

KYOTO GROUP

# ESG

Environmental,  
Social and  
Governance Policy





## About Kyoto Group

Kyoto Group is a leading thermal battery company committed to decarbonizing industrial heat with its innovative solution, Heatcube.

Industrial heat production is responsible for 40% of global carbon emissions — primarily driven by fossil fuels — but this often-overlooked emitter can be decarbonized today with Heatcube.

Heatcube provides a sustainable, cost-effective, plug-and-play solution that efficiently captures and stores renewable energy, converting it into electricity-powered heat to generate steam for industrial applications. Kyoto Group is on a mission to empower industries with renewable thermal energy, paving the way for a world powered by nature.

Founded in 2016, Kyoto Group has offices in Oslo, Norway, and Seville, Spain, and operates through subsidiaries in Denmark. Our principal owner, Glentra, a leading Danish energy fund, drives the green transition through innovative decarbonization and energy efficiency technologies.



### Our purpose

Empower industries with renewable thermal energy.



### Our values

Care, Enthusiasm, Determination

## Heatcube: Low-cost industrial heat

Heatcube is a flexible thermal battery that supplies low-cost industrial heat when needed. Designed to replace traditional fossil-fired boilers, Heatcube helps industrial facilities cut costs, reduce emissions, and gain long-term energy security.

Heatcube is made for industries requiring high-temperature process heat in the temperature range 150 – 300°C, such as food and beverage, pharmaceuticals, chemicals, manufacturing, and heavy industry. It integrates seamlessly with existing steam infrastructure, enabling decarbonization and low-cost steam without disruption. Good for the world and you!

### Heatcube performance metrics:

<b>10-20 MW</b> Charging capacity	<b>150-300°C</b> Steam temperature	<b>Up to 15,000 tons</b> Annual CO <sub>2</sub> reductions	<b>&gt;25 years</b> Lifetime
<b>39-104 MWh</b> Storage capacity	<b>&gt;93%</b> Round trip efficiency	<b>Power-to-heat</b> Application	
<b>up to 14 MW</b> Discharge capacity	<b>&lt;3 sec</b> Charge response tim	<b>~280 kWh/m<sup>2</sup></b> Usable storage density	



## Background and purpose

### 01.

The purpose of this Environmental, Social and Governance (“ESG”) Policy (“Policy”) is to set out Kyoto Group AS (“Kyoto” or “Company”) overarching approach to sustainability and responsible business conduct. The Policy provides a framework for integrating ESG considerations into decision-making, daily operations, and stakeholder relationships across Kyoto and its wholly owned subsidiaries.

### 02.

This Policy defines the principles, governance structure, and processes by which Kyoto identifies, manages, and mitigates ESG-related risks and opportunities. It aims to ensure that ESG factors are embedded in strategic and operational practices in a manner consistent with Kyoto’s values, applicable laws, and the expectations of its shareholders.

### 03.

The Policy serves both as a risk management instrument and a value creation framework, supporting Kyoto in strengthening operational resilience, maintaining a trusted reputation, and capturing opportunities arising from the energy transition. It is designed to: (i) promote sound governance, transparency, and accountability; (ii) provide guidance about how to handle ESG risks that could materially affect Kyoto’s performance; and (iii) provide a structure for defining and monitoring ESG objectives, metrics, and reporting obligations.

### 04.

The Policy is guided by Kyoto’s core values - caring, enthusiasm, and determination - which informs how the Company conducts its business, interacts with stakeholders, and pursues continuous improvement. These values underpin Kyoto’s approach to responsible business conduct and reflect its aim to create sustainable value for customers and society.

## ESG principles

### 05.

Kyoto’s core mission is to deliver cost-efficient and reliable renewable heat solutions to industrial customers, creating value for our partners and supporting the broader energy transition by utilizing intermittent renewable power. Through this, Kyoto supports industrial decarbonization, enhances grid flexibility, and inherently contributes to long-term sustainability objectives by generating positive impacts on both climate and society through efficiency gains, economic growth, and job creation. Our commitment to sustainability and responsible business conduct guides how we operate, select partners, and create long-term value for customers and stakeholders.

### 06.

Kyoto intends to be guided by the following international standards and norms:

- Ten Principles of the UN Global Compact
- UN Universal Declaration of Human Rights
- ILO Conventions
- Rio Declaration on Environment and Development
- UN’s Convention against Corruption
- UN’s Guiding Principles on Business and Human Rights
- OECD’s Responsible Business Conduct for Institutional Investors
- Paris Climate Agreement
- UN Sustainable Development Goals
- EU Sustainable Finance Disclosure Regulation (SFDR)
- EU Taxonomy’s objective of “Climate change mitigation
- Principles set forth in the Kyoto Code of Conduct

## ESG integration in Kyoto operations

### 07.

Kyoto integrates ESG considerations at several levels in the organization. New partners, suppliers and customers will be assessed at an early stage for alignment with our Policy. An ESG risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on Kyoto. Material negative impact is defined as any impact that could reasonably be expected to affect Kyoto's financial performance, operational capabilities, reputation, or ability to meet its decarbonization ambitions. The Director of ESG, in collaboration with Legal, Sales and Procurement, will assess the ESG risks of potential customers, suppliers and partners in advance of the execution of any contract (other than an NDA) between Kyoto and the relevant party.

### 08.

The Director of ESG will provide an assessment of any identified potential ESG risks associated with the relevant party to the CEO and General Counsel.

### 09.

The internal stakeholder responsible for the relationship with the relevant party, the CEO, the General Counsel, and the Director of ESG will evaluate and decide on appropriate responses to identified negative or potentially negative ESG impacts. Final decision-making authority rests with the CEO.

### 10.

ESG risks will be reviewed regularly by the CEO and discussed with the Board of Directors of Kyoto no less than once a year.

### 11.

Kyoto proactively manages ESG risks to protect company profitability, reputation, and long-term sustainability

objectives. If ESG due diligence determines that a potential or existing supplier or customer presents significant negative ESG impact and lacks a credible, time-bound mitigation plan with measurable targets, Kyoto shall:

- For new relationships: Decline to enter into business relationships
- For existing relationships: Implement a phased disengagement strategy or require prompt corrective action plans as conditions for continued business.

### 12.

Exception for Sole Source Suppliers: In cases where a supplier is the only available source for a critical component or service essential to Kyoto's operations, and no viable alternative exists, Kyoto may engage with such supplier despite ESG concerns, provided that:

- The sole source status and business necessity is documented and verified by Procurement and approved by the CEO.
- Kyoto implements enhanced monitoring of the supplier's ESG performance and partners with the supplier to address such ESG concerns.
- The exception is reviewed every six months to reassess necessity.

### 13.

Kyoto manages identified material ESG impacts within its operations and seeks to reduce them where practical and proportionate. Employees are expected to follow Kyoto's guidelines, including those related to travel and resource use.

### 14.

Exclusions As Kyoto's ambition is to build long-term partnerships with customers, suppliers, and partners, we require ongoing adherence to our ESG standards. The following exclusion criteria identify business activities Kyoto views as incompatible with this Policy<sup>1</sup>.

<sup>1</sup>The list is based on the sum of the exclusions lists from our main investors, as well as the Socially Responsible Investment Label (March 2024).

As such, Kyoto will not partner with or procure from organizations that:

### Kyoto Value-Based Exclusions

- Manufacture weapons.

### Environmental-Based Exclusions

- Contribute to illegal deforestation on an ongoing basis.
- Generate more than 5% of their most recently completed fiscal year's annual sales revenue from coal-fired or peat-fired power generation without a credible transition plan aligned with the Paris Agreement.
- Generate more than 5% of their most recent completed fiscal year's annual sales revenue from arctic drilling or deep-sea mining.
- Request Kyoto's products or services for projects engaged in the exploration, development, or production (E&P) of new oil and gas assets. All other projects with such organizations are subject to Kyoto's standard ESG assessment.

### Social-Based Exclusions

- Violate human rights, including employing forced labor of any kind or allowing children to form part of their workforce.
- Manufacture tobacco products in any form.

### Governance-Based Exclusions

- Provide products or services in countries, regions or territories or to entities or individuals subject to international trade embargoes or sanctions as defined by the UN, EU or other relevant authorities.
- Provide products or services in countries, regions, territories or to entities or individuals involved in violations of international law as determined by the UN, International Criminal Court or International Court of Justice.
- Are incorporated in jurisdictions listed on the EU's list of non-cooperative jurisdictions for tax purposes at the time of engagement.<sup>2</sup>

<sup>2</sup> [https://ec.europa.eu/taxation\\_customs/tax-common-eu-list\\_en](https://ec.europa.eu/taxation_customs/tax-common-eu-list_en)

- Have been convicted of corruption, fraud, or other serious financial crimes within the past five years without demonstrating significant governance reforms.
- Exceptions to these exclusions may be granted in accordance with this Policy for sole source suppliers of critical components, following the documented approval process. Companies demonstrating credible, time-bound transition plans away from excluded activities may be considered on a case-by-case basis, subject to enhanced monitoring and specific performance targets.

### 15.

Kyoto will monitor and periodically re-assess identified material ESG risks associated with its current partners, suppliers and customers, and engage with them to address mitigating actions or developments as needed.

### 16.

If Kyoto has reason to believe that a partner, supplier or customer, or another party involved in a Company project has become unable or unwilling to respect this Policy, Kyoto shall seek to engage with that party to promote improved compliance.

## ESG review and reporting

### 17.

Kyoto will conduct a review of this Policy at least annually, including on Kyoto ESG progress, and report to management and the Board of Directors at least annually.

### 18.

Principal Adverse Impacts in this Policy reflect the metrics that Kyoto currently uses to track its adverse impacts on ESG areas.

## Incident reporting

### 19.

Any employee who becomes aware of a failure to comply with this Policy must promptly report such non-compliance to the Director of ESG. Alternatively, employees may report non-compliance through Kyoto's confidential [whistleblower hotline](#) (available from the Kyotopia Dashboard) without fear of retaliation. The Director of ESG must document all reported non-compliance incidents and notify the CEO and General Counsel within two (2) business days of receiving such reports. If the non-compliance is of a serious nature, the CEO will escalate the matter directly to the Board of Directors. Kyoto prohibits any form of retaliation against employees who, in good faith, report suspected non-compliance with this Policy.

## Amendments and policy review

### 20.

Kyoto will monitor and review this Policy at least annually in order to remain compliant with applicable laws and Company governing documents.

## Definition of sustainability risks

### 21.

#### Environmental Risks

- Climate change and greenhouse gas (GHG) emissions
- Resource scarcity (water, energy, raw materials)
- Pollution and waste management
- Biodiversity loss and deforestation

### 22.

#### Social Risks

- Labor practices, worker safety, and human rights

violations

- Diversity, equity, and inclusion (DEI) issues
- Community relations and social license to operate
- Supply chain ethics (forced labor, child labor)
- Product safety and customer welfare

### 23.

#### Governance Risks

- Corruption, bribery, and unethical conduct
- Weak board oversight and lack of independence
- Executive compensation misalignment
- Poor transparency and disclosure practices
- Non-compliance with laws, regulations, or ESG standards
- Non-compliance with Kyoto's Code of Conduct

## Principal adverse impacts

The following Principal Adverse Impacts show the metrics that Kyoto currently uses to track its adverse impacts on ESG areas. These variables are tracked through our reporting software from Position Green. As the Company grows, we have the ambition to start tracking more ESG-related variables and document the progress we are making against pre-defined benchmarks and KPIs. These variables are also subject to change should we select a different software provider.

PAI Code	Description
PAI 1.1.1	Scope 1 GHG emissions [tonnes CO2e/year]
PAI 1.1.2	Scope 2 GHG emissions [tonnes CO2e/year]
PAI 1.1.3	Scope 3 GHG emissions [tonnes CO2e/year]
PAI 1.1.4	Total GHG emissions [tonnes CO2e/year]
PAI 1.2	Carbon footprint [tonnes CO2e/EURm invested/year]
PAI 1.3	GHG intensity of investee companies [tonnes CO2e/EURm revenue/year]
PAI 1.4	Share of investments in companies active in the fossil fuel sector [%]
PAI 1.5.1	Share of non-renewable energy consumption [%]
PAI 1.5.2	Share of non-renewable energy production [%]
PAI 1.6.1	High impact climate sector Agriculture, forestry, and fishing [GWh/EURm revenue/year]
PAI 1.6.2	High impact climate sector Mining and quarrying [GWh/EURm revenue/year]
PAI 1.6.3	High impact climate sector Manufacturing [GWh/EURm revenue/year]
PAI 1.6.4	High impact climate sector Electricity, gas, steam, and air conditioning supply [GWh/EURm revenue/year]
PAI 1.6.5	High impact climate sector Water supply: sewerage, waste management, and remediation activities [GWh/EURm revenue/year]
PAI 1.6.6	High impact climate sector Construction [GWh/EURm revenue/year]
PAI 1.6.7	High impact climate sector Wholesale and retail trade: repair of motor vehicles and motorcycles [GWh/EURm revenue/year]
PAI 1.6.8	High impact climate sector Transportation and Storage [GWh/EURm revenue/year]
PAI 1.6.9	High impact climate sector Real Estate [GWh/EURm revenue/year]
PAI 1.7	Share of investments in companies with activities negatively affecting biodiversity-sensitive areas [%]
PAI 1.8	Emissions to water [tonnes]
PAI 1.9	Hazardous waste [tonnes]
PAI 1.10	Share of investments in investee companies that have been involved in violations [%]
PAI 1.11	Share of investments in investee companies without policies [%]
PAI 1.12	Average unadjusted gender pay gap of investee companies [%]
PAI 1.13	Average ratio of male to female board members in investee companies [%] *
PAI 1.14	Share of investments in investee companies involved in the manufacture or selling of controversial weapons [%]
PAI 2.10	Land degradation, desertification, soil sealing
PAI 3.3	Number of days lost to injuries, accidents, fatalities or illness

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