



# **Annual report 2022**

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

*Version of 07.07.2023*

## FOREWORD

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. This report complies with the requirements of Article 29 of Law no. 2019-1147 of November 8, 2019 and its implementing decree no. 2021-996 published on May 27, 2021. As required by the AMF instruction DOC-2008-03, it is based on the structure described in Appendix A available on ROSA for entities with less than 500m€ under management.

# Part A: Hy24’s general approach on considering environmental, social, and quality of governance criteria

## 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 aims to **create sustainable value across the hydrogen value chain**, significantly contribute to climate change mitigation and build the infrastructure needed for **tomorrow’s sustainable energy models**.

Hydrogen has a key role to play in the energy transition, in particular as an enabler of renewable and low-carbon energy in the industrial, transport and energy sectors. Most energy transition scenarios account for a **large increase in hydrogen production and a rapid shift in the sources of energy for its generation**. According to IRENA’s 1.5°C energy transition scenario, electrolyser capacity should increase from 0.3 GW in 2021 to 5000 GW in 2050, and green hydrogen should contribute to 10% of total carbon emissions abatements.

Hence, by investing in low-carbon hydrogen production, storage and distribution, Hy24 is **directly contributing to reducing and/or avoiding carbon emissions with a view to support the long-term global warming objectives of the Paris agreements**.

Hy24 has set a clear sectoral boundary to its investments, with a goal 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.

Figure 1: Sectoral boundaries of Hy24’s investments in 2022

Hy24 Portfolio		
 <b>Power to hydrogen and hydrogen derivatives*</b>	 <b>Midstream and other usages</b>	 <b>H2mobility and its associated supply chain</b>
Renewable Hydrogen Production (incl. associated renewable energy generation) Power-to-X  <i>*Hydrogen derivatives including but not limited to ammonia, methanol, e-fuels</i>	Transportation and storage of hydrogen and hydrogen derivatives Other non-mobility applications (including but not limited to power and steel)	Hydrogen infrastructure and vehicles covering all forms of mobility (ground, rail, air and marine including fueled with hydrogen derivatives) and associated supply chain investments

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”). Additionally, 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 align, when relevant, its assets with the EU Taxonomy criteria for contributing to climate change mitigation.

At Hy24 level, the team is committed to improving its internal capabilities and performance in terms of ESG in order to better support portfolio companies in doing so at their level. Hy24 is

currently drafting its diversity policy for the management company and has set diversity and inclusion targets to reach 25% of women in Investment Committees by 2030, 30% by 2035 and to reach 40% of women in investment teams by 2030.

Hy24 is also looking to collect CO<sub>2</sub> data at the management company level with the objective of **reducing its own carbon footprint** to stay **aligned with its Fund's objectives of supporting the long-term global warming objectives of the Paris agreement**. The management company is also investing more resources into its data management and benchmarking capacities to improve the quality of its ESG analysis and reporting.

Finally, in 2022, Hy24 started reflecting on further anchoring its ambition to support the energy transition by becoming a "Société à mission" or B-Corp. This reflection will be pursued in 2023.

## 1.2. ESG in Hy24's Governance

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

### **At the 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**, composed of Hy24's General Counsel and Head of ESG and Public Affairs, with the support of a team of dedicated analysts and operating partners, supports the investment teams in the implementation of the Responsible Investment Procedure 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**, composed of Hy24's ESG team, members of Hy24's investment team as well as representatives of Ardian's ESG team, helped define the initial ESG framework, including the Responsible Investment Procedure and helps overseeing the implementation of the Fund's ESG policy.

### **At the strategic level:**

Hy24 has formed a **strategic Sustainability Committee** presided by Ardian's Head of Sustainability and composed of Hy24's President, Director General, and Executive Committee, as well as external expert advisors and experts from Ardian's sustainability team. This Committee formally meets annually to **review the Responsible Investment Procedure**, the **Fund's level of alignment with its sustainability objectives**, and to bring a critical and prospective view on the ESG policy.

In addition, external advisors are consulted on an ad hoc basis to provide advice on specific investment opportunities and their contribution to the Fund's global sustainability objectives.

### 1.3. Sustainability aligned compensation-policy<sup>1</sup>

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 objectives, defined as **the two following targets**:

- 100% of the Fund's assets are economically sustainable activities within the meaning of the SFDR (which includes assets in a transition phase integrating a strategic action plan to meet the Fund's sustainability criteria, as defined in the Fund's precontractual documents), and
- 100% of 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.

### 1.4. ESG integration in the investment process

In order to achieve its purpose, Hy24 has **placed ESG and sustainable investment at the core of its investment strategy** and has **operationalised this approach within its [responsible investment policy](#)**. Hy24's Responsible Investment Policy was designed during the pre-commercialisation phase of the Fund. It was published on Hy24's website in 2022 and amended in June 2023. The policy is regularly updated to reflect regulatory evolution and clarification, especially within the space of Sustainable Finance and EU Taxonomy Disclosure Regulations.

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

- **Positive impact:** Hy24's Clean H2 Infra fund 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.

The core of Hy24 ESG-driven strategy is the **full integration of ESG matters in the investment process**:

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<sup>1</sup> See Article 5 of Regulation (EU) 2019/2088

Figure 2 : Overview of intended process of ESG Integration in Hy24's investment process<sup>2</sup>

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	<b>Fund set-up</b> <b>Side-letters</b> <b>ESG / sustainability positioning of the Fund</b> Definition of degree of ambition relative to sustainability objectives pursued by the Fund. <b>Pre-contractual disclosure</b> Legal obligations associated with the ESG information (content and form) that needs to be disclosed to (potential) investors <b>ESG commitments in investor agreements</b> Investor requests may bring additional ESG requirements as condition for investment	<b>Screening &amp; Initial review</b> <b>Taxonomy screening</b> 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 <b>Co-investors assessment</b> Confirmation that co-investors also consider the company's EU Taxonomy alignment as a strategic priority <b>Due diligence</b> Systematic analysis of ESG practices based on the pre-investment checklist and due-diligence framework, which includes a thorough Taxonomy alignment assessment	<b>Deal qualification and approval</b> <b>Investment Memorandum</b> Presentation of due diligence conclusions, including the ESG due diligence's conclusions on alignment and sustainability risk management, and directly informs the investment decision <b>Deal contracting</b> Contracting documents include a clause whereby the Company commits to the achievement of Fund's sustainability objectives <b>Action Plan</b> A detailed ESG action plan is drawn up and agreed	<b>Contracting and closing</b> <b>ESG Capacity building</b> 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.)	<b>Periodic ESG meetings</b> <b>Annual reporting</b> 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.	<b>Buy-out</b> <b>Highlighting ESG positioning</b> Presentation of the company's sustainability performance, using the appropriate means given on the exit context <b>Responsible exit</b> 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...	<b>Exit</b>
Documents	<ul style="list-style-type: none"> <li>Sustainable investment policy</li> <li>Pre-contractual documentation</li> </ul>	<ul style="list-style-type: none"> <li>Investment opportunity summary (Go / No Go presentation)</li> <li>ESG Due Diligence report</li> </ul>	<ul style="list-style-type: none"> <li>Approval of the Investment Committee</li> <li>incl Due Diligence report Findings</li> <li>ESG Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>ESG Action Plan milestones reached</li> </ul>	<ul style="list-style-type: none"> <li>Reporting &amp; monitoring documents and KPIs</li> </ul>	<ul style="list-style-type: none"> <li>ESG positioning presentations (e.g. case study, Vendor Due diligence if relevant, etc.)</li> <li>Buyer strategy assessment</li> </ul>	

**Investment Screening**

- **Pre-due diligence phase:** As Hy24 refrains from investing in activities that are not in line with its sustainability objectives during the pre-investment stage, it conducts a preliminary screening to **ensure that the opportunity is aligned within the Fund's sectoral targets and strategic purpose.**
- **Assessment of co-investors' sustainability priorities:** Hy24 performs an assessment of co-investors' priorities and interests on sustainability topics, namely with regards to the EU 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, with support from the ESG team and, if necessary, external advisors, performs 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 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 As an article 9 Fund 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

<sup>2</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.

- 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
  - 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.
- **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 an ESG clause requiring the company's alignment with the Fund's sustainability objectives.

### Ownership phase and portfolio management

During the ownership phase, Hy24 undertakes an **engagement campaign with its portfolio companies**, with the goal of **improving their maturity on ESG priorities, building internal capacity within each asset** and, if it was not yet the case, **assisting them to comply with the regulatory requirements of the SFDR and seek maximum alignment with the EU Taxonomy when relevant**. In doing so, Hy24 ensures that portfolio companies are committed to **maximising their positive impact and minimising their potential negative impact** on their stakeholders and the environment. This engagement campaign was also key for Hy24 to meet its ambitions of fostering the hydrogen infrastructure in a sustainable way.

To do so, Hy24's ESG team developed, with the support of external consultants, an **ESG Monitoring Framework**, which contains an **Action Plan**, made up of concrete measures and actions to be implemented by portfolio companies for them **to seek maximum alignment with the criteria of the EU Taxonomy**, and a **Data Monitoring Sheet** to **collect and track the sustainability related KPIs**.

These Action Plans **act as roadmaps for the portfolio companies**, defining their priorities for ESG implementation, and guiding them in understanding the regulatory context by translating regulatory requirements into actionable measures. The Action Plans are updated along the year as supervisory authorities provide updates on the application of the regulation, through Q&As or European Commission notices.

Through the **Data Monitoring Sheet**, Hy24 can **collect and track a set of sustainability related KPIs** for each portfolio company. Those KPIs can be gathered 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. These KPI include the **Principal Adverse Impacts (PAIs)** as referred to in the Annex I of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022.



Figure 3: 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: #c00000; color: white; margin: 0;">Climate and other environment-related indicators</p> <ol style="list-style-type: none"> <li>1 GHG emissions</li> <li>2 Carbon footprint</li> <li>3 GHG intensity of investee companies</li> <li>4 Share of investments in companies active in the fossil fuel sector</li> <li>5 Share of non-renewable energy consumption and production</li> <li>6 Energy consumption intensity per high impact climate sector</li> <li>7 Activities negatively affecting biodiversity-sensitive areas</li> <li>8 Emissions to water</li> <li>9 Hazardous waste ratio</li> </ol>	<p style="text-align: center; background-color: #c00000; color: white; margin: 0;">Climate and other environment-related indicators</p> <ol style="list-style-type: none"> <li>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</li> <li>Share of investments in investee companies whose operations affect threatened species</li> </ol>
<p style="text-align: center; background-color: #c00000; color: white; margin: 0;">Social and employee, respect for human rights, anti-corruption &amp; anti-bribery indicators</p> <ol style="list-style-type: none"> <li>10 Violation of UN Global Compact principles and OECD Guidelines for Multinational Enterprises</li> <li>11 Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises</li> <li>12 Unadjusted gender pay gap</li> <li>13 Board gender diversity</li> <li>14 Exposure to controversial weapons</li> </ol>	<p style="text-align: center; background-color: #c00000; color: white; margin: 0;">Social and employee, respect for human rights, anti-corruption &amp; anti-bribery indicators</p> <ol style="list-style-type: none"> <li>1 Share of investments in investee companies without a workplace accident prevention policy</li> </ol>

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 relevant, Hy24 supports capacity building at portfolio company level to ensure the necessary capacities exist and are adequately supported to manage and deal with ESG risks.

**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 Funds sustainability 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 SFDR and, if relevant, the EU Taxonomy.

**2. Communication with stakeholders**

Hy24 aims to bring together 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. This is done with the support of external consultants and through Hy24 ESG Monitoring Framework, which provides concrete measures and actions for portfolio companies to **comply with the EU Taxonomy** applicable to their activities and build **ESG reporting capabilities**. Quarterly meetings are held with portfolio companies to discuss updates and provide **technical and regulatory support** for the completion of the ESG Monitoring Framework.



Maintaining a coherent and consistent dialogue with portfolio companies also implies a **coordination and alignment of ESG ambitions with co-investors**. In 2022, Hy24 met several times with the co-investors for its portfolio companies to discuss their ESG priorities, the Action Plans set for portfolio companies and organisations in terms of ESG reporting.

Moreover, 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, based on information collected through Hy24's ESG Monitoring Framework. These reports include all information required by the applicable regulations, such as the SFDR or the EU Taxonomy. In addition, Hy24 reports annually to the PRI, providing information on the integration of ESG into its investment process.

### **3. Adherence and participation in collective initiatives**

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

As such, 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.

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.

### **4. Sustainability risks management policy**

Hy24 has operationalised integration of ESG risks through its extensive engagement campaign, where it **supports the continuous improvement of its portfolio companies**. This includes, where relevant, supporting capacity building at portfolio company level to ensure the **necessary capacities exist to manage and deal with ESG risks**.

Among the risks taken into consideration, a **special emphasis** is put to risks associated with **climate change and biodiversity loss**.

#### **4.1. Integration of climate-related risks**

Climate change impacts constitute a key topic of Hy24's materiality analysis. Climate risks are fully integrated in Hy24's decision-making process and closely monitored throughout the pre-investment and holding periods 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. As such, the ESG team actively engages with portfolio companies, ensuring that climate risks are considered during the project development phases, pursuant to the Do No Significant Harm criteria under the EU Taxonomy Regulation.

#### **4.2. Integration of biodiversity risks**

Biodiversity preservation is a key issue for the energy sector, and an essential pillar of the recent French Legislation. Moreover, as the Fund targets the maximum Taxonomy- alignment of its activities, the monitoring and mitigation of biodiversity impact is central in the development of hydrogen production and distribution infrastructures. Consequently, the biodiversity topic is integrated at different stages of Hy24's investment process.

Through its due diligence approach, Hy24 seeks to confirm that the investment target does not significantly harm biodiversity (see 1.4. ESG integration in the investment process above). Based on the due diligence results, the protection of biodiversity is then integrated in the action plans developed by Hy24 for its portfolio companies, with the objective to support them managing their main impacts and mitigating biodiversity risks.

During the holding period, Hy24 supports its portfolio companies by reviewing documentation related to EIA (Environmental Impact Assessment) and EIA screening and providing tools to help identify potential additional biodiversity risks (e.g., identifying the presence of sites in or near biodiversity sensitive areas).

Specific indicators related to biodiversity are monitored during the holding period, pursuant to the Principle Adverse Impact indicators framework, namely: share of investment negatively affecting biodiversity sensitive areas and share of operations affecting threatened species.

## **Part B: 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**. As such, Hy24 qualifies the **Clean H2 Infra Fund as an "Article 9" fund as defined by the SFDR** and will comply with its requirements. As mentioned above, no other Fund was managed by Hy24 during the period covered by this report.

As Hy24 was founded in October 2021, the Fund made its three first investment in 2022. These include stakes in (i) Enagas Renovables (Spain) which develops projects and will co-own assets for renewable energy, renewable hydrogen, and biogas production. (ii) H2 Mobility Germany (Germany) which specialises in the construction and operation of hydrogen refuelling stations and (iii) Hy2Gen (France) which will aim to produce renewable hydrogen and hydrogen derivatives such as ammonia.

These three investments represent the perimeter of the period covered by the reporting requirement for 2022. Hy24 Responsible Investment Policy and ESG investment process described in chapter 1.4 apply to all three of them. Thus, **100% of assets under Hy24's management in 2022 have taken ESG criteria into account and respect the entity's ESG strategy, which represent approximately 40m€ of assets under management at the end of 2022.**

By the time of drafting this report, Hy24's Clean H2 Infra Fund had made one new investment (during the first quarter of 2023), in Everfuel, which develops green hydrogen infrastructures (renewable hydrogen production and hydrogen refuelling stations) in the Nordics.