR highlight that “sustainable investments” can fall in two categories: (i) **Taxonomy aligned** and (ii) **“Other”** which should be distinguished in disclosure materials.

Figure 1: Sustainable investments according to SFDR RTS



### 2.2.3 Regulatory definition of “sustainable investments”

The meaning of “**Taxonomy aligned**” investment has been very clearly defined, as an investment in *an economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852*. [See below section on EU Taxonomy]

“**Other**” is not clearly defined, however, the SFDR and EU taxonomy can be used to clarify what constitutes a sustainable investment with an environmental objective falling within the category “other”

- The SFDR provides a definition for “sustainable activities” which encompasses *economic activities that contribute to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy*
- The SFDR does not provide more detailed criteria than the above, however, for investments that aim to have a positive climate impact, Article 10 of the EU Taxonomy Regulation breaks down the meaning of “significant contribution” to climate change mitigation. (see below)

## 2.3 The EU Taxonomy and Taxonomy Disclosure Regulation

The EU Taxonomy regulation is a classification system providing more detailed information on what constitutes environmentally sustainable investments within the context of the Taxonomy.

The Taxonomy Disclosure Regulation<sup>1</sup> defines “*taxonomy aligned economic activity*” as one that meets all 4 criteria of Article 3 of the Taxonomy Regulation:

- Substantial contribution to one (or several) of the six objectives listed in the Taxonomy
- Do No Significant Harm
- Minimum social safeguards
- Technical screening criteria

**First**, the activity must contribute significantly to one (or several) of the six objectives<sup>2</sup> listed in the Taxonomy such as climate change mitigation, climate change adaptation or pollution prevention and control.

Article 10 provides that an economic activity contributes significantly to climate change mitigation if *it contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals by:*

<sup>1</sup> Article 1, (2) Commission Delegated Regulation (EU) 2021 / 2178)

<sup>2</sup> Article 9, Environmental objectives, Regulation (EU) 2020/852

- a. *generating, transmitting, storing, distributing, or using renewable energy*
- b. *improving energy efficiency*
- c. *increasing clean or climate-neutral mobility*
- d. *switching to the use of sustainably sourced renewable materials*
- e. *increasing the use of environmentally safe carbon capture and utilisation (CCU) and carbon capture and storage (CCS) technologies that deliver a net reduction in greenhouse gas emissions*
- f. *strengthening land carbon sinks, including through avoiding deforestation and forest degradation, restoration of forests, sustainable management and restoration of croplands, grasslands and wetlands, afforestation, and regenerative agriculture*
- g. *establishing energy infrastructure required for enabling the decarbonisation of energy systems.*
- h. *producing clean and efficient fuels from renewable or carbon-neutral sources*
- i. *enabling any of the activities listed in points (a) to (h) of this paragraph in accordance with Article 16.*

**Second**<sup>3</sup>, it must also “Do No Significant Harm” (“DNSH”) to the five other activities,

**Thirdly**, the activity must comply with minimum safeguards, namely the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

**Finally**, precise criteria, called the Technical Screening Criteria (“TSC”), found in the Taxonomy Delegated Acts, are also established to further define, for eligible economic activities, the conditions under which those activities can be fully in line with the requirements of the Taxonomy.

## 2.4 Loi Energie Climat

As a French management company, Hy24 will also comply with the additional requirements imposed by the French Loi Energie Climat (Loi n° 2019-1147 du 8 novembre 2019 relative à l'énergie et au climat). This law reinforces the requirements implied by the EU Taxonomy and the SFDR.

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<sup>3</sup> Article 3 Criteria for environmentally sustainable economic activities, Regulation (EU) 2020/852

## 3. Our approach

### 3.1 Our ESG-driven strategy

Hy24's Responsible Investment Policy relies on the following strategic pillars:

#### Positive impact

Hy24 targets clean hydrogen infrastructure projects and aims to drive continuous improvement to the energy market, through our support to hydrogen technologies.

#### Risk management

Hy24 implements a selective investment policy in well-defined infrastructure and equipment segments, adding-in screening criteria and continuous monitoring. ESG associated risks are systematically monitored and addressed.

#### Business ethics

Hy24 follows a rigorous policy in order to protect its operations from related risks and operates in highly strategic business with complete integrity.

### 3.2 Our objectives and priorities

#### 3.2.1 All Hy24 investments will contribute to climate change mitigation<sup>4</sup>

Hydrogen production, storage, and distribution are key to carbon emissions reduction policies. The sectors where clean hydrogen plays a key role for decarbonisation: energy, transport and industry are some of the main sources of carbon dioxide emissions.

Furthermore, clean hydrogen is an enabler for renewable and low-carbon energy, allowing it to penetrate, in larger and growing quantities, sectors which, previously, would have been out of reach or would have been prohibitively expensive to access. It will be particularly relevant for decarbonizing energy intensive industries such as the chemical sector, fertilizer production, steel and cement manufacturing, as well as heavy-duty road transport, aviation and the maritime sectors.

**By investing in projects** which produce and/or consume clean hydrogen, Hy24 will directly contribute to the avoidance of carbon emissions with a view to support the long-term global warming objectives of the Paris agreement.

**By investing in companies** along the clean hydrogen value chain, Hy24 will accelerate and scale-up the commercialization of technologies, products and services which will enable the integration of renewable and low-carbon energy, clean transportation and the decarbonization of energy systems through the production, transport, storage, distribution, and use of hydrogen. In the latter case, the impact of Hy24's investments towards climate change mitigation will be an indirect rather than a direct one.

The manufacture, transmission, storage, and use of hydrogen for transportation and energy production is already embedded in the EU Taxonomy<sup>5</sup> framework as well as in the path towards net zero emissions in the European Union. In this regard, Hy24 aims to align, when feasible, its assets with the EU Taxonomy in terms of climate change mitigation objective.

In fact, all Hy24's investments will contribute significantly to climate change mitigation either through projects which have a direct impact on CO<sub>2</sub> avoidance/reduction or, indirectly, as enablers of (i) generation, transmission, storage, distribution, or use of renewable energy (ii) clean or climate-neutral mobility, (iii) the decarbonization of energy systems (iv) the production of clean and efficient fuels from renewable or carbon-neutral sources or other activities with significant potential for CO<sub>2</sub> avoidance.

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<sup>4</sup> This allows an article 9 classification, in the sense of SFDR

<sup>5</sup> Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (Taxonomy)



Hy24 will therefore contribute to reducing carbon emissions generated by energy consumption, with a view to support the long-term global warming objectives of the Paris agreements.

In order to keep track of our positive impact, we will collect and report a set of key performance indicators (“horizontal KPIs”) which will include *inter alia*: Avoided CO<sub>2</sub> emissions, GHG emission intensity for the manufacture of hydrogen, renewable energy produced and consumed, etc..

### **3.2.2 All Hy24 investments will do no significant harm to other environmental objectives**

For all our investments, we will collect the necessary operational and technical information on the investee companies to ensure no significant harm might be done by its activity to any of the other five climate/environmental objectives as of Taxonomy Regulation (i.e. climate change adaptation, sustainable use and protection of water, circularity, pollution prevention and control, and biodiversity).

### **3.2.3 All Hy24 investments will have strong social safeguards**

From a social and governance perspective, we will apply the requirements of the EU Taxonomy, ensuring that minimum social safeguards are in place to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Hy24 will support and guide the companies in its portfolio, in particular those with less mature organisations which may lack the capacity to demonstrate alignment with these guidelines, to build processes and policies which allow them to demonstrate compliance.

### **3.2.4 Hy24 will seek to maximise taxonomy alignment of its portfolio**

When feasible, we will seek to ensure that our investments in economic activities covered by the EU Taxonomy Delegated Acts (“taxonomy eligible activities) are either taxonomy-aligned at the acquisition stage or follow a transformation path in view to align with the Taxonomy technical criteria. This transformation path will seek to ensure alignment with the DNSH and MSS criteria of the EU taxonomy in a very short time (e.g. 18 months) while alignment with all other technical screening criteria (TSC) would be achieved within maximum 5 years<sup>6</sup>.

When full taxonomy alignment is not sought, Hy24 will duly substantiate the reasons behind this choice. For example, this could be the case in jurisdictions with robust environmental and climate policies / requirements but which are not identical to those of the EU Taxonomy and where compliance with local regulations will take precedence / priority over the application of EU provisions.

### **3.2.5 Hy24 invests in priority sectors supporting the hydrogen economy**

Hy24 has set a clear sectoral boundary to its investments. When investing in hydrogen infrastructure, our goal is to target opportunities in the hydrogen sector with a focus on three main pillars: (i) **power to hydrogen and hydrogen derivatives**, (ii) **midstream and other usages** and (iii) **H2mobility and its associated supply chain**, while keeping the flexibility to support other hydrogen activities.

When investing in technology / equipment manufacturers, Hy24 targets equipment & services addressing the full hydrogen value chain, with a focus on a number of key sectors such as: Electrolysis, NH<sub>3</sub>-related technologies, Power-to-X, onboard storage, refuelling stations and fuel cells.

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<sup>6</sup> In duly justified cases, this period may be extended.

### 3.3 ESG in Hy24's governance<sup>7</sup>

Hy24 has developed a dedicated governance structure to ensure that its Fund's sustainability objectives are achieved.

#### **On an operational level:**

- The Investment team  
The present Responsible Investment Procedure is directly implemented by Hy24's investment teams, who are directly responsible for deal flow screening, due diligences, and engagement with portfolio companies. Hy24 investment teams receive yearly training on ESG matters and on the implementation of Hy24's responsible investment policy.
- The ESG team  
Composed of Hy24's General Counsel and an ESG and Public Affairs Officer, with the support of a team of analysts<sup>8</sup>, the ESG team supports investment teams in the investment process implementation, namely through sustainability-specific expertise. The team is also in charge of implementing portfolio-level aspects of the present Procedure, including LP reporting and overall portfolio performance review. The key members of Hy24's internal ESG team have significant experience in the development and implementation of the SFDR and the EU Taxonomy, particularly the provisions associated with hydrogen technologies.
- The ESG working group  
Composed of Hy24's ESG team, some members of Hy24's investment team as well as representatives of Ardian's ESG team, the ESG working group is in charge of defining the ESG initial framework, including this Investment Procedure. It will also oversee the implementation of the fund's responsible investment policy, overseeing the external advisors' work, namely ESG DD findings, ESG Action plan implementation and portfolio monitoring.
- External advisors  
Hy24 will be supported in the implementation of this policy by external advisors specialised on ESG matters. The main role of the external advisors will be to (i) perform ESG Due Diligence work (ii) monitor the implementation of ESG Action plans (iii) collect the data and KPI's necessary to monitor the ESG performance of Hy24's assets and (iv) support in the preparation of ESG reporting, in line with legal requirements. The team of external advisors bring extensive expertise in the implementation of the SFDR, EU Taxonomy and in impact investment in general as well as clean hydrogen policies and regulations, the EU Green Deal, fit-for-55 package and the hydrogen specific aspects of the EU Taxonomy.

#### **On a strategic level:**

##### Sustainability Committee

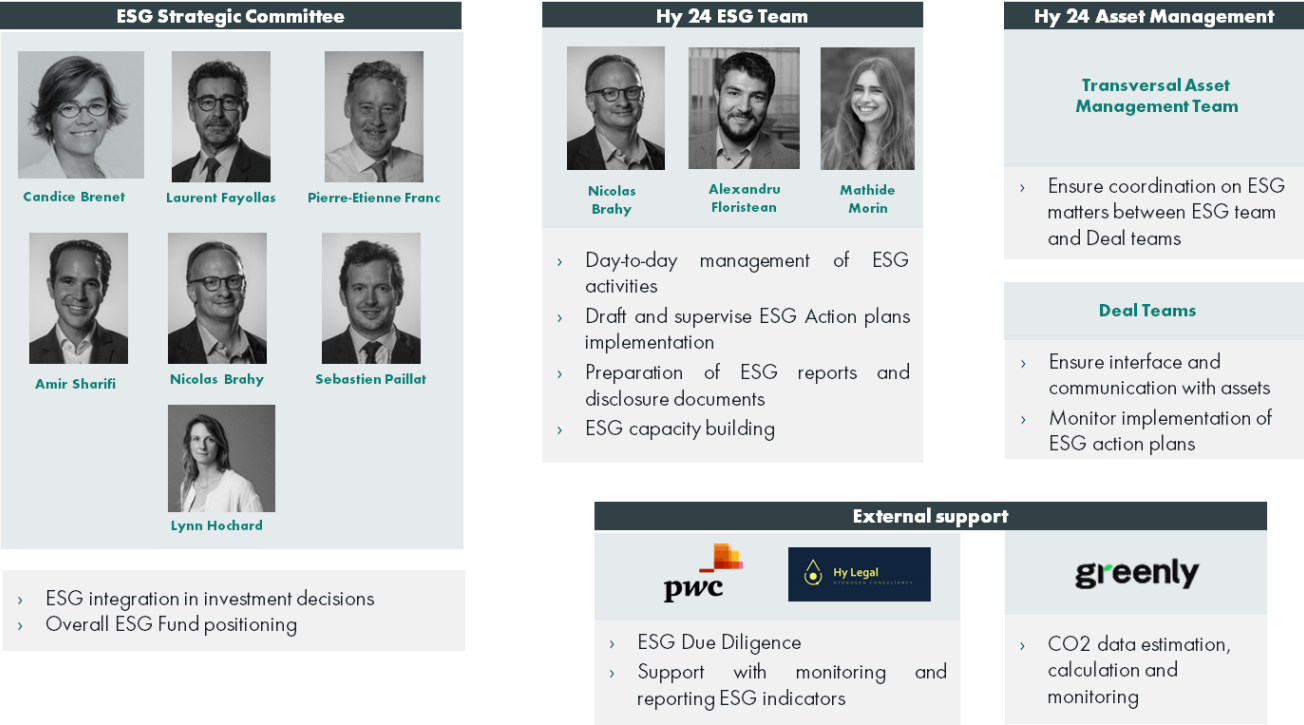
- Hy24 has formed a strategic Sustainability Committee, composed of Hy24's President, Director General, and Executive Committee, as well as external expert advisors and expert from Ardian's sustainability team. Candice Brenet, Head of Sustainability and Digital at Ardian who brings 15 years of experience at the forefront of ESG development, will chair this committee.
- This Committee meets formally annually to review the present Responsible Investment Procedure and the Fund's level of alignment with its sustainability objectives, as described above.
- In addition, external advisors can be consulted on an ad hoc matter to provide advice on specific investment opportunities and their contribution to the fund's global sustainability objectives.
- Last, this Committee will aim at bringing a critical and prospective view on the responsible investment policy.

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<sup>7</sup> See SFDR – articles 3 and 6

<sup>8</sup> The ESG team will integrate analysts from the investment team on rotation to further build and strengthen the ESG investment culture within the organization.

Figure 2 Key actors and roles In Hy24's ESG governance



### 3.2 Our sustainability-aligned compensation policy<sup>9</sup>

Hy24 considers sustainability risks on a wide range of analysis, in compliance with the most recent regulations in the EU or in France. We therefore place a strong emphasis on ESG management, including at the remuneration level.

#### 3.2.1 At Hy24

Hy24’s team’s annual variable remuneration integrates both notions of collective and individual performances. The achievement of sustainability objectives, core to Hy24’s investment strategy and purpose, are viewed as collective objectives for the team and are tied to Hy24’s collective performance assessment in annual variable remuneration. Those objectives are defined as **the achievement of the two following targets**:

- The Fund’s assets are either sustainable investments within the meaning of the SFDR or integrate a strategic action plan to ensure this alignment for assets in a transition phase, **and**
- The Fund’s deal processes fully integrate ESG, as described in the section below, namely through relevant screening and pre-investment analyses and holding period reporting.

#### 3.2.2 Within our portfolio

We also use compensation and incentive mechanisms within our portfolio to ensure the alignment of management teams with our sustainability objectives, to the extent that our shareholding and positioning as an investor allows it. In a best effort approach, Hy24 systematically proposes that a part of portfolio companies’ top management’s annual variable remuneration be dependent on **the achievement of one of the following targets**, depending on the investment thesis and the deal’s contractual agreement, as explained above:

- The company’s sustainability, with regards to the EU Taxonomy / SFDR, including the conformity with the Regulation’s corresponding or applied by analogy Technical Screening Criteria and Do No Significant Harm standards, **or**

<sup>9</sup> See SFDR – article 5

- The transitioning company's deployment of a Taxonomy/SFDR alignment roadmap and associated CAPEX plan, as agreed upon at the time of the investment.

### **3.4 ESG Integration in the investment process<sup>10</sup>**

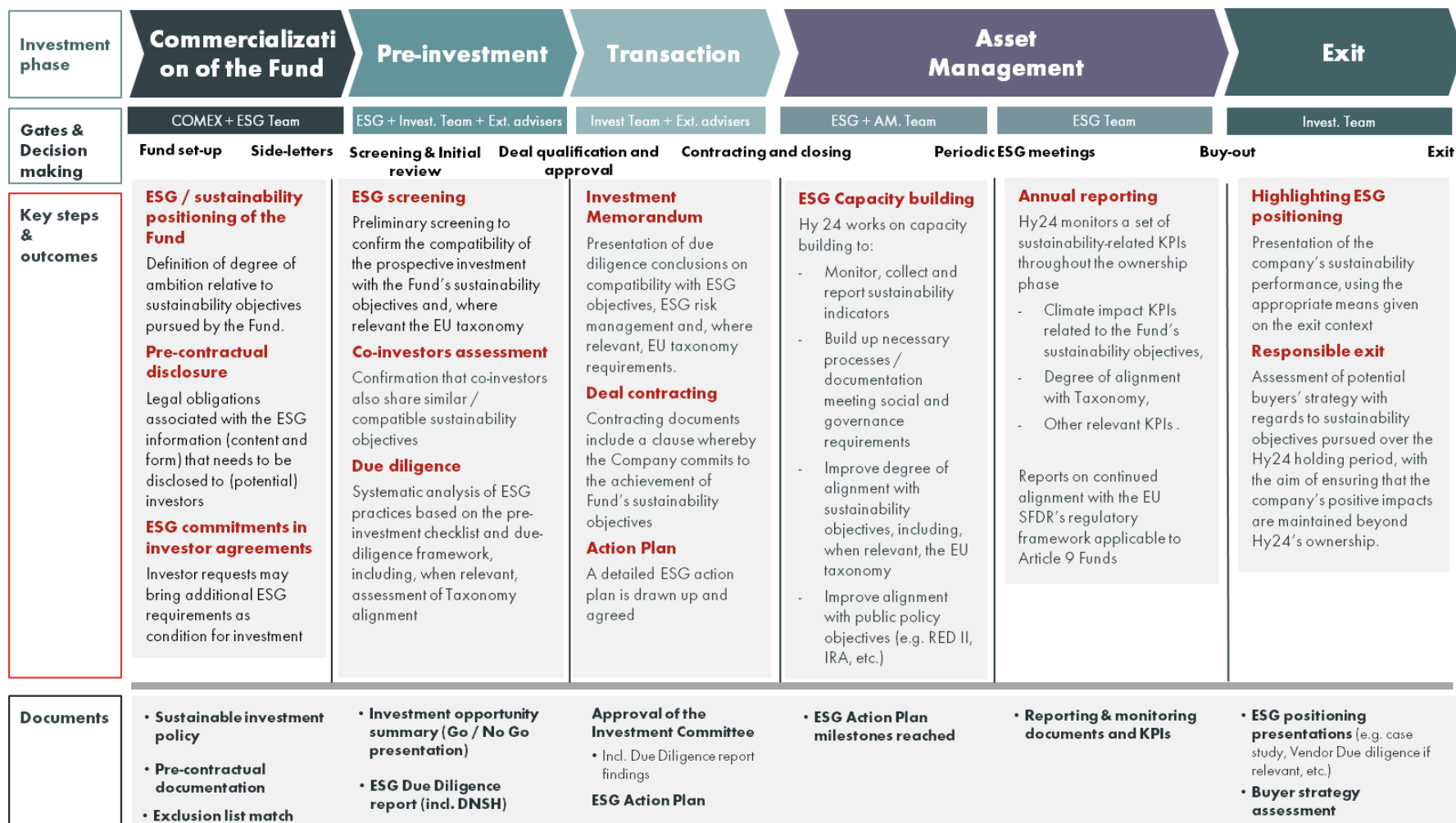
Besides our selective investment strategy limited to low-carbon hydrogen technologies, we seek to integrate sustainability risks and opportunities into all phases of the investment process.

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<sup>10</sup> See SFDR - articles 3 and 6

### 3.4.1 Overview

Figure 3: Overview of intended process of ESG Integration in Hy24's investment process<sup>11</sup>



<sup>11</sup> The process below indicates the intended process for integration of ESG considerations throughout the investment process. This process may be adapted, depending on the specific situation of individual deals.

### 3.4.2 Investment screening

- **Pre-due diligence phase:** Hy24's investment officers conduct a preliminary screening to ensure that the opportunity is aligned within the Fund's sectoral targets and strategic purpose, since Hy24 refrains from investing in activities that are not in line with the sustainability objectives stated above. At this stage of the investment process, Hy24 requires that investment teams demonstrate either (1) the compatibility of the company with the Fund's sustainability objectives and / or (2) the viability of a roadmap to become compatible within a short time-frame and (3) the activity is not excluded as per the exclusion list.
- **Assessment of co-investors' sustainability priorities:** Hy24 performs an assessment of co-investors' priorities and interests on sustainability topics, namely with regards to sustainability objectives. Investment teams are required to confirm that co-investors also consider the company's EU Taxonomy alignment as a strategic priority.

### 3.4.3 Pre-investment phase

- **ESG due diligence:** The investment team, with support from the ESG team and, if necessary, external advisors<sup>12</sup> perform an extensive ESG due diligence assessment which focuses on the company's positioning vis-à-vis the Fund's sustainability objectives. When applicable, this due diligence also assesses the company's level of alignment with the EU Taxonomy, alignment with DNSH principles as well as its practices and performance in terms of sustainability risk management.
  - o As Manager of "Article 9" Funds as defined by the EU SFDR, Hy24's ESG due diligence process will confirm that the investment target:
    - substantially contributes to the environmental objectives pursued by the Fund **or** has the transformation potential to do so.
    - does no significant harm to other environmental objectives
    - carries out its activities in compliance with the minimum safeguards, by reference to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights based in accordance with a materiality assessment
  - o When relevant, the ESG due diligence will also evaluate the target's potential to align with the criteria of the EU Taxonomy. If the assessment determines that taxonomy alignment is not relevant, it will duly substantiate the reasons behind this choice.
  - o Hy24 will use its bespoke "ESG DD template" and specific risk assessment methodology as a basis for its Due Diligence report<sup>13</sup>.
- **Investment decision:** Hy24 investment teams prepare an Investment Memorandum that presents due diligence conclusions, including the ESG due diligence. This Memorandum is presented to the Investment Committee, which issues the investment recommendation leading to the transaction decision. Depending on the materiality of ESG risks identified in the due diligence phase and the maturity of the company's mitigation practices, corrective actions may be embedded into a post-acquisition plan.
- **Environmental and Social Action Plans (ESAPs):** Based on the results of the ESG DD report, Hy24's ESG teams and, if applicable, external advisors, will draft<sup>14</sup> an Environmental and Social Action Plan which will include the necessary actions to ensure compliance with all elements of Hy24's responsible investment objectives (i.e. contribution to climate change mitigation, Do No Significant Harm, Minimum Social Safeguards and, if applicable compliance with EU Taxonomy). The ESAP will include a prioritisation and timeline for implementation of required actions. The ESAP will also contain a draft version of the monitoring and reporting framework.

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<sup>12</sup> Hy24 maintains framework agreements with PWC and Hy Legal for the performance of ESG DD activities. The investment team, in agreement with the ESG team will decide, depending on the specificities of each deal process, which external advisor to contract for the performance of individual Due Diligences

<sup>13</sup> The ESG DD templates and key areas of focus may be adapted, as necessary, to the specificities of each deal.

<sup>14</sup> The ESAP will be finalised, in cooperation and cooperation with the target, at the latest, before financial close.

- **Deal contracting:** Contracting documents issued by Hy24 include an ESG clause requiring the company's alignment with the Fund's sustainability objectives, finalisation and implementation of draft ESAP and compliance with ESG monitoring and reporting obligations.

These requirements are monitored through regular ESG reporting

### 3.4.4 Ownership phase and portfolio management

During the ownership phase, Hy24 will focus on two key elements:

- i. **ESG capacity building** which is performed through close monitoring of the implementation of the ESG Action Plan developed during the investment phase

Where the target assets were not aligned with Hy24 sustainable investment criteria at the moment of acquisition, an ESG action plan (ESAP) will be drafted finalised and implemented during the ownership phase.

The ESG team, with support from external advisors and under the supervision of the investment teams will monitor the implementation of ESG action plans and propose changes, in accordance with the progress of each asset. The asset manager of each asset will integrate E&S monitoring and E&S risk assessments within the standard risk management framework of each asset. Each major decision gate (e.g. follow-up investment decisions, project FID's etc.) will include an assessment of the progress / ESG status of the asset / project in question.

- ii. **Annual monitoring and reporting**, which entails the collection of data to assess the ESG performance of the company, ensure compliance with our ESG commitment notably under Article 9 of the SFDR and ensure our ability to report to our LPs and other stakeholders (public authorities, labels and ESG association like UNPRI, etc.)

Hy24 will monitor and report on the full spectrum of KPIs throughout the ownership phase, for each portfolio company. Those KPIs can be grouped under three categories:

- **"Horizontal" KPIs**, which directly highlight the extent to which each portfolio company is aligned with the Fund's strategic purpose and sustainability objectives, as defined in section 3.2.1.
- **Principal Adverse Impacts (PAIs)**, (see below) which measure the extent to which each portfolio company is managing potential sustainability risks and opportunities associated with its operations and value chain.
- **EU Taxonomy associated indicators**, which measures the degree with which the activities of portfolio companies can demonstrate a substantial contribution to climate change mitigation, while meeting all other specific environmental (DNSH) and minimum social safeguard requirements of the EU Taxonomy for sustainable finance

Through this monitoring system, Hy24 ensures its portfolio's continued alignment with the EU SFDR's regulatory framework and contributes to the continuous improvement of its portfolio companies.

Sustainability related KPIs monitored by Hy24 include the Principal Adverse Impacts (PAIs) listed by the Regulatory Technical Standards associated with the SFDR.

Figure 4: List of Mandatory and optional Principal adverse impact indicators monitored by Hy24

	Mandatory Principal Adverse Impacts indicators	Other Principal Adverse Impacts indicators
	Climate and other environment-related indicators	Climate and other environment-related indicators
<b>CO2 &amp; Renewable</b>	<b>1</b> GHG emissions	
	<b>2</b> Carbon footprint	
	<b>3</b> GHG intensity of investee companies	
	<b>4</b> Share of investments in companies active in the fossil fuel sector	
	<b>5</b> Share of non-renewable energy consumption and production	
	<b>6</b> Energy consumption intensity per high impact climate sector	
<b>Environment</b>	<b>7</b> Activities negatively affecting biodiversity-sensitive areas	
	<b>8</b> Emissions to water	
	<b>9</b> Hazardous waste ratio	
	Social and employee, respect for human rights, anti-corruption & anti-bribery indicators	Social and employee, respect for human rights, anti-corruption & anti-bribery indicators
<b>Social &amp; Governance</b>	<b>10</b> Violation of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	
	<b>11</b> Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises	
	<b>12</b> Unadjusted gender pay gap	
	<b>13</b> Board gender diversity	
	<b>14</b> Exposure to controversial weapons	
		<b>15</b> Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas - Share of investments in investee companies whose operations affect threatened species
	<b>16</b> Share of investments in investee companies without a workplace accident prevention policy	

### 3.4.5 Exit phase

At exit, Hy24 highlights the portfolio company’s sustainability performance, using appropriate means given the context (e.g., case study, vendor due diligence, etc.).

In addition, Hy24 also assesses the extent to which potential buyers’ sustainability interest are aligned with the Taxonomy alignment objectives pursued over the Hy24 holding period, with the aim of ensuring that the company’s positive impacts are maintained beyond Hy24’s ownership. In this context, when the specific exit context allows it, Hy24 also plans to request a commitment from the buyer to maintain the asset’s alignment with the European Taxonomy.

## 3.5 Inclusion of climate and biodiversity risks throughout the investment process

Across the different phases of its investment process, Hy24 (1) ensures the compliance of its portfolio companies’ with their activities’ specific EU Taxonomy DNSH<sup>15</sup> criteria and (2) monitors a set of principal adverse impacts (PAIs) metrics, both of which already effectively integrate the management of climate change and biodiversity risks to the investment process. The two subsections below highlight how it is done specifically for each topic, in relation with the requirement of France’s Loi Energie-Climat<sup>16</sup>.

### 3.5.1 Climate change

Climate change impacts constitute a key topic of Hy24’s materiality analysis. Climate risks are fully integrated in our decision-making process and closely monitored throughout the holding period of the target investments. In line with global commitments and the French legislation, Hy24 consolidates and communicates in an annual report:

- The portfolio’s exposure to climate change risks
- The Fund’s strategy to contribute to an alignment with the Paris agreement objectives

<sup>15</sup> Do No Significant Harm  
<sup>16</sup> Loi Energie Climat of 8 November 2019



- A quantitative estimate of the financial impact of the main ESG risks, including climate change and biodiversity related risks.

Hy24 also keeps track of its alignment with the EU Taxonomy climate mitigation objective.

### 3.5.2 Biodiversity

Biodiversity preservation is a key issue for the energy sector, and an essential pillar of the recent French Legislation. Consequently, Hy24 conducts a risk analysis of biodiversity issues throughout the investments process in order to:

- Identify the material biodiversity risks faced by the assets
- Be able to closely monitor and communicate over the portfolio's biodiversity footprint. To this effect, Hy24 monitors the number of species covered by the assets' impact assessment and impact mitigation plan.

## 3.6 Information on Principal Adverse Impacts<sup>17</sup>

As part of our commitment to responsible investing and in line with the EU SFDR and Taxonomy, Hy24 aims at mitigating the negative impacts of its investment decisions on sustainability factors. Principal adverse impacts are considered through a rigorous selection policy, as well as the analysis, monitoring and support of the investment portfolio using an ESG framework. Those impacts are assessed pre-investment and monitored annually throughout the holding period to ensure an improvement of performance across relevant metrics.

- As regards environmental criteria, Hy24 particularly focuses on the reduction of greenhouse gas emissions, waste management, as well as energy and water consumptions, all specific to hydrogen activities and representing crucial issues for decarbonization.
- As regards social criteria, Hy24 pays specific attention to business ethics and transparency, ensuring investees align with the UN global compact principles and OECD guidelines for Multinational Enterprises.
- Finally, Hy24 believes that it can engage with companies to mitigate adverse impacts and drive change.

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<sup>17</sup> See SFDR – articles 4 & 7

## 4. Appendices

### 4.1 Appendix 1: Details of the UN Principles for Responsible Investment (PRI)

The six Principles for Responsible Investment offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles developed by investors and for investors are voluntary and aspirational. In implementing them, signatories contribute to developing a more sustainable global financial system.

#### Signatories' commitments

"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

**Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.

**Principle 6:** We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General.

In signing the Principles, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.

We encourage other investors to adopt the Principles."

### 4.2 Appendix 2 : LuxFlag labeling for Clean Hydrogen Equipment Fund

We are pleased to confirm that the Clean Hydrogen Equipment Fund has been awarded the LuxFLAG Climate Finance Applicant Fund Status Label, for a period starting on 1 July 2024 and ending on 30 June 2025.

The LuxFLAG Climate Finance Label is distinguished for its rigorous assessment of the investment product's climate-related strategy and its contribution to sustainable climate initiatives. It affirms the fund's dedication to addressing climate challenges and meeting the essential criteria integral to the LuxFLAG Climate Finance Label.

