



HYCAP ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

HYCAP INVESTMENT STRATEGY

HyCap (together with its affiliates, “HyCap”) was set up to invest across the hydrogen value chain in the UK and Europe. HyCap seeks to invest in businesses which focus (in whole or in part) on and support the production or use of hydrogen or the manufacture of vehicles, machinery or equipment which use hydrogen as a fuel source.

In parallel with this strategy, HyCap seeks to incorporate material ESG factors throughout the investment and ownership process, reinforced by HyCap’s belief that robust Environmental Social and Governance practices lead to better investment outcomes. To that end, the Firm has prepared this policy to frame how HyCap seeks to incorporate material ESG factors in its investment activities.

HyCap’s commitment to good ESG risk and opportunity management will be firmly embedded into the Fund’s own corporate culture and will be supported by the necessary policies and procedures.

This ESG Policy sets out HyCap’s approach to managing ESG risks and opportunities and delivering on its commitment to create a more sustainable future.

HyCap intends to provide annual reports on HyCap’s responsible investment activities.

ESG INTEGRATION

HyCap will implement a comprehensive ESG framework to ensure that material ESG risks and opportunities are identified and sufficiently mitigated. We seek to ensure that all ESG assessments align with the relevant international standards, frameworks and best practices and will span the entire investment life cycle.

- **Project Screening** – all potential investment will be screened for excluded activities, as defined or described in the limited partnership agreement of the relevant fund, and must meet our strict screening criteria.
- **ESG risk and opportunity assessments** – all potential investments will require a comprehensive ESG risk assessment. All identified material ESG risks and opportunities will require mitigation and will be supported by an ESG Action Plan.
- **Investment decisions** – an ESG representative will be appointed to the Investment Committee; and
- **Portfolio management** – we will review the ESG performance of our investments on an on-going basis and will actively monitor and support delivery of the ESG Action Plans;

- **Exits** – all exits will be reviewed to ensure that any ESG risks are managed appropriately.

REPORTING AND GOVERNANCE

A step by step procedure for the conduct of ESG due diligence and risk management can be obtained by contacting the Head of ESG & Sustainability.

FURTHER DETAIL ON ESG INTEGRATION IN THE INVESTMENT DUE DILIGENCE PROCESS

HyCap seeks, so far as is practicable, to invest and engage with businesses to drive good sustainability management practices by and for companies, employees, communities and the environment. With respect to ESG integration, HyCap anchors its investments in a strategic, fact-based due diligence approach that considers a broad range of risks and value levers, including those related to ESG factors. Where feasible and appropriate, we seek to understand the ESG profile of a company before we invest to better build a foundation for ESG matters that shape our blueprint for a target company.

For new investments, we have identified a list of ESG factors to evaluate pre-investment. Potential investments answer bespoke questions during the due diligence. The questions seek to evaluate the current state of the investee’s main ESG policies, processes, governance systems, resources, and risks, as well as its commitment to making improvements and adhering to industry good practices. The below topics and sub-topics may be covered, where material and appropriate, in our questions during due diligence:

Environmental	Social	Governance
Management and Operations	Cybersecurity & Data Security	ESG Strategy, Policies, Processes
Supply Chain	DE&I	Accountability and Resources
Waste and Water Management	Product Safety	Corporate Structure and Board
Biodiversity & Land Use	Incidents and Liabilities	Stakeholder Engagement
GHG Emissions	Health & Safety	
	Employee Engagement	
	Human Rights	

Our investment team seeks to evaluate relevant and material ESG factors that are specific to the opportunity, with the goal of identifying material ESG issues that could affect deal considerations while also better assessing ESG performance to lay the groundwork for sound ESG risk and opportunity management during ownership.

Before progressing past the due diligence stage our investment team obtains confirmation that the potential portfolio company will be cooperative in following the ESG Action Plan and working towards HyCap’s goals.

If further, specialist due diligence is required, third-party experts will be enlisted to conduct further due diligence. Where post-investment actions are required, these actions will be captured in the investment’s transaction documents and incorporated into the post-investment governance process.

OWNERSHIP AND PORTFOLIO MANAGEMENT

HyCap's post-investment engagement will monitor the progress in addressing any material sustainability risks and ensure that any ESG action plans are fully resourced and supported by target management. HyCap also engages on general approaches to ESG matters via open dialogue with the portfolio company's senior management, shareholders and, where appropriate, other key stakeholders.

HyCap seeks to drive good sustainability risk management through its portfolio management practices. Upon becoming a shareholder of portfolio companies, HyCap aims to deploy its procedure on post-acquisition ESG risk and opportunity management which can be requested from the Head of ESG & Sustainability, which includes proposed ESG metrics, measurement methodology, initiatives, and management compensation incentives relevant for a given investment. Further, we seek to implement ESG-related policies at portfolio companies where necessary. Finally, HyCap endeavors to conduct an annual review of its portfolio companies to evaluate progress and identify opportunities at the portfolio company level.

HyCap seeks to engage with portfolio companies to encourage strong corporate governance, which includes but is not limited to key areas such as sound management structures, sound remuneration structures, robust employment relations and tax compliance.

HyCap seeks to ensure that the portfolio companies follow good governance practices by setting clear minimum requirements with respect to transparency and accountability around these matters. Examples of such efforts to promote good governance practices across the investments may include (amongst other things):

- ensuring salaries and benefits remain competitive by benchmarking the compensation of its employees annually on an ongoing basis;
- maintaining and enforcing an effective system of internal controls to monitor applicable rules and regulations;
- conducting regular risk reviews which consist of analysing and assessing each of the risks affecting the business; and
- procuring the monitoring of compliance with tax regulatory requirements.

HyCap will follow recognised reporting methodologies such as the TCFD, GRI and other industry standards and will conduct regular audits on implementation of these standards.

HyCap will closely monitor emerging UK/EU impact governance frameworks.¹

Portfolio Exit

Where feasible and appropriate, HyCap will assess potential buyers for portfolio companies for their capacity to manage ESG risks and opportunities effectively. HyCap will endeavor to utilize

¹ For advice on the same please contact the Head of ESG & Sustainability.



an ESG risk and opportunity management checklist which assesses whether positive ESG performance is at risk of discontinuing or becoming diluted as a result of the proposed exit.

ORGANIZATION

HyCap has several forms of internal and external mechanisms that seek to drive ESG accountability across the group.

- **HyCap Team:** HyCap team members are responsible and accountable for implementing and integrating best practices for ESG risk and opportunity management and measurement. Further, HyCap has an ESG Specialist that aims to calibrate cross portfolio ESG risk and opportunity assessment processes and scoring. HyCap also seeks to develop ESG management acumen among its investment professionals by making its ESG Policy available to professionals, building awareness through trainings on ESG issues and using commercially reasonable efforts to remain reasonably informed about ESG developments and best practices within the private equity industry.
- **Investment Committee:** The Investment Committee reviews key concerns and questions regarding material ESG factors that are raised through due diligence.

This policy will be reviewed annually and revised as necessary to ensure that the fund delivers high financial and impact returns.