



Sustainability-related disclosures
—
Clean Hydrogen Equipment Fund

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Summary

Hy24 Clean Hydrogen Equipment Fund has a **sustainable investment objective** in the meaning of Article 9 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector (SFDR). The sustainable investment objective is to **contribute to climate change mitigation, through investments in the clean hydrogen supply chain.**

By investing in innovative, growth-oriented companies along the clean hydrogen value chain, Hy24 Clean Hydrogen Equipment Fund aims to accelerate and scale-up the commercialisation of technologies, products and services which will enable the integration of **renewable and low-carbon energy, clean transportation and the decarbonisation of energy systems** through the production, transport, storage, distribution, and use of hydrogen.

To achieve its sustainable investment objective and avoid significant harm to any sustainable objective, **Hy24 integrates the consideration of sustainability impacts, risks and opportunities into all phases of the investment process.** To that end, Hy24 has developed a specific approach and resources to ensure ESG objectives are successfully met. This approach is outlined in Hy24's [Responsible Investment Policy](#).

Hy24 measures the attainment of the Fund's sustainable investment objective, through portfolio companies' **reporting of several key performance indicators**, such as the electrolysis capacity produced or installed, the hydrogen storage / transport / distribution capacity enabled, and the hydrogen consumption capacity enabled. The Fund also aims to **maximise the share of investments aligned with the EU Taxonomy**, and actively engages with portfolio companies to comply, where feasible, with criteria listed in the Climate Delegated Acts of the EU Taxonomy.

Hy24 ensures that the sustainable investments **do not significantly harm any of the sustainable investment objectives** thanks to portfolio companies' reporting of PAI indicators, the review of their application of EU Taxonomy's Do No Significant Harm (DNSH) criteria, as well as ensuring alignment of sustainable investments with the OECD guidelines for Multinational Enterprises (MNEs) and the UN Guiding Principles on Business and Human Rights.

Résumé

Le fond "Clean Hydrogen Equipment Fund" a pour **objectif d'investissement durable** de contribuer à **l'atténuation du changement climatique** par ses investissements dans la chaîne de valeur de l'hydrogène décarboné.

En investissant dans des entreprises en croissance innovantes tout au long de la chaîne de valeur de l'hydrogène décarboné, le Fonds a pour objectif d'accélérer et d'intensifier la commercialisation de technologies, les produits et les services qui permettront **l'intégration d'énergies renouvelables et décarbonés**, de **transports propres** et la **décarbonisation des systèmes énergétiques** grâce à la production, au transport, au stockage, à la distribution et à l'utilisation de l'hydrogène.

Pour atteindre son objectif d'investissement durable et éviter de nuire de manière significative à tout autre objectif de durabilité, **Hy24 intègre les impacts, risques et les opportunités liés au développement durable dans toutes les phases du processus d'investissement.** À cette fin, Hy24 a développé une approche et des ressources

spécifiques pour s'assurer que les objectifs ESG sont bien atteints. Cette approche est décrite dans la [Politique d'Investissement Responsable de Hy24](#).

Hy24 mesure la réalisation de l'objectif d'investissement durable du fonds par le biais du reporting des sociétés du portefeuille sur leur **alignement taxonomie** envers cet objectif et sur leurs **indicateurs de durabilité**.

Hy24 s'assure que les investissements durables **ne nuisent pas de manière significative à l'un des objectifs d'investissement durable** grâce au reporting des indicateurs PAI des entreprises du portefeuille, à l'examen de leur application des critères DNSH de la taxonomie européenne, ainsi qu'à l'alignement des investissements durables sur les principes directeurs de l'OCDE à l'intention des entreprises multinationales et sur les Principes directeurs des Nations unies relatifs aux entreprises et aux droits de l'homme.

No significant harm to the sustainable investment objective

The Clean Hydrogen Equipment Fund **does not cause significant harm** to the other sustainable investment objectives. This is ensured by Hy24 through:

- The application of its investment strategy and the focus on ESG risks throughout the investment lifecycle as described in its [Responsible Investment Policy](#);
- The consideration of the indicators for principal adverse impact (PAI) as defined by Regulation (EU) 2019/2088;
- The alignment of the sustainable investments with the OECD guidelines for MNEs and the UNGP on Business and Human Rights

a. Consideration of PAI indicators

The Clean Hydrogen Equipment Fund considers principal adverse impacts (PAIs) on sustainability factors from the pre-investment phase and throughout the holding period. To track these indicators, **Hy24 undertakes an engagement campaign** with its portfolio companies, through which an **important emphasis is given to ESG data monitoring**. This engagement campaign is formalised through Hy24's ESG Monitoring & Reporting Framework, which allows the monitoring of portfolio companies' Action Plans defined together with Hy24 to lay down a pathway for ESG compliance and improvement, as well as the collection and monitoring of ESG indicators, including the PAI indicators.

Hy24 tracks all the indicators for principle adverse impacts ("mandatory" PAI indicators) as well as other relevant indicators ("optional" PAI indicators). Among the other relevant indicators, Hy24 has selected the following optional indicators:

- Existence of a workplace accident prevention policy
- Share of investments in investee companies whose operations affect threatened species
- Rate of accidents
- Number of days lost to injuries, accidents, fatalities, or illness

These additional PAI indicators were selected for the Fund because of their **materiality to the infrastructure development and industrial manufacturing sector**, as well as based on **reporting requirements from Limited Partners**, to ensure that the Hy24 can answer its own reporting obligations.

Hy24 makes sure, based on data reported through PAI reporting and additional documentation consulted by Hy24 throughout the engagement campaign, **that portfolio companies do not significantly harm any of environmental or social objectives**.

b. Alignment of sustainable investments with the OECD guidelines for MNEs and the UNGP on Business and Human Rights

The alignment of the **investments of the Fund with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights** is examined by Hy24 at several steps of the investment process, including as early as the due diligence phase, and throughout the engagement campaign.

An **initial assessment** of the alignment of portfolio companies with the OECD guidelines for MNEs and the UNGP on Business and Human Rights is **performed during the sustainability due diligence**. This includes an appraisal of the **materiality of social and**

governance risks, as well as the **maturity of potential portfolio companies on these topics**. Hy24 also requests all necessary information to confirm that the portfolio companies' governance practices are sufficiently robust. In any cases **where Hy24 identifies a lack of procedures or documentation, corrective measures are included in portfolio companies' individual Action Plans**. Such measures include for instance the formalisation of codes of conducts, the expansion of alert systems to different stakeholder groups, or the update of internal policies regarding human rights protection or anti-corruption.

During its engagement campaign, Hy24 then looks specifically at the way portfolio companies manage four key topics: **human rights (including health and safety, labour and consumer rights), corruption and bribery, taxation, and fair competition**. Hy24's ESG Monitoring & Reporting Framework allows not only to **identify and improve procedures in place on these topics** through the individual Action Plans established in the pre-investment phase, but also to **track the outcomes of these procedures** thanks to the monitoring of ESG indicators.

Sustainable investment objective of the financial product

The Clean Hydrogen Equipment Fund has a **sustainable investment objective** in the meaning of Article 9 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector (SFDR). The sustainable investment objective is to **contribute to climate change mitigation, through investments in the clean hydrogen supply chain**.

Clean hydrogen is an **enabler for renewable 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. Clean hydrogen will be particularly relevant for **decarbonising energy intensive industries** such as the chemical sector, fertiliser production, steel, and cement manufacturing, as well as heavy-duty road transport, aviation and the maritime sectors.

By investing in innovative, growth-oriented companies along the clean hydrogen value chain, the Clean Hydrogen Equipment Fund aims to accelerate and scale-up the commercialisation of technologies, products and services which will enable the integration of **renewable and low-carbon energy, clean transportation and the decarbonisation of energy systems** through the production, transport, storage, distribution, and use of hydrogen.

Such investments will have a **significant contribution to climate change mitigation**, as reflected in Article 10 of the EU Taxonomy Regulation. As such, Clean Hydrogen Equipment Fund qualifies as an "Article 9" Fund as foreseen by the SFDR.

Investment strategy

The Clean Hydrogen Equipment Fund deliberately and intentionally **targets investments in the Clean Hydrogen sector**, in companies active in the manufacturing of equipment necessary to produce hydrogen, to convert it to other energy carriers, to transport, store and distribute it and in equipment necessary for end-use. The value chain approach foresees investments not just in Original Equipment Manufacturers

(OEMs) but also in suppliers, sub-suppliers of critical systems as well as components, sub-components, and tooling.

Hy24 has built a **systematic approach to identify attractive opportunities within the hydrogen equipment space** that present fast growth and that are technically ready. Hy24 is targeting private late-stage companies that have the potential to become leaders in their fields, these can be either private pure players, pure-play carve outs of more diversified companies or the hydrogen specific activities of diversified companies.

Hy24 prioritizes seven high growth, high margin specific segments: electrolysis, fuel cells, on-board storage, ammonia cracking & synthesis, synfuel production, refuelling stations and liquefaction for our deal sourcing whilst the fund remains opportunistic in other segments.

In line with its [Responsible Investment Policy](#), Hy24 seeks to **integrate sustainability risks and opportunities into all phases of the investment process**. In this context, Hy24 has developed a specific approach and resources to ensure ESG objectives are successfully met

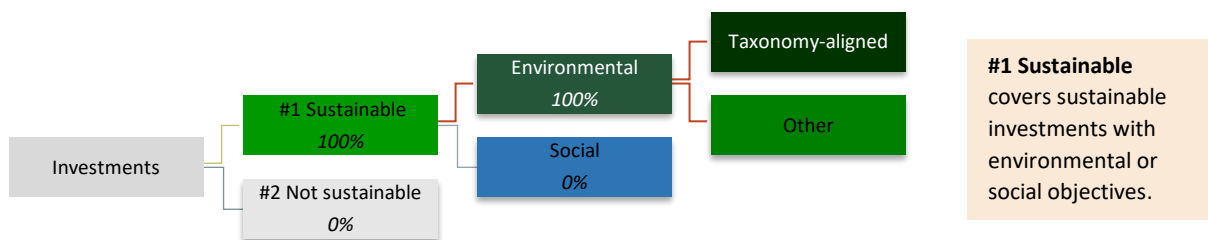
Proportion of investments

The Clean Hydrogen Equipment Fund invests in **economic activities along the clean hydrogen value chain** (i.e. in companies active in the manufacturing of equipment necessary to produce hydrogen, to convert it to other energy carriers, to transport, store and distribute it and in equipment necessary for end-use). Such activities **contribute significantly to climate change mitigation** because they enable (i) the generation, transmission, storage, distribution, or use of renewable energy (ii) clean or climate-neutral mobility, (iii) the decarbonisation of energy systems (iv) the production of clean and efficient fuels from renewable or carbon-neutral sources or other activities with significant potential for CO₂ avoidance.

As a result, the Clean Hydrogen Equipment Fund **only makes sustainable investments within the meaning of the SFDR** and aims to maximise the share of EU Taxonomy-aligned investments within its portfolio. Such investments will be categorised as:

- (i) **Taxonomy aligned:** complying with all EU Taxonomy criteria and
- (ii) **Other:** investments qualifying as "sustainable" because of their contribution to climate change mitigation as defined in the paragraph above but which cannot demonstrate all four criteria of Article 3 of the Taxonomy Regulation (explained below)

Investment decisions will be supported by ESG due diligence activities and will highlight the relationship between the investment and the sustainable economic objectives pursued by the Fund.



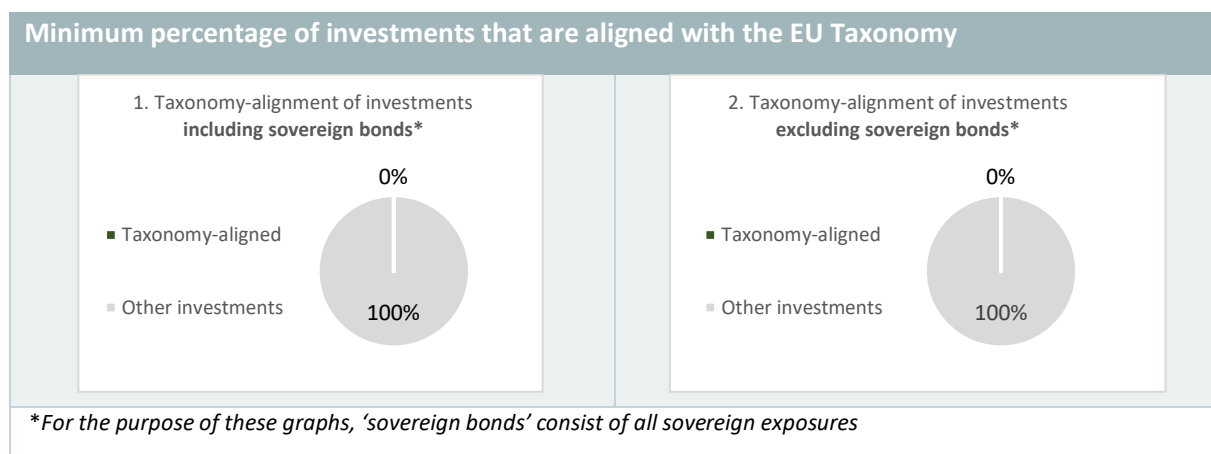
Ideally, the Fund targets investments which are EU Taxonomy-aligned **at the moment of investment**. Nevertheless, Hy24's experience shows that it is rare that companies can fully demonstrate EU Taxonomy alignment at the time of acquisition. This is especially the case for small companies in their start-up / growth stage which do not have dedicated ESG or social impact resources to demonstrate compliance with all DNSH criteria of the EU Taxonomy.

As a result, the Fund may invest in sustainable activities that do not yet meet the EU Taxonomy requirements but are likely to do so **in the near future as a result of our investment**. In this case, an EU Taxonomy alignment "action plan" will be put in place and followed-up on during the asset holding stage. These would be qualified as "Other" sustainable investments and be therefore composed of the following:

- a) Activities which are **listed in the EU Taxonomy** ("EU Taxonomy eligible") but which **do not yet meet all four criteria** ("not yet EU Taxonomy-aligned"). These "EU Taxonomy eligible" investments will first be reported as "others" and will gradually move into "EU Taxonomy aligned" over time, as a result of our investment, which includes a "EU Taxonomy-alignment plan";
- b) Activities related to clean hydrogen that pursue an environmental objective but that are **not yet/not explicitly listed in the EU Taxonomy**. These would be activities which do contribute to Hy24's sustainable environmental objective but are not listed by the EU Taxonomy delegated acts.
 - This could be the case, for example of activities of suppliers, sub-suppliers of critical systems as well as components, sub-components, and tooling associated with the hydrogen sector. As investments climb higher upstream the value chain and equipment becomes more generic, the link between the investment and the exhaustive list of EU Taxonomy-eligible activities becomes less evident. In this case, Hy24 will highlight the link between such investments and its sustainable environmental objective in the course of ESG due diligence activities and will aim to apply the Taxonomy requirements by analogy during asset management.
 - Another particular case is the one of activities which are part of a diversified supplier with hydrogen exposure (which could fall in either of the categories above). When investing in diversified suppliers with hydrogen exposure, Hy24 will invest on the basis of "Capex Plan" which will be aimed at expanding EU Taxonomy-aligned economic activities / transitioning EU Taxonomy-eligible economic activities into EU Taxonomy-aligned in a manner foreseen by the EU Taxonomy implementing acts or, where such investments refer to economic activities not covered by the EU taxonomy, exclusively and fully allocate investments to fixed assets, to capital expenditures, to operating expenditures associated with sustainable

activities within the scope of the Fund's investment strategy in a manner analogous to the functioning of "European Green bonds".

The graph below shows, in green, the **minimum intended percentage of investments that will be aligned with the EU Taxonomy**:



As our investments strategy foresees investments in young companies which pursue objectives of the EU Taxonomy, but which have not yet fully developed internal processes demonstrating alignment, the Fund is modest in its commitment to ensure a minimum level of "EU Taxonomy alignment". However, **our ambition is that our investments that have the potential to become EU Taxonomy aligned will gradually transition** during the holding period as a result of a "EU Taxonomy alignment plan" developed by Hy24 and agreed with the investee company.

The compliance of planned investments with the requirements laid down in Article 3 of Regulation (EU) 2020/852 **will be subject to an ESG Due Diligence**. For this reason, Hy24 has entered into a framework contract with expert advisors, who will be conducting such a review before each investment decision is taken.

At this stage, the quantitative shares presented in this document depict the minimum proportion which the financial product commits to meet. The **actual shares are expected to significantly exceed the estimations depicted in this document**. Such indicators will be carefully monitored and reported periodically.

The Fund is **not planning any investments in fossil gas and/or nuclear energy** related activities that comply with the EU Taxonomy.

Most of the investments in EU Taxonomy-aligned activities are likely to be in **enabling activities**. However, it cannot be excluded that the Fund will also make investments in other types of Taxonomy-aligned activities, therefore, there is no minimum share of investments in transitional and enabling activities foreseen.

Monitoring of the sustainable investment objective

As enablers of the clean hydrogen sector, which, in turn, is an enabler of renewable and low-carbon energy and of clean mobility, the impact of investments towards climate change mitigation is an indirect rather than a direct one.

While investments planned by the Fund in the clean hydrogen sector are expected to enable the avoidance of significant quantities of GHG emissions and the improvement of air quality as a result of the introduction of zero-emission mobility solutions, due to the indirect contribution of the investments, it would not be possible to attribute and quantify this impact with sufficient accuracy and confidence.

With that in mind, the following horizontal indicators will be used to **measure the attainment of the sustainable investment objective**:

- Electrolysis capacity produced or installed (MW)
- Hydrogen storage / transport / distribution capacity enabled (MW or MWh of storage / transport / distribution capacity)
- Hydrogen consumption capacity enabled (MW of consumption capacity produced or installed/deployed)

Based on these indicators, and considering the limitations presented above, the Fund will make its best efforts to estimate and report the CO₂ avoidance potential of investments.

In addition to the above, a number of process-related indicators will also be used to assess the ESG performance of the Fund, including:

- % of transactions that were preceded by an ESG due diligence,
- % of investee companies that have adopted an ESG Action Plan developed in collaboration with Hy24

As mentioned above, Hy24's ESG team developed, with the support of external consultants, an **ESG Monitoring & Reporting Framework**, which compiled an **Action Plan**, made up of concrete measures and actions to be implemented by portfolio companies for them to align with the criteria listed in the EU Taxonomy, and an ESG Monitoring to collect and track the **sustainability KPIs and PAI indicators**, as well as to follow progress on their EU Taxonomy alignment plan. This ESG Monitoring & Reporting Framework acts as a roadmap 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, and allows the monitoring of the attainment of the sustainable objective of the Fund on a yearly basis.

Methodologies

Hy24 monitors the attainment of its sustainable investment objective through its **ESG Monitoring & Reporting Framework**, which allows a collection and analysis of ESG data, including **sustainability indicators** (i.e. horizontal indicators listed in the previous section) to demonstrate the contribution of investments to climate change mitigation, and **other ESG indicators, including the PAI indicators**, to ensure the respect of the DNSH principles.

Hy24 consolidates these sustainability indicators following a **proportional approach**, which means that indicators are weighted according to the level of ownership of portfolio companies within their projects, where applicable, and of Hy24 in the portfolio companies.

Hy24 intends to rely as much as possible on national, European or internationally recognised standards for the reporting of climate-related indicators. As such, it mainly

relies on the European Sustainability Reporting Standards, and on the recommendations of the GHG Protocol.

With regards to the calculation of the EU Taxonomy alignment ratio of the fund, Hy24 considers that turnover related to activities targeted by the Fund will take time to grow and is not a representative metric to determine sustainability for our planned investments. In line with Article 17 (3) of the Regulatory Technical Standards, the fund will **use capital expenditure (CAPEX) to determine the degree to which investments are in environmentally sustainable economic activities** for the purpose of pre-contractual disclosures.

Data source and processing

There are two types of **data used to monitor the contribution of the Fund** to climate change mitigation:

- Data **reported directly by portfolio companies** during the engagement campaign. This data is collected and tracked by Hy24 through the ESG Monitoring & Reporting Framework. It concerns all data related to the sustainability indicators, PAI indicators, and all information related to the EU Taxonomy criteria.
- Data from **internal research of Hy24 or external advisors** to **complement and cross-check** data reported by portfolio companies, a range of different data sources from trustworthy organisations can be used (e.g. EIA, European Commission, etc.).

Hy24 strives to respect several principles and key steps to **ensure the quality of data and therefore the accuracy of its reporting**. These include for instance:

- Before yearly reporting campaigns, providing portfolio companies with a clear data reporting protocol based on regulatory definitions (e.g., PAI indicators) and reference organisations and standards (e.g. GHG protocol), along with an online Technical Training to support them in answering the reporting requirements.
- Agreeing with portfolio companies on the completion of the Action Plan resulting from the due diligence within a reasonable timeframe following the investment (e.g., 18 months). This Action Plan supports the investee companies in the definition of a robust reporting methodology.
- Reviewing the methodologies and calculation details of complex indicators (carbon footprint, lifecycle emissions of products or services) and providing support to portfolio companies if needed.
- Verifying the completeness and accuracy of reported data and organising follow-ups with portfolio companies on every data point that need further explanations.
- Being transparent with portfolio companies and stakeholder, including LPs, on the limitations of the methodologies and data reported.

Hy24 prioritizes the direct reporting of data from portfolio companies, however they can still rely on documented estimations when reported data is unavailable or cannot be trusted.

Limitation to methodologies and data

Limitations related to the demonstration of the attainment of the sustainable investment objective were listed throughout this report. Additional limitation to the methodology and data sources might exist due to the **limited resources of portfolio companies for reporting** and the potential use of estimated data.

Regarding the calculation of EU Taxonomy alignment, some of the Fund's companies are non-listed companies. Therefore, the degree to which the investments are in environmentally sustainable economic activities is not readily available from public disclosures from these portfolio companies. **Hy24's assessment is based on "equivalent information"** as referred to in the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022. This "equivalent information" was obtained directly from investee companies. Additionally, for a limited number of portfolio companies, financial accounts are finalised after the completion of Hy24's reporting. Consequently, the EU Taxonomy alignment calculation for this portfolio company is an estimation based on available data at the time of reporting. EU Taxonomy information is not audited by a third party.

These limitations do not affect the attainment of the sustainable investment objective thanks to **rigorous data quality evaluation performed by Hy24 and continuous improvement of available data** through the engagement campaign.

Due diligence

A sustainability due diligence is carried out by Hy24 before any investment decisions. Hy24 **developed its own approach** to sustainability due diligence, with the goal of **integrating sustainability and policy aspects in its analysis of investment opportunities**. The approach of the sustainability due diligences selected by Hy24 is one that **merges sustainable finance requirements**, specifically those of the SFDR and EU Taxonomy, with **ESG materiality analysis**.

When the analysis of the DNSH and minimum social safeguards criteria reveals gaps with the regulatory requirements of the Fund, Hy24 makes sure that the **management of the potential portfolio company is committed to take the necessary steps to fully align with these requirements in the medium-term** (one to two years). To support them and follow-up on progress achieved, **individual Action Plans are drawn up for each asset based on the conclusions of the sustainability due diligence**.

The due diligence process is further detailed in Hy24 in [Hy24's Responsible Investment Policy](#).

Engagement Policies

Hy24 undertakes engagement campaigns with its portfolio companies throughout the holding period, **with the goal of improving their maturity on ESG priorities, building internal capacity within each asset** and, if necessary, **assisting them to comply with the regulatory requirements of the SFDR and the EU Taxonomy**. 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 is also key for Hy24 to meet its ambitions of

fostering the clean hydrogen value chain in a sustainable way. Some of the most important actions taken during the engagement campaign relate to the Monitoring & Reporting Framework for ESG performance, the ESG management within portfolio companies and the regular dialogue on ESG matters with portfolio companies and co-investors.

Attainment of the sustainable investment objective

No specific index exists that can be used as a relevant reference benchmark.