

# Kansai Electric Power Group Management and CSR

To help the Group continue to fulfill its unchanging mission of “serving customers and communities,” Kansai Electric Power positions CSR, a firmly held value of the entire Group, as a core conviction, reflecting how the Group has in the past and will continue in the future to approach management from a solid foundation of CSR.

	1950s and 1960s	1989–2008	2009–
Major events	<b>1951</b> ▼KEPCO launched upon restructuring of power business	<b>2000</b> ▼Liberalization of retail market begins  <b>2004</b> ▼Increased liberalization of retail power (high voltage) ▼Mihama Nuclear Power Station Unit 3 secondary pipe failure	<b>2011</b> ▼Great East Japan earthquake  <b>April 2016</b> ▼Full liberalization of the energy retail market begins
Philosophy and Vision	<b>1951</b> <ul style="list-style-type: none"> <li>● “Maedaregake Spirit” (the spirit of consideration for and service to others)</li> <li>● Corporate Creed “good sense, diligence, friendship”</li> </ul> <b>1964</b> <ul style="list-style-type: none"> <li>● Establishment of Kansai Electric Power service</li> </ul>	Various management policies, etc.  <b>March 2004</b> <ul style="list-style-type: none"> <li>● Kansai Electric Power Group Management Vision No. 1 in customer satisfaction among suppliers</li> </ul>	<b>March 2016</b> <ul style="list-style-type: none"> <li>○ Management Philosophy</li> <li>○ Guidelines for Action</li> </ul> <b>Kansai Electric Power Group Vision</b>
CSR		<b>March 2004</b> <ul style="list-style-type: none"> <li>● Kansai Electric Power Group CSR Action Charter</li> </ul> <b>May 2005</b> <ul style="list-style-type: none"> <li>● Kansai Electric Power Group CSR Action Standards</li> </ul>	<b>March 2016</b> <ul style="list-style-type: none"> <li>○ Kansai Electric Power Group CSR Action Charter</li> </ul>
Main activities and efforts		<b>April 2004</b> <ul style="list-style-type: none"> <li>● 1st CSR Promotion Council held</li> </ul> <b>December 2005</b> <ul style="list-style-type: none"> <li>● CSR Promotion Group established and full-time system created</li> <li>● Key CSR staff appointed</li> </ul>	<b>March 2014</b> <ul style="list-style-type: none"> <li>● 10 years since the start of CSR activities</li> </ul>

## The Kansai Electric Power Group CSR Action Charter

### Basic view

The Kansai Electric Power Group's business activities draw support from customers, regional communities, shareholders, investors, business partners, employees and many other segments of society.

This trust the Group earns from all these communities is the very bedrock of the Group's operations, without which it would be unable to maintain sustainable growth and fulfill its mission.

At the Kansai Electric Power Group, we want to fulfill our responsibilities as a member of society, including maintaining compliance and transparency. In addition, by responding sincerely to the expectations of members of society for our group business activities, we want to contribute to the sustainable development of society and the realization of a future that is bright and affluent as well as keep the trust that we receive unshakable.

Thus, the Kansai Electric Power Group develops all of its

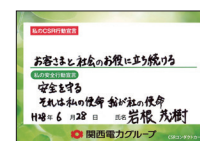
business activities and fulfills its corporate social responsibilities as an enterprise based on its six CSR Action Principles. (For the original text of the principles, see page 24.)

### Carrying CSR Conduct Cards

The Group Management Philosophy and CSR Action Principles have been inscribed on portable Conduct Cards. We distribute these to all employees who write their personal conduct vows on the back and use them to confirm their conduct and goals in their own work.



Conduct Card



President's Action Declaration

## CSR procurement policy

Aiming at the best-suited configuration, maintenance, and operation of our equipment, the Purchasing Department of Kansai Electric Power timely and ecologically procures equipment, materials and services that excel in safety, quality, and price.

As our procurement activities are supported by all our valued business partners, we believe that working to build mutual trust, conducting business in an open and transparent manner, and carrying out thoroughgoing compliance in our procurement activities are vital in our promotion of CSR.

Kansai Electric Power defines and practices the five items

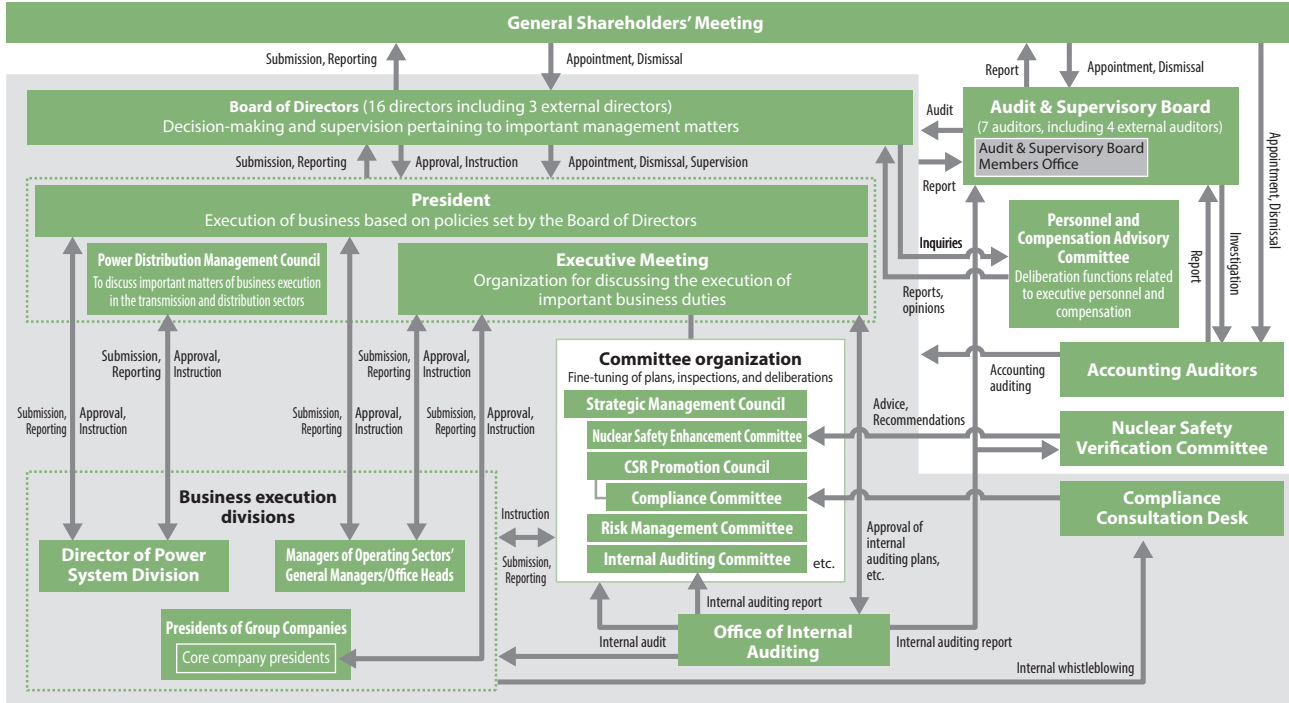
outlined right as our Action Standards for Procurement Activities. We furthermore utilize business negotiations, plant visits, and the like to explain and promulgate our CSR Procurement Policy to partners.

**Action Standards for Procurement Activities**

1. Highest priority to the safety, maintenance, and improvement of quality and technical strength
2. Being environmentally friendly
3. Establishment of fiduciary partnership
4. Transparent, open business activities
5. Strict enforcement of compliance

# Corporate Governance

To ensure the continuous improvement of its corporate value while maintaining the transparency and soundness of its business management, the Kansai Electric Power Group views its commitment to improving corporate governance as a key management initiative. We are always striving to make effective improvements in this area.



## Basic view

In our company, the Executive Meeting and various committees are placed under the Board of Directors, which has been charged with management responsibility by the General Shareholders' Meeting. As they execute their duties appropriately, the Board of Directors and others supervise the execution of duties by Directors. Moreover, auditors continuously and efficiently audit the execution of duties by directors to make certain that they are legal, reasonable and appropriate. Furthermore, in addition to strengthening the supervision functions of the Board of Directors and the auditing functions of the Audit & Supervisory Board even more, we have also placed several outside directors and external auditors who are sure to be independent on each of these boards in order to provide advice related to the execution of duties by directors.

## Deliberation and decision-making on essential matters, and appropriate business execution

The Board of Directors is convened regularly once a month, complemented by additional meetings held when deemed necessary, where matters of essential importance to Group management are deliberated and decided. In addition, all directors are supervised through regularly issued reports on the execution status of the duties incumbent upon them and other aspects of their performance. To strengthen the supervisory and advisory functions of management, three of the 16 directors are outside directors with no vested interests in the Company, whose presence helps to ensure management transparency.

In addition, the system of executive officers was introduced to separate the executive and supervisory functions of management and to boost the speed and efficiency of business execution. To ensure prompt and appropriate decision-making regarding important business matters, the Company convenes regular Executive Meetings of the executive directors and executive officers—in principle once a week—

facilitating efficient and effective corporate management.

A Power Distribution Management Council has been set up to ensure neutrality and fairness in the execution of business duties in the transmission and distribution sectors.

## Ensuring audit independence, transparency, and soundness

Kansai Electric Power uses an Audit & Supervisory Board system working in tandem with the Board of Directors to continuously and effectively ensure that directors are performing their duties in a way that is lawful, appropriate, and reasonable. At present, three of the seven Audit & Supervisory Board members are fulltime auditors, and the four in the majority are external auditors (including one female auditor) with no vested interests in the Company, and who therefore serve as independent officers. One full-time member is selected from among those who have served successive high-ranking posts in the Accounting Division, ensuring that at least one member has a thorough knowledge of finance and accounting.

A full-time Audit & Supervisory Board Members Office (with 12 members) has been established to support the duties of the Audit & Supervisory Board members and extend auditing functions. To ensure the Office's independence, it functions directly under the jurisdiction of the Audit & Supervisory Board members and does not perform any other duties relating to the business execution functions of the Group.

The auditors attend the Board of Directors' meetings, where they express their opinions and listen to explanations by the directors pertaining to matters of importance to Company management. They examine the status of the corporate governance system and audit to ensure that the directors are performing their duties appropriately and reasonably. Full-time Auditors attend not only the Board of Directors meetings, but also other important meetings such as Executive Meetings, and examine the status of the business and assets of the Company's main operating locations as part of their auditing. They report regularly to the outside auditors at meetings of the Audit & Supervisory Board. The auditors also meet regularly with the representative directors to exchange opinions.

## Appropriate and seamless execution of duties by each committee

To ensure the appropriate and seamless execution of policies and action plans related to important affairs that affect the entire business, we have established committees centered around three functions: planning and coordination, investigation, and deliberation. We convene meetings of these committees periodically and as needed, as they support the decision-making of the managing directors and the business activities of respective divisions.

### Risk Management Committee

#### Our Approach to Risk Management

In accordance with the Kansai Electric Power Group Risk Management Rules established in April 2006, risks that have the potential to affect the achievement of organizational goals are to be recognized and identified. Then, an assessment is to be made, followed by implementing necessary measures to deal with the risks. The impact of risk on the Group is to be managed at an appropriate level through this series of processes.

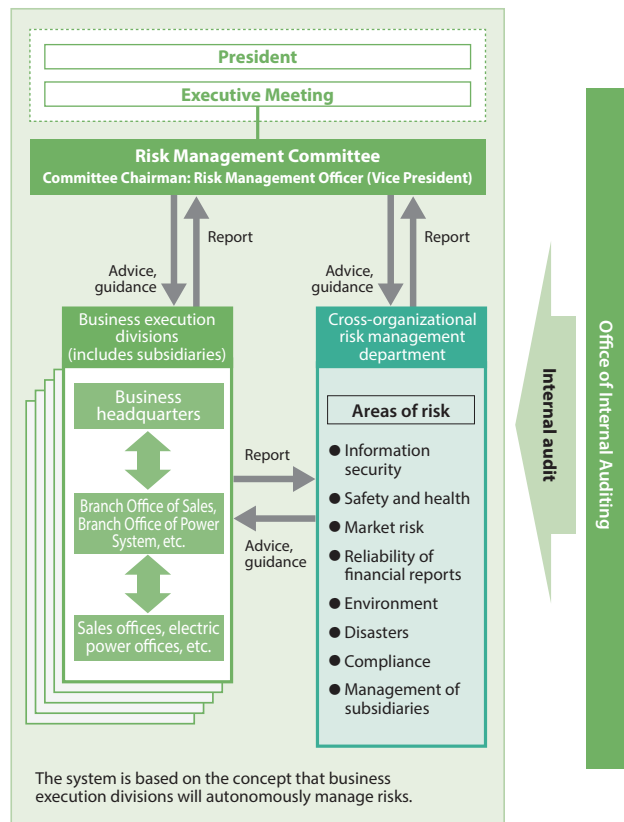
#### The Risk Management System

The risk associated with business activities is to be managed autonomously by each business execution division. In cases of risk deemed to be of cross-organizational importance, risk management is enhanced by the supervision of departments with specialized expertise on such cross-organizational risks that provide advice and guidance to the various business execution divisions.

In addition, a Risk Management Committee has been formed to manage risk comprehensively; the committee's chairman is the Risk Management Officer. The committee strives to manage risk associated with Group business activities at the appropriate level based on this system.

The Risk Management Committee identifies and assesses the latest situation of risk management by each business execution division periodically from a group-wide perspective. As necessary it will assess the risk management mechanisms and system and give improvement instructions. In addition, the Committee assesses the extent of impact and frequency of occurrence of 34 principal risks on a risk map, taking into consideration the degree of effectiveness of risk countermeasures and the consequent impact on other risks, thereby determining the level of importance in business management. The Committee periodically reports its risk management findings to the Executive Meeting.

### Risk Management System



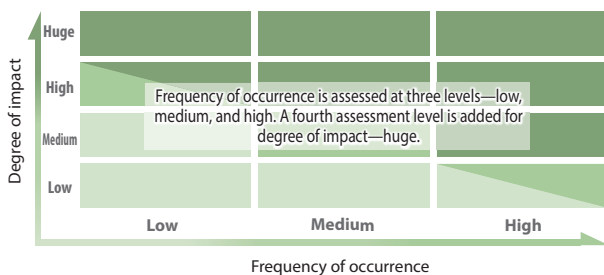
### Nuclear Safety Enhancement Committee

The Nuclear Safety Enhancement Committee, composed of directors of all divisions, was set up to enhance the safety of nuclear power on a company-wide basis. The Committee has evaluated situation of implementation on the recurrence prevention measures of the accident at Mihama Nuclear Power Station Unit 3 and activities to foster a safety culture. After the accident at Tokyo Electric Power's Fukushima Daiichi Nuclear Power Station, the function of the Committee was extended to evaluate voluntary and continuous activities for safety in nuclear power generation and nuclear power risk management. These have been discussed from a wide range of perspectives. The conclusion on the Committee has reported to the president.

### Nuclear Safety Verification Committee

The Nuclear Safety Verification Committee, composed mainly of outside experts, has validated situation of implementation on the recurrence prevention measures of the accident at Mihama Nuclear Power Station Unit 3. It also has provided opinions and advice about our activities to foster a safety culture, as well as our voluntary and continuous activities for safety in nuclear power generation considering the accident at Tokyo Electric Power's Fukushima Daiichi Nuclear Power Station from an independent perspective. Through continuous improvements based on the Committee's opinions and advices, we will make best effort to ensure retaining nuclear safety.

### Risk Map



Internal Auditing Committee

Kansai Electric Power has established an Internal Auditing Committee whose functions are to share and deliberate a broad range of management issues relating to quality and safety, secure views and information from outside the Company, and maintain proper internal auditing of the Kansai Electric Power Group as a whole from an impartial and specialized standpoint.

Furthermore, we established the Office of Internal Auditing (77 members) as an organization responsible for internal auditing. This office regularly audits suitability and effectiveness, for example, related to the arrangement and operation of systems for the assurance of business propriety. In addition, it submits internal auditing plans to the Executive Meeting and reports their results to the Executive Meeting and the Board of Directors. Moreover, it strives to achieve appropriate business management by ensuring that individual workplaces undertake necessary improvements based on the auditing results.

As the vital overseers of corporate governance, the Office of Internal Auditing, Audit & Supervisory Board Members, and accounting auditors consult with one another, at their discretion, in the performance of their auditing duties. They also maintain close ties to facilitate the exchanging of views regarding auditing plans, audit results, and other issues.

Ensuring business soundness as a corporate group

We try to instill in our subsidiaries the basic approaches to management and action standards that are embodied in, for example, our Management Philosophy, our Guidelines for Action, the Kansai Electric Power Group Vision and the Kansai Electric Power Group CSR Action Charter. In addition, we ensure the propriety of our corporate group's business activities at our subsidiaries by supporting them and providing advice on the arrangement of their autonomous management structures based on our internal regulations related to subsidiary management.

We also strive to prevent any losses to the corporate value of the Group as a whole, or at least keep them to a minimum, by participating in important decision-making by our subsidiaries, and periodically checking on their management status. In addition, our executive meeting deliberates execution directions and plans for important business, particularly for the core companies responsible for businesses that are the pillars for the future growth of the Group.

Directors and Auditors

As of June 28, 2016

\* Indicates status as representative director



**Makoto Yagi\***  
Chairman and Director



**Shigeki Iwane\***  
President and Director



**Hideki Toyomatsu\***  
Director, Executive Vice President



**Jiro Kagawa\***  
Director, Executive Vice President



**Yoshihiro Doi\***  
Director, Executive Vice President



**Yasuhiro Yashima\***  
Director, Executive Vice President



**Takashi Morimoto\***  
Director, Executive Vice President

Directors  
Managing Executive Officers

**Yasushi Sugimoto**  
**Hironori Katsuda**  
**Hidehiko Yukawa**  
**Tomio Inoue**  
**Tomihiko Oishi**

Directors

**Ryohei Shirai**  
**Noriyuki Inoue\*\***  
**Takamune Okihara\*\***  
**Tetsuya Kobayashi\*\***

\*\* Outside director

Audit & Supervisory Board Members

**Sakae Kanno**  
**Yasunari Tamura**  
**Yukishige Higuchi**

Outside Audit & Supervisory Board Members

**Takaharu Dohi\*\*\***  
**Yoichi Morishita\*\*\***  
**Hisako Makimura\*\*\***  
**Tsutomu Toichi\*\*\***

\*\*\* Outside auditor

Executive Officers

Managing Executive Officers

Note: Excludes those serving concurrently as directors and executive officers

**Ikuo Morinaka**   **Toyokazu Misono**   **Masanori Kataoka**   **Susumu Yamaji**   **Nozomu Ushiro**   **Yasuji Shimamoto**  
**Koji Inada**   **Yukio Tokimasa**   **Takashi Fukuda**

# CSR Promotion System and Activities

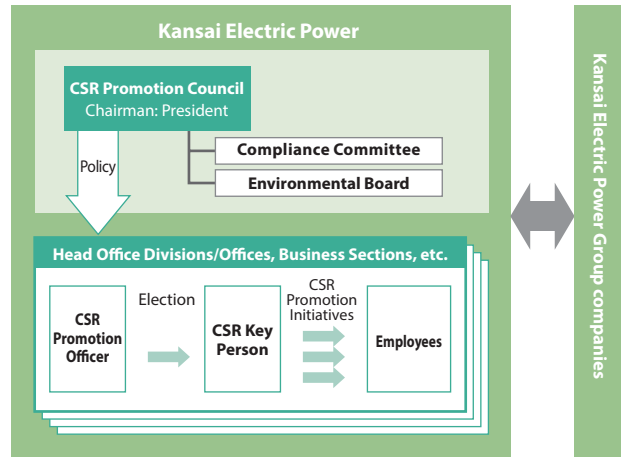


**From the CSR Tree to a CSR Forest**  
The CSR tree represented by each individual grows into a CSR forest.

## CSR Promotion Council at the heart of the CSR promotion system

Headed by the president of Kansai Electric Power, the CSR Promotion Council establishes the general policies that guide the entire Group in promoting CSR, and provides general coordination of specific activities. Issues of a specialized nature are sent to committees, such as the Compliance Committee and the Environmental Board, for deliberation. The policies formulated by the CSR Promotion Council are communicated to each operating division and business location, which then develop their own activities. CSR promotion initiatives are led by the person in charge in each division and location acting as the CSR Promotion Officer, who assigns a CSR Key Person at each workplace. Each Group company also develops its own CSR promotion activities independently, while staying in communication with Kansai Electric Power.

### ● CSR Promotion System

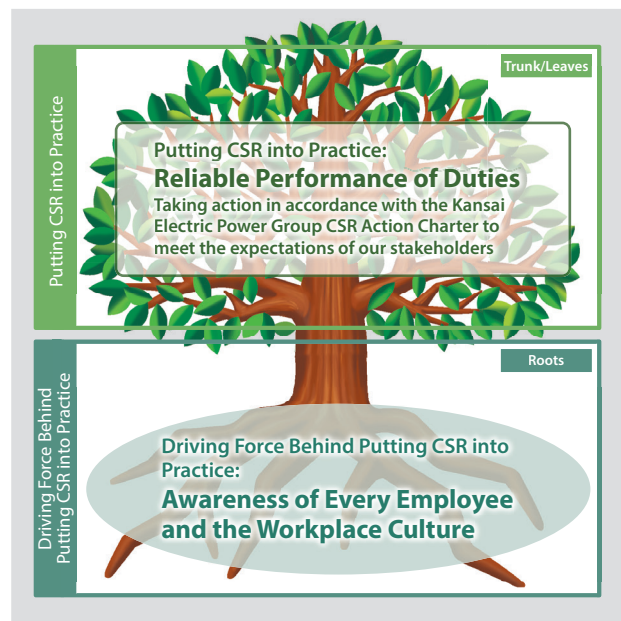


## CSR promotion initiatives for employees

The Group continuously carries out initiatives to help employees put CSR into practice and to improve the workplace culture. We are implementing promotion initiatives to reinforce the awareness that carrying out one's duties conscientiously on a daily basis (putting CSR into practice) builds the trust of customers and the public.

Using the analogy of a tree, improving the workplace culture is an initiative that gives nourishment to and strengthens the roots of the tree (raising the awareness of every employee/workplace culture), which are not visible to the naked eye. Putting CSR into practice (carrying out one's duties conscientiously on a daily basis) makes the trunk and leaves and other visible parts of the tree grow (six CSR Action Principles). Based on this approach, promotion initiatives for all employees are taken independently, led by the CSR Key Person elected to promote CSR at each workplace. Also, a company-wide employee questionnaire on CSR is conducted annually for analyzing and assessing CSR activities for employees and for providing feedback to each workplace.

### ● CSR Promotion Activities (CSR Tree)



### Results of questionnaire for employees on CSR (conducted in November 2015)

Were you able to perform your duties over the last year with an awareness of the six CSR Action Principles?

Yes ... **80.2%**

## Communication between executives and frontline workplaces

The Company creates various opportunities for the president and other executives to visit frontline workplaces. Through such dialogues, the president is able to communicate directly his views about safety and the importance of safety, and to promote and promulgate an understanding of CSR. Through an exchange of views, the president also gains an immediate understanding of issues and problems being faced by each workplace, which is later reflected in management policy.