



Annual report 2021

**under Article 29
of the French Energy and Climate Law**

FOREWORD

As Hy24 is a French management company approved by the AMF under n° GP-202171 on 19 November 2021.

Hy24 is subject to the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services (known as the “SFDR”) and the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (known as the “Taxonomy Regulation”).

As a French management company, Hy24 is also subject to Article 29 of the Energy and Climate Law no. 2019-1147 of 8 November 2019 (known as the “LEC”) and its implementing Decree no. 2021-663 of 27 May 2021 that articulates ESG disclosure requirements for financial market participants at the EU and French level.

No investment was made by Hy24 in 2021. However, Hy24 has chosen to use the reporting requirements included in the LEC and its implementing decree as a framework to describe its general approach on a voluntary basis.

1. Hy24’s approach to the integration of ESG

1.1. Hy24’s ESG-driven strategy

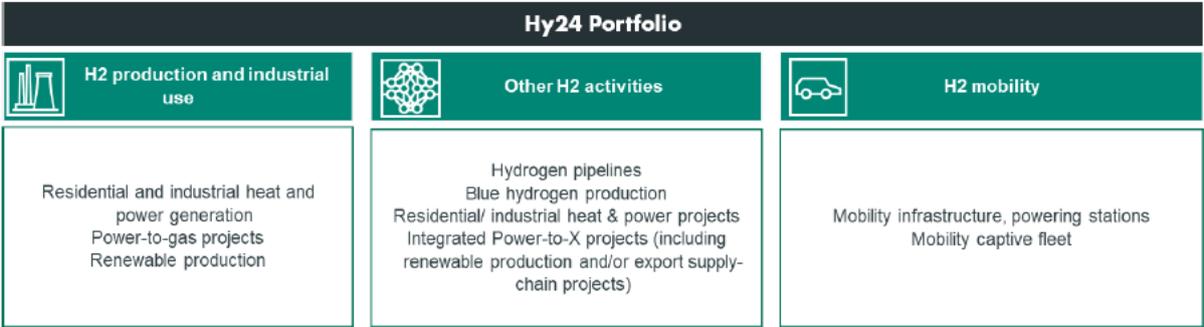
Hy24’s strategic purpose is to accelerate the global energy transition through investments in strategic infrastructure projects relying on clean hydrogen. In doing so, the management company will responsibly create sustainable value across the clean hydrogen value chain and build the infrastructure for tomorrow’s energy models.

Hydrogen production, storage, and distribution are key to carbon emission reduction policies, as energy production is one of the main sources of carbon dioxide emissions. Hy24 therefore directly contributes to reducing carbon emissions generated by energy consumption, with a view to support the long-term global warming objective of the Paris Agreements.

Hy24 currently manages the Clean H2 Infra fund which has sustainable investment as its objective as referred to in Article 9 of the SFDR (“Article 9 fund”). The manufacture, transmission, storage and use of hydrogen for transportation and energy production is already embedded in the **EU Taxonomy framework** as well as in the path towards net zero emissions in the European Union. In this regard, Hy24 aims to have all or quasi all its assets aligned with the EU Taxonomy in terms of climate change mitigation and adaptation objectives. Therefore our investments are either sustainable at the acquisition stage or following a transformation path in view to fully align with the Taxonomy technical criteria within 5 years¹. The Fund may also invest in activities related to clean H2 that fully pursue the environmental objective of the Taxonomy but that are not listed or not yet listed in the Taxonomy Delegated Acts, which are still under development and cannot be fully exhaustive. In this case, the Fund will as much as possible apply by analogy the Taxonomy requirements and explain its approach in its annual reports.

¹ The 5-year horizon could be extended to maximum 10 years, in case a longer period is objectively justified by specific features of the economic activity and the upgrade concerned

Hy24 has set a clear sectoral boundary to its investments. Hy24’s goal is to target opportunities in the hydrogen sector with a focus on three main pillars: hydrogen production and industrial uses (“Power to X”), other hydrogen-related activities in the energy sector and H2 mobility.



Hy24’s Responsible Investment Policy relies on the following strategic pillar:

- **Positive impact:** Hy24 targets exclusively 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 segments, adding-in screening criteria and continuous monitoring.
- **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.

1.2. ESG in Hy24’s Governance

Hy24 has developed a dedicated governance structure to ensure that its funds’ sustainability objectives are achieved.

On an operational level:

- The **Investment team**, which is directly in charge of deal flow screening, due diligences and engagement with portfolio companies, is responsible for implementing Hy24’s Responsible Investment Procedure.
- The **ESG team** is composed of Hy24’s General Counsel and Head of ESG and Public Affairs, with the support of a team of dedicated analysts. The ESG team supports investments teams in the investment process implementation, namely through sustainability-specific expertise. The team is also in charge of implementing portfolio-level aspects of the Responsible Investment Procedure, including LP reporting and overall portfolio performance review.
- The **ESG working group** is composed of Hy24’s ESG team, some members of Hy24’s investment team as well as representatives of Ardian ESG team. The ESG working group is in charge of defining the ESG initial framework, including the Responsible Investment Procedure, as well as overseeing the implementation of the fund’s ESG policy.

On a strategic level:

Hy24 has formed a strategic **Sustainability Committee**, composed of Hy24’s President, Director General, and Executive Committee, as well as external expert advisors. It is chaired by Candice Brenet Head of Sustainability and Digital Transformation at Ardian

This Committee meets formally annually to review the 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 aims at bringing a critical and prospective view on the ESG policy.

1.3. Sustainability aligned compensation-policy²

Hy24 considers sustainability risks throughout the investment process, in accordance with the most recent regulations in the EU and in France. Hy24’s team’s annual variable remuneration is partly based on the achievement of Hy24’s ESG commitment.

1.4. ESG integration in the investment process

Besides Hy24’s selective investment strategy limited to clean hydrogen technologies, we seek to integrate sustainability risks and opportunities into all phases of the investment process.

Figure 1: Overview of intended process of ESG Integration in Hy24's investment process³

Investment phase	Commercialization of the Fund	Pre-investment	Transaction	Asset Management	Exit	
Gates & Decision making	COMEX + ESG Team	ESG + Invest. Team + Ext. advisers	Invest Team + Ext. advisers	ESG + AM. Team	ESG Team	Invest. Team
Key steps & outcomes	Fund set-up Side-letters ESG / sustainability positioning of the Fund Definition of degree of ambition relative to sustainability objectives pursued by the Fund. Pre-contractual disclosure Legal obligations associated with the ESG information (content and form) that needs to be disclosed to (potential) investors ESG commitments in investor agreements Investor requests may bring additional ESG requirements as condition for investment	Screening & Initial review Taxonomy screening Preliminary screening to confirm either (1) the current eligibility of the company to the EU Taxonomy or (2) the viability of a roadmap to transform the company and ensure its future eligibility to the EU Taxonomy Co-investors assessment Confirmation that co-investors also consider the company's EU Taxonomy alignment as a strategic priority Due diligence Systematic analysis of ESG practices based on the pre-investment checklist and due-diligence framework, which includes a thorough Taxonomy alignment assessment	Deal qualification and approval Investment Memorandum Presentation of due diligence conclusions, including the ESG due diligence's conclusions on alignment and sustainability risk management, and directly informs the investment decision Deal contracting Contracting documents include a clause whereby the Company commits to the achievement of Fund's sustainability objectives Action Plan A detailed ESG action plan is drawn up and agreed	Contracting and closing ESG Capacity building Hy 24 works with the asset to build capacities to - Monitor, collect and report sustainability indicators - Build up necessary processes / documentation meeting social and governance requirements - Improve degree of alignment with regulatory requirements, including taxonomy and policy requirements (e.g. RED II, IRA, etc.)	Periodic ESG meetings Annual reporting Hy24 monitors a set of sustainability-related KPIs throughout the ownership phase - Degree of alignment with Taxonomy, in particular TSC - Climate impact KPIs related to the Fund's sustainability objectives, as defined above; - Sustainability risks and externalities management KPIs. Reports on continued alignment with the EU SFDR's regulatory framework :	Buy-out Exit Highlighting ESG positioning Presentation of the company's sustainability performance, using the appropriate means given on the exit context Responsible exit Assessment of potential buyers' strategy with regards 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..
Documents	<ul style="list-style-type: none"> Sustainable investment policy Pre-contractual documentation 	<ul style="list-style-type: none"> Investment opportunity summary (Go / No Go presentation) ESG Due Diligence report 	<ul style="list-style-type: none"> Approval of the Investment Committee Ind Due Diligence report findings ESG Action Plan 	<ul style="list-style-type: none"> ESG Action Plan milestones reached 	<ul style="list-style-type: none"> Reporting & monitoring documents and KPIs 	<ul style="list-style-type: none"> ESG positioning presentations (e.g. case study, Vendor Due diligence if relevant, etc.) Buyer strategy assessment

² See SFDR Article 5

³ 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.

Investment Screening

- **Pre-due diligence phase:** Hy24 conducts a preliminary screening to ensure that the opportunity is aligned within the Fund's sustainability objectives 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 thus requires that investment teams demonstrate either (1) the current eligibility of the company to the EU Taxonomy or (2) the viability of a roadmap to transform the company and ensure its future eligibility to the EU Taxonomy. The fund may also invest in activities related to clean H2 that fully pursue the environmental objectives of the EU Taxonomy but which are not listed or not yet listed in the Taxonomy Delegated Acts, as they are still under development and cannot be fully exhaustive. In this case, the Hy24 investment team should ensure it applies requirements based on analogy with activities listed in the EU Taxonomy.
- **Assessment of co-investors' sustainability priorities:** Hy24 performs an assessment of co-investors' priorities and interests on sustainability topics, namely with regards to Taxonomy alignment objectives. Investment teams are required to confirm that co-investors also consider the company's EU Taxonomy alignment as a strategic priority.

Pre-investment phase

- **ESG due diligence:** The investment team performs an extensive ESG due diligence assessment, supported by external advisors when necessary, which focuses on the company's positioning vis-à-vis the Fund's sustainability objectives. This due diligence assesses the company's level of alignment with the EU Taxonomy, as well as its practices and performance in terms of sustainability risk management.
 - o **Taxonomy alignment assessment:** Hy24 evaluates the degree to which its investment activities in hydrogen are considered sustainable according to the EU Taxonomy Regulation.⁴ As an Article 9 Fund as defined by the EU SFDR, Hy24's ESG due diligence process must confirm that the investment target:
 - substantially contributes to one or more of the environmental objectives set out in Article 9 of the Taxonomy Regulation **or** has the transformation potential to substantially contributes to one or more of the environmental objectives set out in Article 9 of the Taxonomy Regulation, with the appropriate CAPEX plan in place;
 - does not significantly harm any of the environmental objectives set out in Article 9 of the Taxonomy Regulation;
 - carries out its activities in compliance with the minimum safeguards laid down in Article 18 of the Taxonomy Regulation, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights;

⁴ Article 3 of the EU Taxonomy Regulation 2020/852 of 18 June 2020

- complies with available technical screening criteria and respects the thresholds⁵ set out in the Taxonomy regulatory framework **or** has the transformation potential to comply with available technical screening criteria and respects the thresholds set out in the Taxonomy regulatory framework, with the appropriate CAPEX plan in place. If the activity is not listed in the Taxonomy Regulation, TSC requirements will be applied as much as possible by analogy with activities listed in the Taxonomy.
- **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.
- **Deal contracting:** Contracting documents issued by Hy24 include a dedicated clause part on the company's alignment with the Fund's sustainability objectives, requiring that:
 - Assets that are already aligned with the EU Taxonomy at the moment of acquisition phase maintain their alignment.
 - In-transition companies for which an EU Taxonomy alignment roadmap and CAPEX plan has been defined implement this roadmap in a timely manner.
 - Project developers deliver EU Taxonomy-aligned projects, bearing in mind that the Fund will only release capital if the project is EU Taxonomy-aligned or has the potential to become EU Taxonomy-aligned within the required time horizons.

These requirements are monitored through regular ESG reporting.

Ownership phase and portfolio management

Hy24 monitors a set of sustainability related KPIs throughout the ownership phase, for each portfolio company. Those KPIs can be grouped under two categories:

- **Climate impact KPIs**, which directly highlight the extent to which each portfolio company is aligned with the Fund's strategic purpose and sustainability objectives, as defined above.
- **Sustainability risks and externalities management KPIs**, which measure the extent to which each portfolio company is managing potential sustainability risks and opportunities associated with its operations and value chain.

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

⁵ For example, and with regards to H2 manufacturing activities, the generated emissions should be less than 3 tCO₂eq/tH₂ according to the regulation's technical screening criteria, as of November 26, 2021.

Figure 2: List of Mandatory and optional Principal adverse impact indicators monitored by Hy24

Mandatory Principal Adverse Impacts indicators	Other Principal Adverse Impacts indicators
<p style="text-align: center; background-color: #f2f2f2; margin: 0;">Climate and other environment-related indicators</p> <ol style="list-style-type: none"> 1 GHG emissions 2 Carbon footprint 3 GHG intensity of investee companies 4 Share of investments in companies active in the fossil fuel sector 5 Share of non-renewable energy consumption and production 6 Energy consumption intensity per high impact climate sector 7 Activities negatively affecting biodiversity-sensitive areas 8 Emissions to water 9 Hazardous waste ratio 	<p style="text-align: center; background-color: #f2f2f2; margin: 0;">Climate and other environment-related indicators</p> <ol style="list-style-type: none"> 1 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
<p style="text-align: center; background-color: #f2f2f2; margin: 0;">Social and employee, respect for human rights, anti-corruption & anti-bribery indicators</p> <ol style="list-style-type: none"> 10 Violation of UN Global Compact principles and OECD Guidelines for Multinational Enterprises 11 Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises 12 Unadjusted gender pay gap 13 Board gender diversity 14 Exposure to controversial weapons 	<p style="text-align: center; background-color: #f2f2f2; margin: 0;">Social and employee, respect for human rights, anti-corruption & anti-bribery indicators</p> <ol style="list-style-type: none"> 1 Share of investments in investee companies without a workplace accident prevention policy

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.

Where the target assets is not aligned at the moment of acquisition an ESG action plan will be drafted and implemented during the ownership phase.

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 plans also to request a commitment from the buyer to maintain the asset’s alignment with the European Taxonomy.

2. Communication with stakeholders around ESG matters

Hy24 aims to bring together more institutional investors and industrial companies to create investment opportunities for clean hydrogen projects around the world.

Throughout the holding period, Hy24 maintains a constant dialogue with the **portfolio company's management teams** and actively monitors the evolution of their ESG practices.

Hy24 also receives the support of external consultants to perform periodic ESG reviews. The results of these ESG reviews serve as a basis for the establishment of recommendations and goals with concrete action plans to help portfolio companies to improve their ESG performance. For instance, Hy24 is committed to support its portfolio companies in meeting the requirements of the Taxonomy Regulation through the development of action plans which simultaneously allows the tracking and monitoring of taxonomy-related criteria.

Hy24 makes every effort to meet investors' expectations, facilitate their access to information, and provide them with clear and transparent information based on **regular and value-added reporting**. Annual ESG reports are sent to investors to describe the progress made during the reference period. These reports include all information required by the applicable regulations, such as the SFDR or the Taxonomy Regulation. In addition, Hy24 reports annually to the PRI, providing information on the integration of ESG into its investment process.

3. Assets under management taking ESG quality criteria into account

Hy24's Clean H2 Infra Fund aims to accelerate the global energy transition through investments in strategic infrastructure projects relying on clean hydrogen. In such, Hy24 qualifies Clean H2 Infra Fund as an "Article 9" fund as defined by the SFDR and will comply with its requirements.

Hy24 was founded in October 2021 and no investments were made over the period covered by the reporting requirements for 2021.

By the time of drafting this report, Hy24's Clean H2 Infra Fund had made 3 investments in 2022. These include stakes in (i) Enagas Renovables (ES) which develops projects and will co-own assets for renewable energy, renewable hydrogen, and biogas production. (ii) H2 Mobility Germany (DE) which specialises in the construction and operation of hydrogen refuelling stations and (iii) Hy2Gen (FR) which will aim to produce renewable hydrogen and ammonia. These investments are all in enabling activities listed by the EU Taxonomy for sustainable finance. The ESG process described in chapter 1.4 has been and is being applied for all three of them.

4. Adherence and participation in collective initiatives

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

Hy24 believes in the benefits of engaging with our peers and the wider investment industry to collectively address current and future economic, environmental, and social challenges.

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.

5. Sustainability risks management policy

Across the different phases of its investment process, Hy24 integrates the management of sustainability risks into the investment process. Among the risks taken into consideration, a special emphasis is put to risks associates with climate change and biodiversity loss.

5.1. Integation of climate-related risks

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 and European legislations, Hy24 monitors the portfolio exposure to climate change risks and assesses its contribution to the Paris Agreement objective. Hy24 also keeps track of its alignment with the EU Taxonomy climate change mitigation objective by reporting on the compliance with applicable requirements, including requirements relating to climate change adaptation.

5.2. Integration of biodiversity risks

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 and reports on the additional PAI n°14 on natural species and protected areas.

Correspondence table – Implementing decree of Article 29 of the French Energy and Climate

1. Information on the entity’s general approach	Correlated section in the report
a) Brief overview of the entity’s general approach for taking account of environmental, social and governance quality criteria and, in particular, in the investment policy and strategy	1. Hy24’ approach to the integration of ESG 5. Sustainability risks management policy
b) The content, frequency and means used by the entity to inform subscribers, affiliates, contributors, beneficiaries and clients about the environmental, social and governance quality criteria which are factored into the investment policy and strategy	2. Communication with stakeholders around ESG matters
c) A list of the financial products mentioned in respect of Articles 8 and 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 and the overall proportion, as a percentage, of the assets under management taking account of environmental, social and governance quality criteria in the total amount of assets under management	3. Assets under management taking ESG quality criteria into account
d) Taking account of environmental, social and governance quality criteria in the decision-making process for the allocation of new management mandates by the entities mentioned in Articles L.310-1- 1-3 and L.385-7-2 of the Insurance Code	N/A
e) Adherence of the entity or certain financial products to a charter, code, initiative, or obtaining certification for taking account of environmental, social and governance quality criteria, and a brief description of these, consistent with d) of 2 of Article 4 of the above-mentioned regulation.	4. Adherence and participation in collective initiatives