

An aerial photograph of a dense, vibrant green forest. A winding river or stream flows through the center of the forest, creating a network of light blue channels. The trees are thick and cover the entire landscape, with some mist or low clouds visible near the water's edge.

KYOTO GROUP

# Environmental, Social and Governance Policy



## About Kyoto Group

**Kyoto Group was founded on the notion that heat is the most commonly used form of energy in industrial applications. By storing energy as heat, we can decouple the time from when energy is produced to when it is applied in industry.**

Kyoto Group disconnects the time power is made from when it is used by leveraging increasing energy market fluctuations and excess power from wind and solar. We can offer reliable and efficient storage of energy and thereby stable delivery of heat to industrial customers when needed.

Two-thirds of industrial energy demand is tied to heat, not electricity, and only 9% of current heat generation comes from renewable sources. This is not sustainable. Our thermal battery, Heatcube, will make solar and wind more stable and reliable by adding storage to the system and has the potential to increase carbon-free renewable energy use. By enabling the reduction of power generation carbon emissions, we are supporting the global energy transition. The Heatcube technology is standardized and modular, offering the potential to rapidly scale, reduce carbon footprint and save costs.

Kyoto Group aims to capture and manage the abundant energy from variable renewable sources such as solar and wind power and apply it to reduce the CO2 footprint for industrial thermal loads, while also offering a flexible asset for the grid. The Company plans to sell and lease & operate Heatcube thermal batteries with capacity from 16MWh, enabling industrial consumption of clean and low-cost heat, sourced from excess solar and wind energy. By this, Kyoto Group is supporting the industry to decarbonize and electrify its industrial processes requiring process heat.

## Our purpose

Empower industries with renewable thermal energy.

## Our values

Caring | Enthusiasm | Determination

### Our product: Kyoto Heatcube

With a heart of molten salt, our thermal battery can be customized to meet the customer energy needs.

Kyoto Heatcube can be configured with storage capacities from 16 MWh to over 120 MWh, with a discharge effect for each Heatcube of up to 20 MW. It is an innovative, low-cost, and modular storage solution for thermal energy that can use multiple renewable energy sources to heat molten salt to 400 degrees Celsius. The high-temperature salt is then used to produce steam for industrial production processes.

Kyoto Heatcube is modularized and can be delivered on-site, ready to be easily integrated into your production system. Since we only use abundant, non-toxic components in our battery, Kyoto Heatcube can be recycled without leaving any harmful chemicals in the environment. Heatcube can also be registered and activated as an asset in various reserve markets.



## Background and purpose

### 01.

Kyoto Group AS (“Kyoto”) is at its core a company with a purpose. Purpose drives not only our goal of decarbonizing industries in order to help reach global emissions targets, but also the manner in which we strive to achieve this goal, who we are, and what drives us. Our core values - caring, enthusiastic, determination – paint only part of this picture.

### 02.

Our Environmental, Social and Governance (“ESG”) policy (“Policy”) defines why and how we are guided by purpose and outlines our commitment to sustainability. Our Policy provides a framework for our everyday operations.

### 03.

Our Policy is intended to have a significant positive impact on fundamental business issues. It will affect our corporate reputation, allowing us to both attract and be attractive to new customers, as well as future investors. It is a risk reduction instrument, allowing Kyoto to reduce risk-related costs, and future-proof our operations.

It will also allow us to manage opportunities better and prepare us for shifting market and non-market conditions. Finally, it will cement our commitment to our purpose and our inclusive culture, allowing us to retain our unique workforce and attract new talents.

## ESG principles

### 04.

Kyoto’s core mission is to play a pivotal role in the global transition towards renewable energy, addressing the challenges associated with the variable energy production nature of sources like wind and solar power. Our focus is on capturing and effectively managing this abundant renewable energy to significantly reduce the carbon footprint associated

with industrial heat demand. In short, our mission is to have a high positive ESG impact on both society and the climate. As such, our partnerships, suppliers and customers will be chosen based on their commitment to our goals and values.

### 05.

This approach will contribute positively to the United Nations Agenda for Sustainable Development, and the corresponding Sustainable Development Goals.

### 06.

The revolution of the entire energy eco-system and the speed necessary to reduce the carbon footprint in a timely manner will impose risks of partnerships, suppliers and customers being non-ESG compliant. We believe that responsible ESG management creates and protects value primarily through selecting and structuring desirable partnerships, suppliers and customers with lower risk profiles and avoiding negative return impacts due to unexpected costs and delays.

### 07.

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

- The Ten Principles of the UN Global Compact
- UN’s 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
- The Paris Climate Agreement
- The UN Sustainable Development Goals.
- The EU Sustainable Finance Disclosure Regulation (SFDR)
- The EU Taxonomy’s objective of “climate change mitigation”

- Good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance

## ESG integration to Kyoto operations

### 08.

Kyoto integrates ESG considerations at several levels in the organization. New partners, suppliers and customers will be assessed at an early stage for compliance with this Policy. A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the company, partnerships or projects.

The sustainability risks of potential customers, suppliers and partners will be assessed by the respective teams early enough to allow for complete ESG analysis to be carried out. This will be done in advance of committing agreements being signed between parties.

### 09.

Kyoto will provide an assessment of the potential negative impact of the material sustainability risks associated with project customers and suppliers to the extent possible. Sustainability risks will be assessed regularly by the CEO and discussed with the board no less than once a year.

### 10.

The decision to act on negative or potentially negative ESG impact will be taken by a group consisting of the Chief Officer in charge of the case, the CEO, and the ESG Director. Final decisions on whether to act will lie with the CEO.

### 11.

Kyoto focuses on, wherever possible, reducing sustainability risks to protect the company and its stakeholder's profitability and reputation. If, based on the ESG due diligence performed, a potential or existing supplier or customer is assessed to have significant negative ESG impact without a clear and realistic plan to mitigate such potential risks, Kyoto shall refrain from making purchases from such suppliers, or sales to such customers.

### 12.

Kyoto will, wherever possible, reduce its negative ESG impact in all daily operations. Employees will be asked to be mindful of their ESG impact while at work, including during work-mandated travels.

### 13.

**Exclusions:** Due to Kyoto's inherent long-term partnerships with its customers, suppliers and partners, it is important to ensure that these are able to adhere to strict ESG standards over time. Kyoto has therefore made an exclusion list for businesses it does not view as compatible with this Policy in the long term<sup>2</sup>.

### 14.

**Due diligence:** Given Kyoto's ESG due diligence process, it is Kyoto's assessment that the impacts of sustainability risks on financial returns and operations will be limited. Material risks or issues identified shall, as relevant, be addressed through defined mitigation plans. Key findings and the final assessment, together with recommendations, of any relevant, actual, or contingent, material sustainability risks relating to partnerships, suppliers or customers, as well as any required mitigation plans in place following the potential investment decision, will be presented to Kyoto management for decision and eventual action.

2. 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).

## ESG factors with partners, suppliers and customers

### 15.

Kyoto will continue to monitor and follow up on ESG related risks with current partners, suppliers and customers.

### 16.

If Kyoto has reason to believe that a partner, supplier or customer, or another party to a project cannot or is unwilling to respect the principles in this Policy, Kyoto shall seek to engage with that party to promote compliance.

## ESG reporting

### 17.

Kyoto will conduct a review at least annually on ESG progress and update the Board of Directors on relevant ESG progress. More frequent reviews will be made to the Kyoto Management Team as appropriate and necessary.

## Internal incident reporting

### 18.

Failure by Kyoto to comply with this Policy must be reported by any Kyoto employee becoming aware of such compliance failure within a reasonable period to the CEO. If corrective actions are not taken, the Board of Directors of Kyoto must be informed directly.

## Amendments and policy review

### 19.

Kyoto will monitor and review the Policy regularly, and no less than once a year, to make updates and amendments which Kyoto deems necessary or expedient to remain compliant with applicable laws

and governing documents.

## Appendix A: definition of ESG risks

### 20. Environmental

Environmental risks include, but are not limited to:

- Risks concerning material emissions from the company's operations, including potential breaches of regulations and economic liabilities due to such.
- Negative effects on biodiversity.
- Negative effects from hazardous or radioactive waste.
- Negative effects from emissions or priority substances to water.

### 21. Social

Social risks include, but are not limited to:

- Compliance with recognized labor rights and standards.
- Compliance with employment safety and health protection including work-related injuries.
- Diversity, equity and inclusion.

### 22. Governance

Governance risks include, but are not limited to:

- Maturity of internal processes and formalized policies on subjects such as Sustainability, Anti-bribery and corruption, Human rights, Code of conduct (incl. ethical guidelines).
- Maturity of formalized processes around business conduct on subjects such as (i) Rules and procedures for the management and the board of directors (ii) transparency in the annual reports covering topics such as number of FTEs, sick leave percentage and gender ratio.

## **Endix B: ESG indicators/KPIs**

The following ESG sustainability indicators show the metrics that Kyoto currently uses to track its positive contribution toward climate change mitigation. As the company grows, we have that ambition to start tracking more ESG related variables, and document the progress we are making against pre-defined benchmarks and KPIs:

CO2e emissions avoidance and/or reductions of the renewable energy projects and solutions being developed, in construction, and opening measured CO2e tons.

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