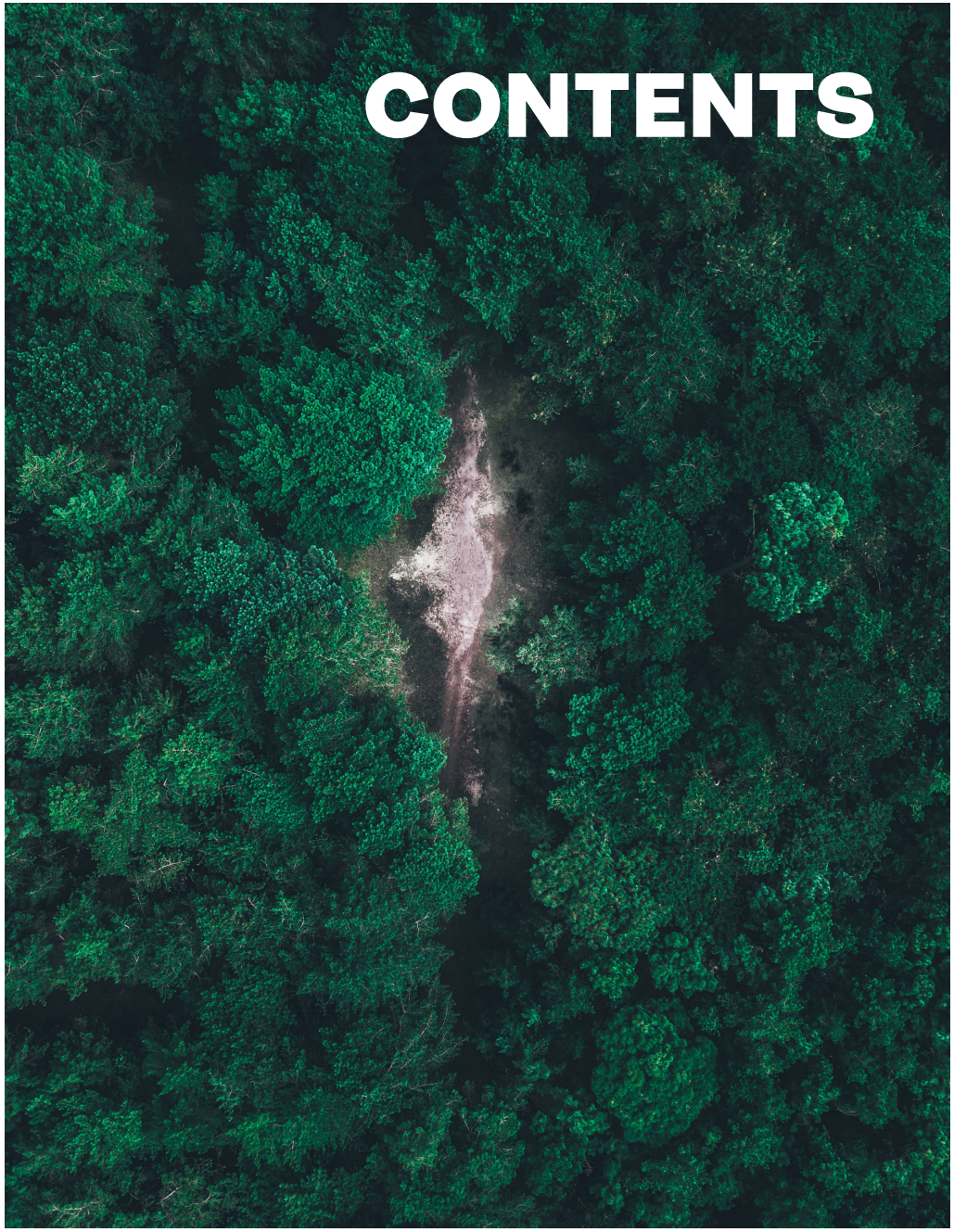
# 2022 ESG REPORT

**Environmental, Social and Governance Report 2022**

FUSION FUEL™



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# MESSAGE FROM OUR CEO

## Frederico Figueira de Chaves

*Dear Readers,*

I recently came across a report that first appeared in the March 1912 publication of Popular Mechanics entitled Remarkable Weather of 1911: The Effect of the Combustion of Coal on the Climate – What Scientists Predict for the Future. A clipping from the report, which has been circulating around the Internet for a number of years, went viral back in 2021 due to its prescience and tragic irony. The now well-known passage reads:

> ***"The furnaces of the world are now burning about 2,000,000,000 tons of coal a year. When this is burned, uniting with oxygen, it adds about 7,000,000,000 tons of carbon dioxide to the atmosphere yearly. This tends to make the air a more effective blanket for the earth and to raise its temperature. The effect may be considerable in a few centuries."***

While the author was wide of the mark in terms of when we would begin to feel the effects of this greenhouse effect, they were certainly on the right track. There is simply no way they could have known then that the breakneck pace and intensity of global economic development over the course of the 20th century would further increase the rate of carbon emissions and lead us to the brink of catastrophic change upon which we find ourselves now.

Indeed one man's imagined future is the whole of humanity's inescapable present. Decades of warnings from climate scientists that had historically fallen on deaf ears, came into sharp relief at the 2015 Paris Climate Accords when the largest economies rallied around a singular goal: limiting global temperature rise to 1.5°C above pre-industrial levels. The landmark Paris Agreement was adopted the following year, but despite ambitious public and private sector efforts across the globe, we remain on a trajectory to exceed the 1.5°C limit. The realities of our changing climate are already here: increases in the frequency and severity of heatwaves, droughts, and wildfires; rising sea levels and the subsequent displacement of climate refugees; accelerated loss of biodiversity, and changes in precipitation patterns, resulting in more frequent extreme weather events.

Heeding the call to this existential challenge was one of the driving forces behind the creation of Fusion Fuel and the development of our HEVO micro-electrolyzer technology. Our mission – to make the energy transition more accessible through the development of innovative clean hydrogen solutions – is at the epicenter of a movement that will most assuredly dominate the first half of this century, and aligns us with several of the United Nation's Sustainable Development Goals.

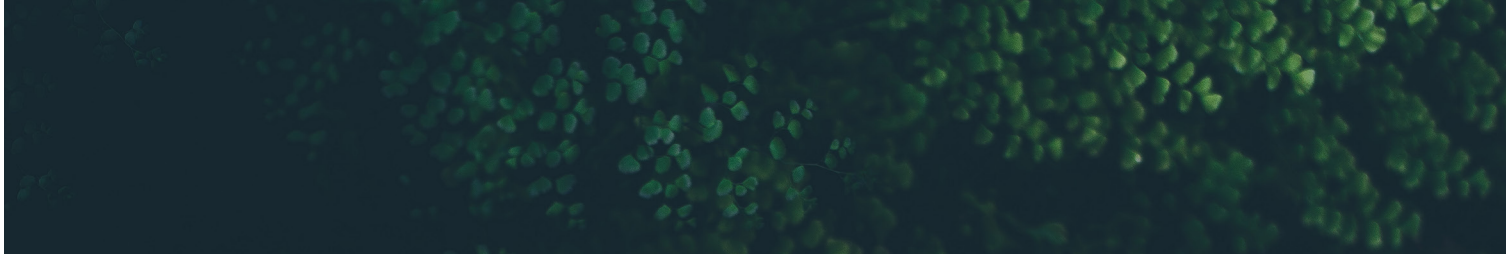
But being at the cutting edge of clean energy production is not enough. We must also recognize the importance of transparency and accountability as it pertains to our people, our practices, and the communities we touch, both near and far. This is not a box-ticking exercise, but a corporate imperative, a foundational mindset that lies at the heart of our entire organization. A company whose goal is to change the world for the better must be equally as committed to changing itself.

It is in this spirit that I am proud to introduce Fusion Fuel's inaugural Environmental, Social, and Governance (ESG) report. Within this document, we will lay out the company's journey to date, provide a comprehensive overview of our ESG roadmap, including our efforts to reduce carbon emissions, promote sustainable practices, and support our employees and communities. We will also detail our governance structure and approach to risk management, highlighting our commitment to responsible and ethical business practices.

We hope to provide our stakeholders with a clear understanding of our ESG performance and priorities, and to demonstrate our commitment to operating in a sustainable and socially responsible fashion. We believe that by taking a proactive approach to ESG disclosure, we can build trust with our stakeholders and contribute to a more sustainable future for all. Our sustainability exercise and the accompanying report is an ever-unfolding process; therefore, please note that room for improvement surely exists in our achievement of targets or in their measurement and disclosure. You can expect to see progress in each report to come.

**ENDLESS ENERGY.**

**UNLIMITED FUTURE.**



# ABOUT THIS REPORT

**This is Fusion Fuel's first ESG report.**

Baseline data covers the calendar year January to December 2022, unless otherwise specified. The purpose of this report is to lay out how we think about ESG in the context of our business, establish our sustainability goals, and detail how we plan to put those commitments into practice going forward.

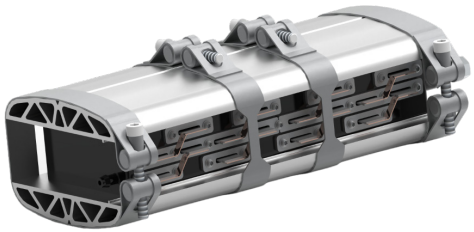
Our next ESG report will be published in 2024, and will cover the period from January 2023 to December 2023, to align with our financial reporting cycle.

For questions about the report, please contact our Head of Investor Relations, Benjamin Schwarz, at: bschwarz@fusion-fuel.eu

Please note, this sustainability report has not been assured by an independent, external assurance provider.

# FUSION FUEL AT A GLANCE

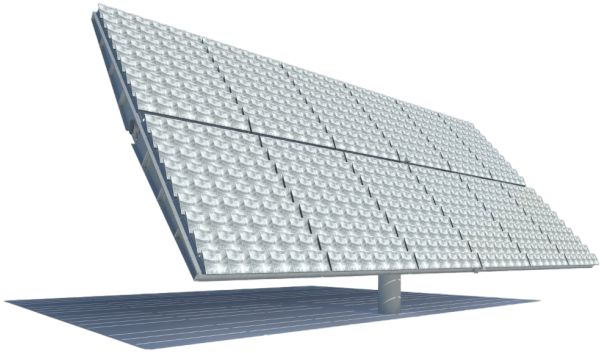
Fusion Fuel is a green hydrogen solutions company. Our core mission is to provide the world with innovative hydrogen solutions that accelerate the transformation of the global energy sector. To power that vision, we have developed a revolutionary miniaturized Proton Exchange Membrane electrolyzer– the **HEVO** – that unlocks cost-competitive green hydrogen production.



Miniaturizing our electrolyzer required taking a radically different design and engineering approach to our membrane electrode assembly (MEA), bipolar plates, and flow fields, all of which form the foundation of Fusion Fuel´s core intellectual property. The HEVO is designed to use inexpensive structural materials with cheaper and more efficient production techniques, enabling us to benefit from economies of scale through mass production. Our HEVO lies at the heart of our two core products, the HEVO-Solar and the HEVO-Chain.

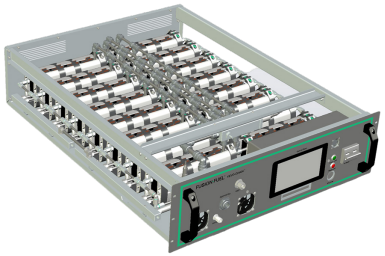
The **HEVO-Solar** is an integrated, grid-independent, solar-to-hydrogen generator that combines our HEVO technology with a concentrating photovoltaic (CPV) solar tracker. The HEVO-Solar generates both electrical energy and thermal energy, allowing it to benefit from minimized conversion losses as well as heat recovery from the CPV system, increasing total system efficiency and resulting in a lower levelized cost per kilogram of hydrogen produced.

We believe HEVO-Solar is the ideal solution for small-scale green hydrogen projects for customers in geographies with high solar irradiance and sufficient available land, but we recognize that this is only a modest portion of the market. From the very beginning, our strategy has been to offer green hydrogen solutions that can serve every customer in every market. That vision was behind the development of the HEVO-Chain, which is our groundbreaking reimagining of the centralized electrolyzer.



# FUSION FUEL AT A GLANCE

**HEVO-Chain** is a modular, stackable electrolyzer comprised of strings of interconnected HEVOs that retains the advantages of our distributed production approach with a significantly smaller footprint, that can be connected to any source of renewable energy. By applying this building-block approach, made possible with our modular architecture, we can deploy customized, decentralized hydrogen solutions that meet the needs of the current demand environment while also allowing customers to scale into demand over time. And with a more modest footprint than larger scale systems, we can partner with the customer to co-locate our HEVO-Chain system, thereby bypassing the infrastructure bottleneck and eliminating the costs and complexity of last-mile hydrogen logistics.



Since our launch as a public company in December 2020, we have worked diligently to scale up our capabilities and establish ourselves as technical leaders in the green hydrogen sector. As we operate in a highly competitive market with growing demand for superior performance and scale, we continue to invest considerable resources in R&D and production. In 2022 we opened our manufacturing facility in Benavente, Portugal, which will be among the first ever to integrate process automation and robotics in PEM electrolyzer production. We target ramping Benavente's production capacity to 500 MW per annum by the end of 2025.

In order to achieve our commercial aspirations and facilitate the adoption of green hydrogen, we have developed a multifaceted business model. Our Technology business line is focused on creating and selling customized green hydrogen solutions that produce cost-competitive hydrogen for client use and operation. Our Project Development business line is dedicated to the development of company-owned green hydrogen projects and the execution of long-term hydrogen purchase agreements for the associated hydrogen production. This business model diversifies our revenues streams and promotes revenue and value creation in several ways, namely, the sales of our HEVO solutions, of project assets both completed and in development, and of green hydrogen.

Headquartered in Dublin, Ireland, the company also has offices in Sabugo, Portugal and Benavente, Portugal, home to our 14,000m² PEM manufacturing facility. The Sabugo facility houses executive, sales and administrative offices as well as research laboratories. At the end of 2022, Fusion Fuel employed 150 people.

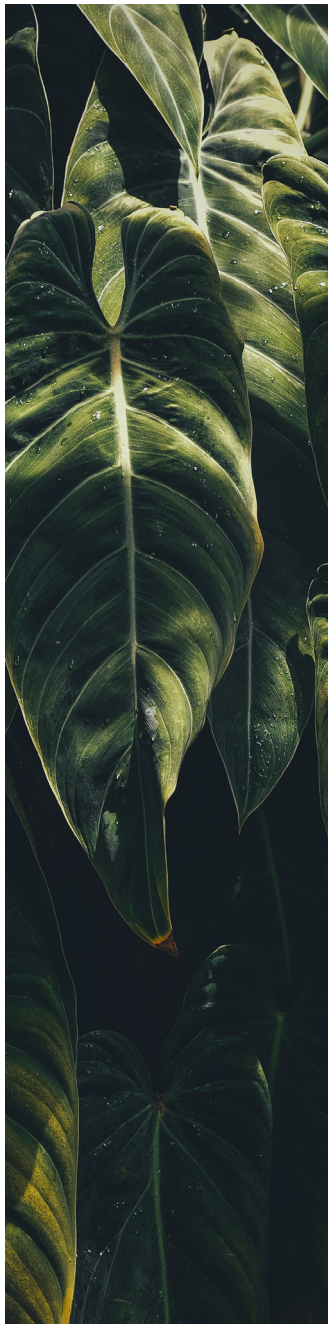
Additional information can be found on our website and in our 2022 Annual Report.

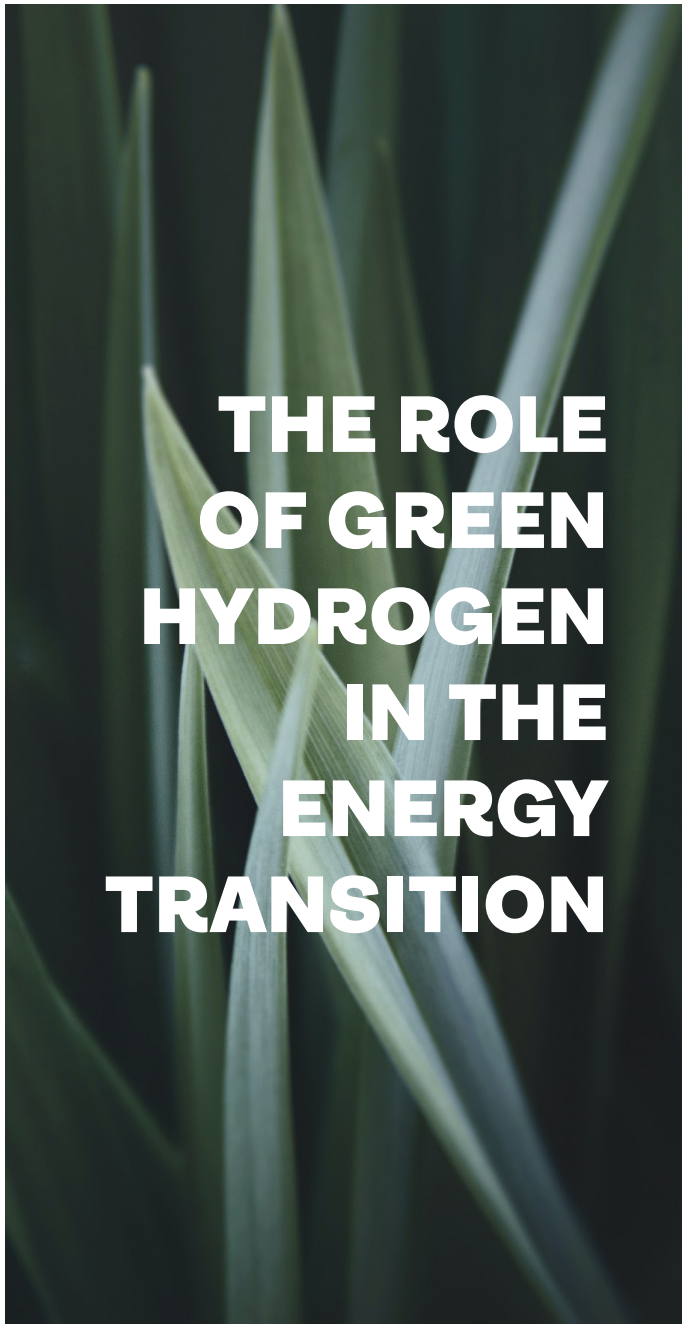
**Green hydrogen** is a key component of the broader energy transition towards a more sustainable and low-carbon future. It is produced through a process called electrolysis, whereby renewable energy is used to split water into its constituent components – hydrogen and oxygen. When green hydrogen is burned, the only byproduct is water, making it a clean and emissions-free energy source.

Fossil fuels are still the most commonly utilized resource in the current global energy mix. However, a growing movement exists to phase out fossil fuels and radically reduce greenhouse gas emissions. Aggressive mandates have been established to facilitate this critical energy transition. Investment in renewable energy production and electrification of commercial and industrial activity has been identified as the primary vector for decarbonization. However, electrification is not always feasible, particularly in the hard-to-abate sectors of the industrial economy, and the mobility sector where heavy-duty vehicles require high energy density and long-duration performance. This is one area in which green hydrogen can play a significant role in driving global decarbonization.

Green hydrogen has a wide range of applications, including transportation, industrial processes, and power generation. For example, it can be used to power fuel cell electric vehicles, which emit only water vapor and have longer driving ranges than battery electric vehicles. It can also replace fossil fuels in industrial processes, such as steelmaking, oil refining and ammonia production, reducing emissions in these historically difficult-to-abate sectors.

We believe green hydrogen is one of the solutions that will facilitate the transition to a more sustainable, low-carbon future. Its versatility and potential for emissions reductions in sectors where electrification is not always feasible make it a valuable complement to the energy landscape of the future, alongside other clean energy technologies like wind, solar, carbon capture, and battery storage.





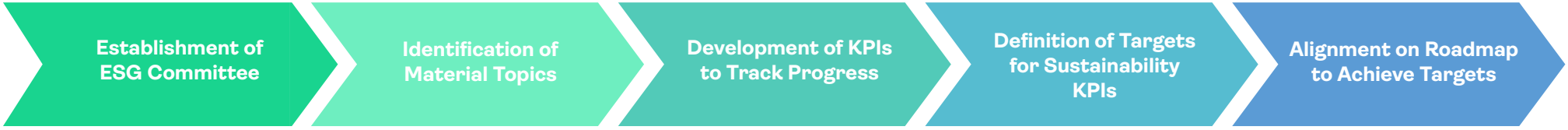
# OUR ESG FRAMEWORK AND SUSTAINABILITY STRATEGY

Fusion Fuel's commitment to sustainability is deeply rooted in its product, core values and people. Our environment-first mindset is intrinsic to our corporate identity. Already our green hydrogen solutions are supporting commercial and industrial decarbonization and the transition from fossil fuels to renewable energy. However, up until now, that commitment has been an implicit one. We now want to take that one step further and articulate explicit choices around how we will contribute to a greener and more equitable world. It is in that context that we are introducing our sustainability strategy: ***Fueling a Sustainable Future***

Our strategy will serve as our north star and establish clear and measurable objectives to ensure that, in addition to being pioneers in green hydrogen innovation, we are also taking the lead in good corporate citizenship.

Defining our sustainability strategy and devising the roadmap to achieve this ambition was an extensive process that required significant commitment across our organization.

We developed our sustainability strategy based on a comprehensive assessment and engagements with key internal and external stakeholders. As part of this process, we engaged KPMG to independently review our ESG reporting frameworks and practices. The graphic below reflects the journey we undertook in our collective effort to seamlessly integrate sustainability into our core business structure.



# ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations General Assembly unanimously adopted the 2030 Agenda for Sustainable Development. This established a universal framework for countries, organizations, and individuals to work together to end poverty, protect the planet, and ensure prosperity for all. At the heart of the program were 17 Sustainable Development Goals (SDGs) offering an integrated, interdisciplinary path to achieving this mission-critical priority by 2030.

To deliver effectively on the UN SDGs, every organization must focus its efforts on where it can make the biggest difference. After evaluating our operations and commercial vision, we have identified four key SDGs that are most relevant for us and have similarly identified the ways in which we believe our organization can drive the most significant impact:


Powered by our modular HEVO technology and building-block approach, which unlocks cost-competitive production for small-to-midscale electrolyzers, we are democratizing access to low-cost green hydrogen and electrolyzer solutions. This will help address Target 7.1.2: *to increase the proportion of population with primary reliance on clean fuels and technology.*


As we supply industrial customers with both electrolyzer technology and green hydrogen produced at our own hydrogen plants, we are helping decarbonize legacy industrial activity, in direct support of Target 9.4: *to upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.*


Our technology and cost advantage for small-to-midscale electrolyzers gives us a compelling value proposition in the hydrogen mobility segment, which is a foundational pillar of our commercial strategy. Our integrated, co-located hydrogen refueling stations serving municipal and commercial transport will help us to advance Target 11.2: *by 2030, to provide access to safe, affordable, accessible and sustainable transport systems for all.*


Hydrogen is a critical energy input for many industrial processes that currently use fossil fuels directly or use grey hydrogen produced from fossil fuels. By replacing those carbon-intensive fuels with our emissions-free, green hydrogen produced domestically by our electrolyzers or our hydrogen plants, we are contributing to reaching Target 12.2: *by 2030, to achieve the sustainable management and efficient use of natural resources.*

# APPROACH TO MATERIALITY

We conducted an extensive materiality assessment that helped us identify and prioritize the sustainability issues most relevant to our business and our primary stakeholders.

We began by defining key sustainability topics from ESG rating indices, sustainability frameworks, industry best practices, and select peer organization disclosures. We surveyed a representative sample of direct stakeholders, including shareholders, customers, suppliers, strategic business partners, and non-governmental organizations, to evaluate the importance and impact of each topic. Internally, we also interviewed employees, members of executive management, and a selection of our Board of Directors.

To help our stakeholders understand how specific sustainability topics are relevant to our operations, we provided them with brief descriptions of each of the 18 sustainability focus areas identified during our materiality assessment.

**Climate Change & Carbon Management:**
Manage the potential impact of climate change on our operations, as well as our impact on the climate, including measures to reduce direct and indirect emissions

**Climate Action & Net-Zero Strategy:**
Establish a climate change strategy and initiatives to support global climate change and policy agreements

**Sustainable Energy Production:**
Continuously assess & identify opportunities to enhance current renewable energy production & operations in a responsible / sustainable manner

**Sustainability Strategy & Governance:**
Integrate sustainability elements into business strategy and define sustainability goals

**Ethical Business Practices & Compliance:**
Ensure compliance with applicable regulatory requirements and internal policies.

**Innovation & Clean Technology:**
Continuously invest in research, technology & innovative solutions, with the with an eye towards becoming a leader in the renewable energy sector.

**Waste & Circular Economy:**
Promote a circular approach to resource management and work with partners to reduce waste and ensure materials are disposed responsibly.

**Employee Wellbeing & Career Development:**
Provide learning and development programs, support employee health & wellbeing and promote a culture of sustainability.

**Diversity & Inclusion:**
Institute fair recruitment and labor policies and measures that emphasise diversity, inclusivity and the respect and protection of human rights.

**Sustainability Advocacy & Partnership:**
Foster collaboration and partnerships with stakeholder groups to mobilize and share resources to address key sustainability challenges within the energy sector.

**Health & Safety:**
Implement measures to ensure employee health & safety across operations.

**Water Consumption:**
Implement measures to monitor & initiatives to prevent waste and reduce water consumption across operations.

**Global Events & Geo-Political Context:**
Implement measures to continuously monitor and mitigate the impact of unprecedented global events.

**Responsible Sourcing:**
Incorporate ESG factors, where relevant, into supply chain management processes, (e.g., sourcing of goods and services and in partner selection).

**CSR & Local Community:**
Enhance the quality of life of local communities through sponsorships, volunteering activities, engagements and interactions.

**Data Privacy & Security:**
Ensure protection of data / information / intellectual property belonging to stakeholders against cyber security breaches.

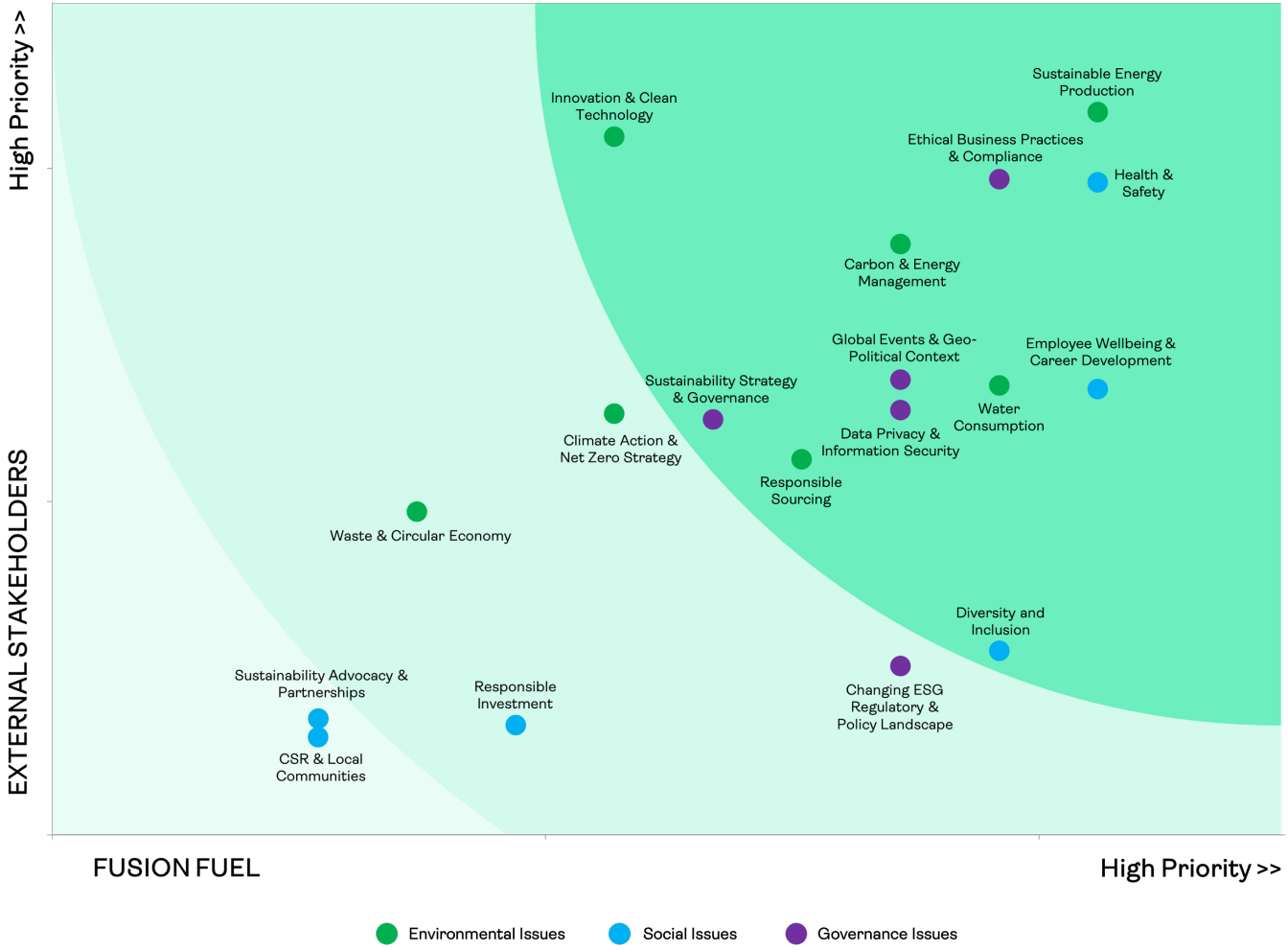
**Responsible Investment:**
Implement measures to monitor & initiatives to prevent wastage and reduce water consumption across operations.

**Changing ESG Regulatory & Policy Landscape:**
Implement measures to ensure preparedness for emerging sustainability-related regulatory changes or issues that would potentially impact Fusion Fuel's operations.

# BUILDING OUR MATERIALITY MATRIX

After synthesizing stakeholder input and calculating a baseline impact score for each of the 18 topic areas, we applied different weighting factors to each stakeholder group to determine the definitive scores. This ensures our materiality model reflects the relative significance of each stakeholder group based on their influence on our operations and our impact on them.

We then plotted the results of that analysis on the corresponding matrix, establishing the pillars of our sustainability strategy.



# SUSTAINABILITY AT WORK

The following pages detail our **progress, targets, and future plans** for managing the most impactful and relevant ESG issues for Fusion Fuel. As we are only in our third full year of operation and have only recently implemented our sustainability strategy, we are limited in the quantitative benchmarks and KPIs currently being measured that can be disclosed in this report.

Going forward it is our intention to implement policies and management systems that will allow us to more effectively manage and measure our impact on each of the topic areas, particularly concerning real-time ESG data collection and analysis. This will enable us to compile meaningful insights that don't just tick the box from an external reporting perspective, but also create opportunities for us to provide transparency, mitigate risk, and improve performance. We look forward to providing a more comprehensive and quantitative assessment of our ESG impacts in subsequent disclosures.

# ENVIRONMENTAL ISSUES

# INNOVATION & CLEAN TECHNOLOGY

## Relevance to Fusion Fuel:

Continuous innovation and investment in disruptive technologies that support sustainable energy production are table stakes for transitioning to a low-carbon economy. They are critical to achieving our goal of being a leader in the renewable energy sector. Innovation in the clean energy economy is vital to reducing our reliance on finite and carbon-intensive resources, minimizing our environmental impact, and mitigating climate risks, while also generating significant opportunities for economic growth and value creation.

## Approach and Current Policies:

Fusion Fuel is an innovation company. We are committed to pushing the boundaries of what is possible in green hydrogen technology, and to working collaboratively with our partners and stakeholders to galvanize the energy transition. We have developed a novel, miniaturized PEM electrolyzer – the HEVO – that unlocks market-leading distributed production of green hydrogen for small-to-midscale applications.

Given the early stage of commercialization of the green hydrogen sector, our ability to compete relies on the timely delivery of cost-competitive technology to the market. For that reason, in 2021 we made the decision to acquire a factory in Benavente, Portugal to house our state-of-the-art industrial electrolyzer production facility. Over the course of 2022 we renovated the Benavente factory and in June began producing our HEVO microelectrolyzers.

In addition to developing green hydrogen solutions, we also collaborate with research partners to enhance the performance of our technology. Since 2021, we have worked with the Fraunhofer Institute on several R&D projects, including improving optical efficiency in the CPV component of our HEVO-Solar, and testing and qualification of a variety of materials in our HEVO microelectrolyzer.

## Future Ambitions:

» Attain ISO 9001 accreditation in 2023.

## Metrics / Indicators:


*Capital Investment in Benavente Factory*


*Research & Development Expense*


*Employees in Technology, R&D Departments*

# CARBON & ENERGY MANAGEMENT

### Relevance to Fusion Fuel:

Our mission is to provide the world with innovative and cost-competitive green hydrogen solutions to accelerate the energy transition. As such, it's essential that we prioritize minimizing our own impact on the environment. This not only aligns with our values, but also makes good business sense. Companies around the world are uniting to address the urgent challenge of climate change. As a leading provider of green hydrogen solutions, we have a responsibility to do our part and help pave the way to a sustainable future. By taking action to reduce our carbon footprint and future-proof our operations, we can mitigate potential risks, and position ourselves as a leader in the emerging low-carbon economy.

### Approach and Current Policies:

Our vision is to continue to reduce the carbon footprint of our raw material inputs and our production process. To that end, our Benevente factory does not produce any hazardous waste materials. We have also implemented a policy that encourages recycling in all company activities, and are exploring how to make recycling a mandatory requirement.

In 2022, we made very tangible progress towards our goal of powering our own operations sustainably. We installed a solar array on the roof of our Benavente manufacturing facility in an effort to increase the proportion of renewable energy used in the production and assembly of our products. The installed capacity of that system is 999.54KWp. This will yield an estimated annualized production of 1,460.7 MWh per annum, and is expected to account for nearly 85% of Benavente's total annual electricity demand.

In 2022, we also installed 8 EV chargers at Benavente, and we offer free charging for employees who have electric vehicles. This year, we expect to introduce a requirement that all new company-sponsored vehicles be hybrid or electric vehicles.

### Future Ambitions:

- Implement a carbon management and footprinting system that will enable us to benchmark and disclose both Scope 1 and Scope 2 emissions in 2023. In 2024, target further expansion of our carbon measurement capabilities to Scope 3 greenhouse gas emissions.
- Perform a Carbon Impact Lifecycle Assessment for our core products, which will serve as a baseline for improvements over successive generations.
- Leverage our carbon emissions benchmarking exercise to develop a decarbonization strategy, which will include annual emissions reduction goals and an overarching Net Zero target.
- Engage third-party service providers to perform external assessments and benchmarking of environmental management performance.
- Quantify implied volume of CO2e emissions eliminated by Fusion Fuel products.

### Metrics / Indicators:

**163,474 kWh**

*Electricity Consumption at Benavente*

**108,468 kWh**

*Electricity Consumption at Sabugo*

**85%***

*Electricity Demand at Benavente Supplied by On-Site Solar*

* Assuming comparable energy consumption profile in 2023.

# SUSTAINABLE ENERGY PRODUCTION

**Relevance to Fusion Fuel:**

Meeting global energy demand sustainably is the lynchpin to limiting global temperature rise and transitioning to a Net Zero world. There is no one single fix to this existential challenge – reducing greenhouse gas emissions and our reliance on fossil fuels will require a collective effort and a diverse solution set. A sustainable economy powered by emissions-free fuels, like green hydrogen, has the potential to meet the world's energy needs without depleting finite resources or harming the environment, while also driving economic growth and providing energy security and independence.

**Approach and Current Policies:**

By powering our electrolyzers with renewable energy, we produce green hydrogen, an incredibly flexible fuel source that can be used in power generation, mobility and transportation, and a wide variety of industrial applications. Hydrogen produced via water electrolysis has no direct carbon emissions and has the potential to offset the more than 900 million tonnes per year of carbon emissions from conventional hydrogen production. Contributing to a more sustainable future through the development of innovative electrolyzer solutions and green hydrogen plants is the heart and soul of our strategy and our mission.

In 2022, we commissioned our first solar-to-green hydrogen plant in Evora, Portugal, with an annual production capacity of 15 tonnes per annum. This year, we anticipate commissioning 15 MW of green hydrogen production, which would produce approximately 630 tonnes of green hydrogen annually.

In addition to selling our electrolyzers and developing green hydrogen plants, our strategy is to create innovative, holistic solutions for customers that facilitate the adoption of green hydrogen. One key example is our project for Exolum in Madrid, a first-of-its-kind hydrogen refueling station integrated with on-site solar-to-hydrogen production.

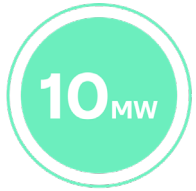
We have also entered into collaboration agreements with value chain partners to create unique offerings that break down barriers to adoption. For example, our partnership with Toyota Material Handling España enables us to go to market with end-to-end solutions, like hydrogen-as-a-service, for customers in the logistics and material handling segment.

**Future Ambitions:**

- Continue to invest in the development of Fusion Fuel-owned development projects.
- Ramp up production capacity at our Benavente factory to 500 MW per annum by the end of 2025.
- Enter into strategic partnerships with key players within and adjacent to the hydrogen ecosystem.

**Metrics / Indicators:**


*Green Hydrogen Produced*




*Installed Electrolyzer Capacity at Benavente*

# RESPONSIBLE SOURCING

### Relevance to Fusion Fuel:

While much of our sustainability focus is internal – our people, process, and technology – our supply chain and sourcing practices afford us the opportunity to make a difference within communities that our operations do not directly affect. Our most crucial raw materials and components are steel, aluminum, electronic boards, and membrane electrode assemblies that contain small amounts of platinum, titanium, and iridium. It is imperative that in addition to ensuring a consistent and reliable supply chain, we also leverage our position as a leading supplier of electrolyzer solutions to promote responsible and sustainable business practices and have a positive impact on the communities in which we operate, both near and far.

### Approach and Current Policies:

Our objective is to cultivate strong working relationships with a diverse set of key suppliers. Over the course of 2022 we expanded our qualified direct supplier list from 50 providers to over 200, many with whom we have longstanding relationships. Building supply chain diversity and resilience was of particular importance in 2022, and has enabled us to better manage risk and maintain flexibility.

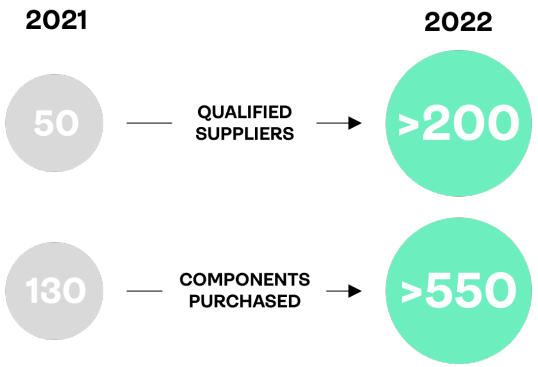
We have established General Purchase Conditions that set forth several technical and commercial specifications that must be met in order for a supplier to satisfy our certification requirements, such as conditions regarding child labor and human rights abuses.

The four minerals of greatest concern for human rights abuses according to the EU Conflict Minerals Regulation are gold, tantalum, tin, and tungsten. None of these raw materials are used in the production of our electrolyzers.

### Future Ambition:

- Develop a Supplier Code of Conduct that establishes our commitment to responsible procurement principles and sets out ESG criteria in partner selection. All direct suppliers will be required to adhere to the Supplier Code of Conduct to be considered qualified for a business relationship with Fusion Fuel.
- Perform an internal benchmarking exercise on 100% of our critical suppliers to assess their compliance with the Supplier Code of Conduct, enabling us to map the performance of our supply chain against our ESG principles.
- Work with our suppliers and business partners to develop an action plan to ensure alignment with our Supplier Code of Conduct.
- Develop a roadmap for expanding the benchmarking exercise to 100% of our qualified supplier list by the end of 2024.

### Metrics / Indicators:



# WATER CONSUMPTION

## Relevance to Fusion Fuel:

Water is a critical component of electrolysis. Not only is it the source of the hydrogen and oxygen atoms that are separated during the reaction, but it also helps regulate the temperature and conductivity of the electrolysis process. Producing one kilogram of hydrogen through electrolysis requires 9 liters of clean water, which means that production at scale can consume significant quantities of water. This poses a potential risk to, and a negative environmental impact on, water-stressed areas. We are committed to reducing waste, preventing water pollution, and minimizing environmental impacts wherever possible.

## Approach and Current Policies:

Water usage at our manufacturing facilities and company headquarters is primarily for human use, with a nominal quantity used in testing to validate the presence of leakage. None of our facilities or projects are located in water stressed areas. When sourcing water at our green hydrogen plants, our approach is to use groundwater wherever possible.

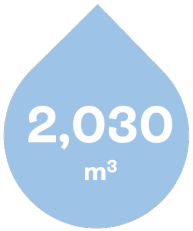
We install reverse osmosis purification systems at our projects to ensure the water in our electrolyzer stacks are deionized and free of impurities such as minerals, salts, and organic compounds, which can contaminate the electrolyzer and lead to corrosion and scaling, impacting the lifespan of the electrolyzer.

The use of deionized water in the electrolyzer stack improves its performance by reducing the buildup of impurities that can cause electrode fouling and increase internal resistance, which, in turn, can decrease the efficiency of the electrolysis process and increase energy consumption. For all its benefits, deionized water is highly corrosive to certain metals. As a result, we design all plants and waterways to ensure that deionized water is properly managed to avoid any impact to the environment.

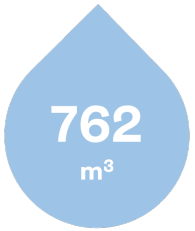
## Future Ambitions:

- Measure total volume of water withdrawn by source.
- Improve the efficiency of our water purification systems from 50% to 75-80% efficiency, reducing the volume of unpurified water withdrawn and processed.

## Metrics / Indicators:




*Benavente*
*Water Consumption*




*Sabugo*
*Water Consumption*

# SOCIAL ISSUES

# DIVERSITY & INCLUSION

### Relevance to Fusion Fuel:

Diversity and inclusion are essential to succeeding in the fast-paced and increasingly dynamic global business environment. By valuing diversity and creating an inclusive workplace where employees can be their authentic selves, we can unlock the full potential of our workforce and foster a culture of innovation, collaboration, and creativity. When employees feel comfortable bringing their whole selves to work, they are more likely to feel engaged, motivated, and invested, leading to better business outcomes. Keeping Fusion Fuel a healthy and vibrant business means incorporating a variety of people from different backgrounds and cultures, ages and experiences, providing us with the balance of voices and diversity of perspectives that we need to reach out company's full potential.

### Approach and Current Policies:

Fusion Fuel is particularly committed to gender diversity and equality, not only because it is the right thing to do, but also because an inclusive, balanced workplace yields extensive benefits. We believe that workplace diversity and equality sparks creativity, bringing new ideas and opportunities to the fore for the collective benefit of our company.

In our efforts to build a more inclusive team, we have found that the Portuguese labor market does not make it easy to identify female and minority talent, particularly in the engineering sector. We are nevertheless working diligently in the recruitment research and screening process to attract a maximally diverse talent pool. No matter the challenges, we will remain undeterred in our commitment to prioritize diversity, tap into the full potential of our workforce, and bring the greatest number of voices to the table in order to better serve and understand our customers.

We currently have a Fair Treatment and Equality Policy which is available on our intranet and posted in our offices and manufacturing facilities to amplify our commitment.

### Future Ambitions:

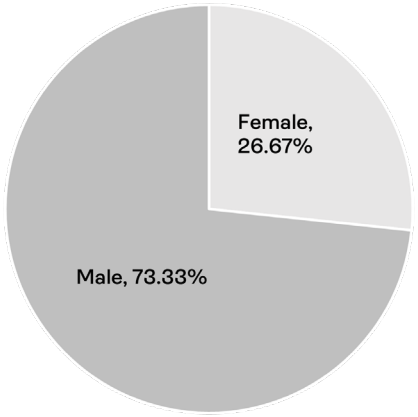
- Conduct employee survey to gain additional benchmarking data to inform ongoing Diversity & Inclusion initiatives
- Establish reporting mechanisms for suspected breaches of existing policies.
- Develop and formalize policy statement on Equal Opportunities, Diversity & Inclusion.

> *Having spent over forty years in tech, I have witnessed firsthand the **transformative power** that diverse perspectives bring to our organizations. We want Fusion Fuel to be a business that breaks down systemic barriers, **thrives on collaboration and respect**, and actively champions a future that reflects the diverse world in which we live.*
>
> *When we create an inclusive environment where everyone feels valued and heard, we **unlock the full potential** of our teams, **drive innovation**, and **deliver exceptional results** for our communities and our shareholders.*
>
> ***Theresa Jester***
> *Non-Executive Director*

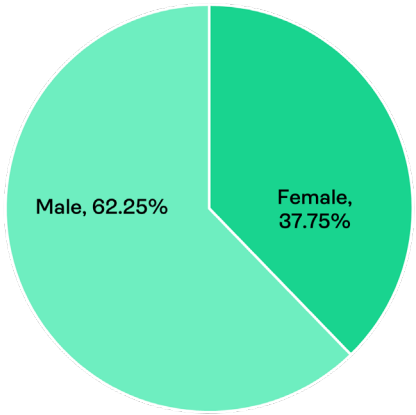
# DIVERSITY & INCLUSION (CONTINUED)

**Metrics / Indicators:**

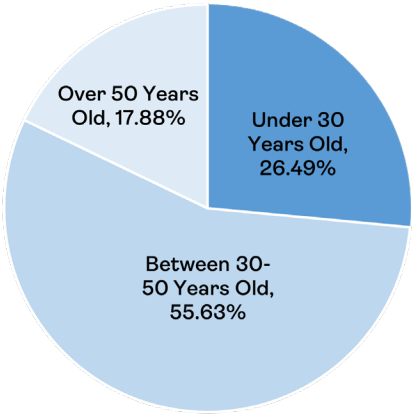
### GENDER BREAKDOWN (MANAGEMENT ONLY)




### GENDER BREAKDOWN (ALL EMPLOYEES)




### AGE BREAKDOWN



# HEALTH & SAFETY

## Relevance to Fusion Fuel:

Safety is a core value at Fusion Fuel, one which is critical to the continued success of our business. Our biggest asset is our people, so we strive every day to provide them with a safe and healthy working environment, particularly for those in our factory or in the field who are required to operate complex and heavy machinery in the production and installation of our electrolyzer solutions. Ensuring a safe and healthy working environment also helps us reduce costs, improve compliance with legal and ethical standards, and attract and retain premier employees.

## Approach and Current Policies:

Our goal in 2022 was to lay the foundation for our safety culture, starting with three key operational areas: production, labs, and prototyping. We began by conducting a detailed assessment of all the potential risks and hazards present in our work environment, and defined an action plan to mitigate those risks.

We partnered with two specialized service providers, one to support the risk mitigation actions and safety culture creation, and another exclusively focused on controlling and auditing all contractors working at our Benavente facility. Clear procedures were established to manage all contractors and comply with local statutory requirements.

We defined Health & Safety KPIs and created a virtual dashboard to monitor those metrics in real time. The dashboard is presented to the Executive Committee and the Board of Directors on a periodic basis.

We established a training curriculum for operators within our production division that focused on how to operate production lines, safety procedures, quality control, and other related skills. We provided training in safety behavior observation to the entire production division, and established a target for every employee to perform at least one safety behavior observation per week.

Finally, we defined our Six Golden Rules of Safety for the production division, which are posted throughout our manufacturing facilities.

## Future Ambitions:

- Zero lost time incidents across the entire organization in 2023.
- Attain ISO 14001 and ISO 45001 readiness by year-end 2023.
- Expand our Health & Safety dashboard to include areas that emerge as part of ongoing risk assessment procedures, such as psychosocial risk assessment.
- Roll out emergency response training for all production sites.
- Roll out employee survey on health and safety.

## Metrics / Indicators:

# EMPLOYEE WELLBEING & CAREER DEVELOPMENT

## Relevance to Fusion Fuel:

Employee engagement and wellbeing is an essential consideration in the long-term viability of our business. How an organization treats its own is the clearest expression of its commitment to social responsibility. It fosters, and is a strong indicator of, sustainable growth. By prioritizing employee engagement and wellbeing, we can create a workplace culture that attracts and retains top talent, inspires innovation and collaboration, and ultimately drives business success.

## Approach and Current Policies:

Our people are our most important asset, and we are committed to creating a workplace culture that fosters collaboration, creativity, and innovation. Investing in our people through training, development, and wellbeing initiatives allows us to build a skilled and motivated workforce.

As the vast majority of our 151 employees are based in Europe, everyone has access to free public healthcare, education, and benefits like paid maternity and paternity leave. Our commitment to our people means we take their care and quality of life a step further. All non-fixed-term employees have access to company-sponsored health, vision, and dental insurance plans. Employees are also offered a vacation and holiday package.

In order to ensure that our people share in the value they create, we also implemented an Equity Incentive Plan (EIP) that gives us the ability to issue share-based awards as part of an overall compensation package to attract and retain qualified personnel.

We recognize the importance of training and development and actively make training opportunities available for employees to accelerate their professional development. Fusion Fuel employees cumulatively invested in over 5,000 hours of training in 2022.

We also piloted an apprenticeship program in 2022 with three apprentices who trained within the Production department, one of whom was hired for a full-time role upon completion of the apprenticeship.

We currently have an Anti-Harassment Policy as well as a Right to Parenting Policy, both of which are available on our intranet and posted in our offices.

## Future Ambitions:

- Establish Fusion Fuel Academy with formal training and development program, including annual sustainability training.
- Design and conduct annual sustainability training program for employees.
- Design and implement sector-specific sustainability skills and expertise development program.
- Develop enterprise-wide sustainability culture and development program.

## Metrics / Indicators:

**34 HOURS**

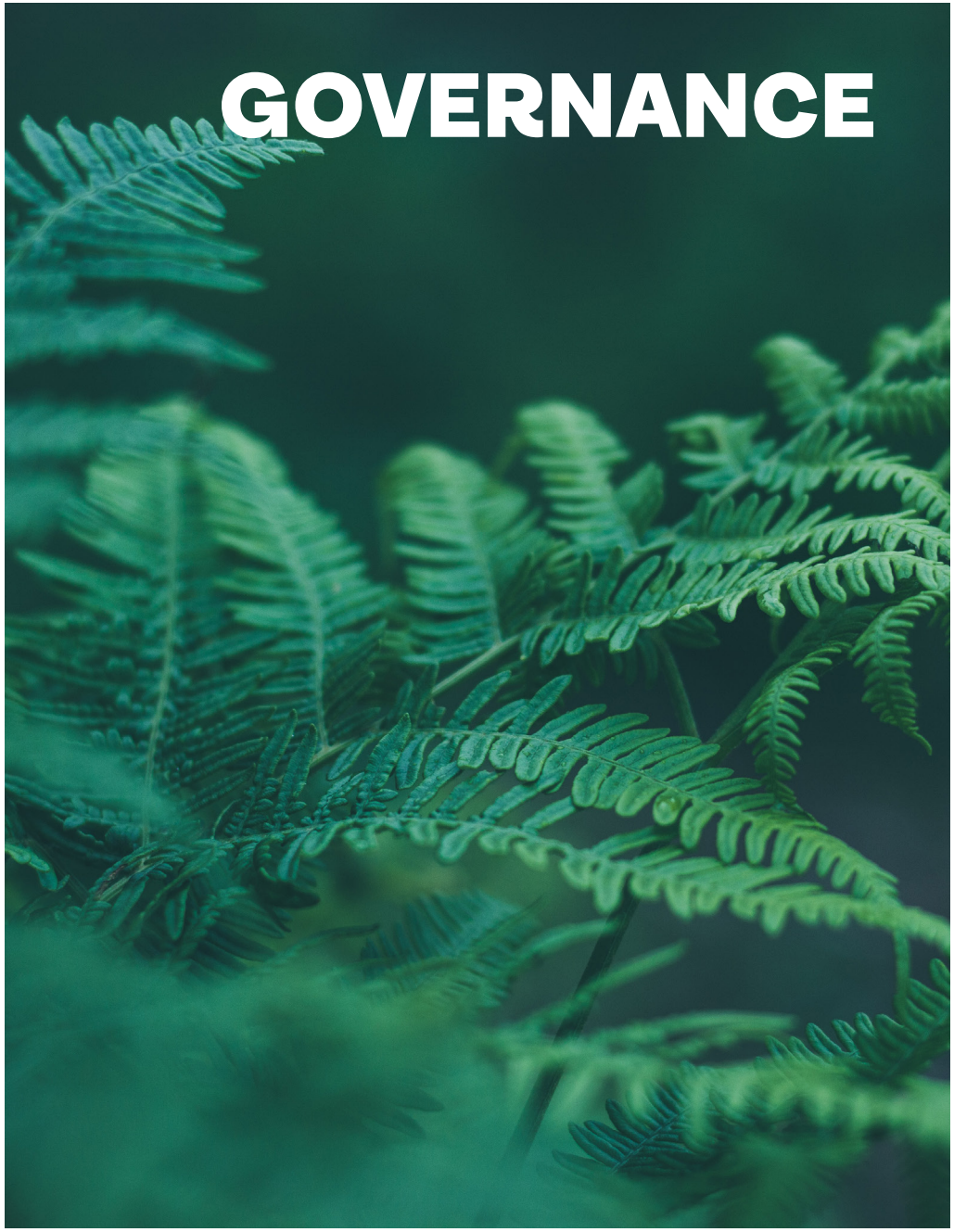
*Average Annual Training Hours per Employee*

**89%**

*Participated in Professional Development Programs*

**23%**

*Percentage of Employees Benefitting from EIP*



# SUSTAINABILITY STRATEGY & GOVERNANCE

### Relevance to Fusion Fuel:

Governance is the third, and most often overlooked, pillar of corporate sustainability. Strong, effective governance ensures that the principles of sustainability are integrated within our core values and business strategy. It also enables us to manage our environmental and social impacts and risks more effectively while still creating long-term value for all of our stakeholders. Perhaps most importantly, it forces us to be transparent about our performance against our sustainability goals and hold ourselves accountable for our actions.

### Approach and Current Policies:

Fusion Fuel is still a young company, only in the third year of its existence. As a result, we lean heavily on the expertise and experience of our Board of Directors to inform our strategy and shape our governance procedures. Our Board consists of seven members, four of whom are Non-Executive Directors. Fusion Fuel's Directors are highly engaged, each bringing complementary skills and valuable guidance that support senior management in building a business that is fit for today and designed for tomorrow.

In 2022, we created an ESG Committee to ensure that sustainability remains a highly visible priority for our business. The Committee is responsible for overseeing the implementation of our sustainability strategy and establishing the management systems that will enable us to measure performance against our objectives. To ensure buy-in and alignment across the organization, the Committee is comprised of representatives from every core function and department. Fusion Fuel's Chief Operating Officer, André Antunes, is the committee chair. He is joined by our Head of Investor Relations, Benjamin Schwarz, and Head of Human Resources, Cátia Carvalho.

### Future Ambitions:

- Develop and formalize an enterprise-wide governance structure for sustainability, which is currently centralized within the ESG Committee.
- Develop and roll out a sustainability training program, beginning with the Board of Directors and executive leadership.
- Further strengthen the diversity of our Board, as well as increase the proportion of Non-Executive Directors.

### Metrics / Indicators:

**4/7**
*Non-Executive Members of the Board*

**2/7**
*Female Directors*

**2.3 YEARS**
*Average Director Tenure*

# DATA PRIVACY & INFORMATION SECURITY

### Relevance to Fusion Fuel:

Protecting the privacy and rights of our employees and customers is a company imperative. Data security is essential for protecting sensitive information, complying with regulations, and preserving trust with stakeholders. It is also uniquely relevant for us given that our green hydrogen facilities are managed remotely. With that, maintaining a secure operating environment is particularly crucial to ensuring safe and reliable performance.

### Approach and Current Policies:

Our Safeguarding Information Policy lays out our commitment to ensuring the proper management of confidential internal and third-party information assets and aligns with the General Data Protection Regulation.

In 2022, we implemented an IT Asset Management system, allowing us to identify, track, and manage our IT assets. By understanding the assets we have and where they are located, it becomes easier to implement security measures and protect against threats.

We also introduced certain limitations on hardware and file sharing, including locking USB drives, in order to enhance sensitive data and intellectual property protection and to make occasional uncontrolled information sharing more difficult to achieve.

More recently, we defined and implemented our IT Acceptable Usage Policy, which establishes guidelines for IT access, information processing and storage, and appropriate Internet and email conditions.

### Future Ambitions:

- Continuous review and enhancement of data privacy and security management systems and implementation of control measures.
- Ensure our IT policies are aligned with ISO 27001 wherever possible to help us establish a comprehensive and effective information security management system and protect our information assets.
- Ensure ongoing adherence to the ITIL framework wherever possible.

### Metrics / Indicators:

**0**
*Systems Breaches*

**73.96%**
*Microsoft Security Score*

**2**
*External Systems Audits Completed*

# ETHICAL BUSINESS PRACTICES & COMPLIANCE

### Relevance to Fusion Fuel:

Building a sustainable organization begins by looking inwards, evaluating how we behave, treat others, and manage our business. By adopting and adhering to a code of ethics that sets out the guiding principles of how we conduct business, we can create a more responsible organization and cultivate a reputation for integrity, equity, and justice. Doing so helps us attract and retain employees, generate superior returns for our shareholders, and create value for all our stakeholders.

### Approach and Current Policies:

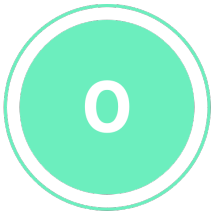
Our Code of Ethics, which was adopted by Fusion Fuel's Board of Directors in 2021, articulates our commitment to integrity and promotes honest, ethical, and fair conduct for company employees. It also requires prompt internal reporting of potential breaches to the Board and / or Audit Committee Chairperson and establishes non-retaliation provisions for whistle-blowers. This policy document is available on our company intranet and is included in the onboarding package provided to all new employees.

We created a dedicated whistle-blowing mechanism whereby internal and external stakeholders can lodge a complaint if they witness any unethical, unsafe, or potentially harmful activity involving Fusion Fuel's businesses or operations.

### Future Ambition:

» Evaluate the creation of sustainability KPIs for executive leadership and the incorporation of an ESG performance-linked remuneration framework for senior management to further incentivize the achievement of our sustainability goals.

### Metrics / Indicators:




*Total Violations for Non-Compliance with Regulations*


*Material Whistleblower Cases Reported*

# ETHICAL BUSINESS PRACTICES & COMPLIANCE (CONTINUED)

*Our Core Values: Fusion Fuel's core values lie at the very heart of how we conduct ourselves every day – they serve as our North Star, shaping our decision-making approach and defining what we stand for as a firm. These are split into two categories: our* **principles** *and our* **behaviors**. *They are the expression of who we are and how we think about managing the business:*

## PRINCIPLES

### Transparency – make it clear

- We conduct our business with honesty, objectivity and clarity. People understand what we say and can trust our word.
- We avoid ambiguity and misunderstanding, by communicating openly with our shareholders, partners and customers.

### Innovation – improve every day

- We shape our future by creating pioneering solutions by pursuing continuous improvement.
- We conduct responsible and sustainable innovation.
- We create an inclusive environment where new approaches and ideas are encouraged.

### Boldness – think ouside the box

- We are decisive in pursuing opportunities that advance our vision and help us achieve market leadership.
- We maintain an entrepreneurial mindset and continually seek opportunities for growth.
- We are curious and take calculated risks. We embrace change even if it is uncomfortable and tackle difficult problems head on.

### Safety – work safe, be safe

- We are obsessed with the safety of our employees, customers and partners.
- We promote a culture of continuous improvement and commitment to safety, training and compliance with all applicable laws and regulations.

## BEHAVIORS

### Accountability with integrity

- I am responsible for what I say and do, and for the commitments I make.
- I take ownership and make things happen.
- I step up and act when something is not right.
- I focus on the long term and work continuously to strengthen the company's reputation.
- I value quality and respect deadlines and others' commitments.

### Collaboration

- I trust others and help them to be successful.
- I foster a diverse, inclusive and equitable work environment.
- I work with my colleagues towards the company's goals and help them on their own tasks.
- I act as a role model by treating others the way I would like to be treated.

### Construtive Challenge

- I learn from past mistakes and experiences.
- I speak up if I see something that does not exemplify our standards.
- I empower myself and encourage others to do better, realize our full potential as a team and constructively challenge the status quo.
- I am open to ideas and concerns from others on activities I am responsible for.

# FUSION FUEL™