

March 30, 2020

## **Submission of Business Improvement Plan Under Electricity Business Act**

The Kansai Electric Power Co., Inc. (Code: 9503)

6-16 Nakanoshima 3-chome, Kita-ku, Osaka

(URL: <https://www.kepco.co.jp>)

Company Representative: Takashi Morimoto, President and Director

Contact: Michiya Sakata, General Manager, Office of Accounting and Finance

Tel: +81-6-6441-8821

On March 16, 2020\*, the Kansai Electric Power Co., Inc. (KEPCO) received an order for business improvement based on the Electricity Business Act\* from the Minister of Economy, Trade and Industry. KEPCO sincerely accepts the order and will develop measures to prevent recurrence in its Management Reform Committee, which was set up on March 14 of this year, and submit the business improvement plan by the end of March this year. We will also put it into practice promptly through the holding of a general meeting of shareholders and other actions, and report the progress of the plan by the end of June this year.

[As notified on March 16, 2020]

\* The Order issued on March 16 was defective in issuance procedures, and therefore the order consisting of the same contents was issued again on March 29, 2020.

On March 30, 2020, we submitted Business Improvement Plan under the Electricity Business Act to the Minister of Economy, Trade and Industry.

In response to the order and in light of the Third-party Panel's recommendations for recurrent prevention, our improvement plan shows the direction of measures to be taken by KEPCO and a time schedule for implementation of those measures.

We will determine what specific measures should be taken, and will ensure and follow up the implementation of those measures. All officers and employees will make best efforts for recovery of trust, with an unwavering resolve to create completely new KEPCO. To this end, we will be committed to further management reform and renewal.

Attached material: Business Improvement Plan under the Electricity Business Act

March 30, 2020

Mr. Hiroshi Kajiyama  
Minister of Economy, Trade and Industry

Takashi Morimoto, President  
The Kansai Electric Power Co., Inc.

Re: Submission of KEPCO's Business Improvement Plan

In response to the Business Improvement Order issued against The Kansai Electric Power Co., Inc. (KEPCO) on March 29, 2020 under the provisions of Article 27, paragraph 1 of the Electricity Business Act (including said paragraph applied *mutatis mutandis* in Article 27-29 of said Act) in connection with acceptance of cash and gifts by KEPCO's officers/employees from a former deputy mayor of Takahama Town, KEPCO developed a business improvement plan for recurrence prevention, as attached hereto as Exhibit. KEPCO takes seriously the characterization of said conduct in the Business Improvement Order as "inappropriate conduct by the electricity utility which provides publicly beneficial services and should conduct business based upon trust with communities," and will steadily implement the Business Improvement Plan under a new management regime.

## **BUSINESS IMPROVEMENT PLAN**

### **Introduction**

Because of the Incident, KEPCO betrayed trust of its customers and the general public, and much bothered them. KEPCO developed specific measures for recurrence prevention as described below, so that KEPCO will be a company selected by its customers and needed in society and can restore trust. KEPCO will promptly implement this Business Improvement Plan with full effort.

### **A. Specific Measures for Recurrence Prevention**

#### **1. Clarification of Liability based upon the Administrative Disposition**

As an expression of KEPCO's sincere acceptance of the Business Improvement Order and KEPCO's determined intention to take recurrence prevention measures with responsibility, and based upon the Third-party Panel's Investigation Report, KEPCO clarifies liability for the Incident as follows:

(1) Management Members' Liability (as of March 14, 2020) (Total: 11 members)

[1] Resignation

Shigeki Iwane resigned as KEPCO's President and Member of the Board of Directors, Shosuke Mori (KEPCO'S former Executive Chairman,) resigned as KEPCO's Senior Advisor, Makoto Yagi (KEPCO's former Executive Chairman and Director) resigned as KEPCO's Contract Senior Partner, and Hideki Toyomatsu (KEPCO's former Vice President and Executive Director) resigned as KEPCO's Contract Senior Partner.

In addition, one former Director, Managing Executive Officer of KEPCO resigned as post-retirement staff of KEPCO's subsidiary as of March 14, 2020.

[2] Reduction in Remuneration

Yoshihiro Doi, Director, Executive Vice President: 20% of monthly remuneration for 3 months;  
Takashi Morimoto, Director, Executive Vice President: 20% of monthly remuneration for 3 months;  
Toyokazu Misono, Director, Executive Vice President: 20% of monthly remuneration for 3 months;  
Koji Inada, Director, Executive Vice President: 20% of monthly remuneration for 3 months;  
Takao Matsumura, Director, Executive Vice President: 20% of monthly remuneration for 3 months;  
and

Yasuji Shimamoto, Director, Managing Executive Officer: 20% of monthly remuneration for 3 months.

(2) Appointment of New President (as of March 14, 2020)

Takashi Morimoto was appointed as KEPCO's President and Member of the Board of Directors.

- (3) Officers' and Employees' Liability for Major Misconduct (Total: 78 officers/employees)  
(Liability of any individual who engaged in both of misconduct (i) and misconduct (ii) is set forth in (i) below.)

[1] Acceptance of Cash and Gifts and Advance Commitments to Issue Work Orders

a. Resignation

Ikuo Morinaka (KEPCO's former Director and Executive Vice President), and Nozomu Ushiro, Satoshi Suzuki and Shigeki Otsuka (KEPCO's former Managing Executive Officers) will resign as KEPCO's Contract Senior Partner as of March 30, 2020.

b. Reduction in Remuneration

Takashi Fukuda, Managing Executive Officer: 50% of monthly remuneration for 6 months; and two Executive Officers: 10% of monthly remuneration for 3 months or 10% of monthly remuneration for 1 month.

c. Other

Four Executive Officers/employees will be treated in a similar manner.

d. Demand on Retired Officers/Employees

KEPCO will demand voluntary partial repayment of remuneration from the following individuals: 12 former officers (who held positions of or higher than Executive Officer): from 10% of monthly remuneration for 1 month to 50% of monthly remuneration for 6 months.

37 former Executive Officers/employees will be treated in a similar manner.

e. Liability of Subsidiaries' Officers/Employees

If any officer or employee of KEPCO's subsidiary accepted cash and gifts, made an advance commitment to issue work orders, or engaged in any other misconduct, KEPCO will strictly require such subsidiary to clarify liability for such misconduct. (According to the Third-party Panel's Investigation Report, 11 officers/employees of KEPCO's subsidiaries accepted cash and gifts.)

[2] Internal Investigations, Post-Incident Response and Payment of Remuneration to Retired Officers

a. Reduction in Remuneration

Susumu Tsukiyama, Executive Officer (former Managing Director in charge of Office of General Administration): 50% of monthly remuneration for 3 months; and

Yoshihide Hirota, Managing Executive Officer (Internal Investigation Panel member): 20% of monthly remuneration for 3 months.

b. Demand on Retired Officers

KEPCO will demand voluntary partial repayment of remuneration from the following individual: one former Director and Executive Vice President (former Director and Internal Investigation Panel member): 50% of monthly remuneration for 3 months.

[3] Other

Remuneration payable to Managing Executive Officers supervising compliance and/or issuance of work orders and execution of work contracts will be reduced as follows:

Nobuhiro Nishizawa, Managing Executive Officer (General Manager of Sourcing and Procurement Division): 10% of monthly remuneration for 3 months;

Tatsushi Okada, Managing Executive Officer (in charge of Office of General Administration): 10% of monthly remuneration for 3 months;

Hitoshi Mizuta, Managing Executive Officer (Senior Executive Officer of Nuclear Power Division): 10% of monthly remuneration for 3 months; and

Takashi Tada, Managing Executive Officer (in charge of Office of Civil Engineering and Architecture): 10% of monthly remuneration for 3 months.

(4) Remuneration Paid to Contract Senior Partner

The Third-party Panel's Investigation Report found that remuneration paid to one retired officer was not legitimate because it included indemnification for his additional tax burden arising from his revised tax

declaration, and also indemnification for previous remuneration decrease during KEPCO's business slump.

In addition, KEPCO discovered that remuneration paid to 17 former officers while they had worked as KEPCO's post-retirement staff had taken into consideration decrease in their remuneration during KEPCO's business slump and that the total amount of remuneration paid to those 18 former officers during their engagement as post-retirement staff had been JPY 260 million.

All of post-retirement engagement contracts between them and KEPCO terminated in October, 2019. KEPCO will request said 18 former officers to voluntarily and fully repay said remuneration. If any of them refuses to make such repayment, KEPCO will require KEPCO's directors who decided in those days upon a policy on remuneration payable to former officers in their capacity as post-retirement staff to voluntarily bear the remuneration expenses incurred by KEPCO.

(5) Reduction in Statutory Auditors' Remuneration (Total: 4 auditors)

KEPCO has received its Statutory Auditors' notice of a plan of reduction in or partial repayment of their remuneration as follows:

Yasuhiro Yajima, Audit & Supervisory Board Member: 50% of monthly remuneration for 3 months;  
Yukishige Higuchi, Audit & Supervisory Board Member: 30% of monthly remuneration for 3 months;  
Yasushi Sugimoto, Audit & Supervisory Board Member (since June, 2019): 20% of monthly remuneration for 3 months; and

Demand for voluntary repayment from one former Audit & Supervisory Board Member (retired in June, 2019): 10% of monthly remuneration for 3 months.

**2. Drastic Enhancement of a Compliance Regime toward Sound and Appropriate Corporate Management, and Creation of a Compliance-Oriented and Sound Organizational Climate**

KEPCO will endeavor to drastically enhance KEPCO's regime of compliance with laws and governmental regulations and other legal requirements (hereinafter, "Compliance"), in response to the Third-party Panel's finding that, in the Incident, KEPCO's officers accepted cash and gifts beyond the scope of social courtesy, that officers who had served as top management members in KEPCO's Nuclear Power Division should have been able to fully understand their acceptance of such cash and gifts was not permissible under applicable laws and social norms at least as far as their own acceptance was concerned, and that for a long time KEPCO made inappropriate decisions to leave Compliance-related conduct to individual officers'/employees' choice although KEPCO should have made corporate-wide considerations as to what measures were to be implemented and should have made corporate-wide decisions to implement them.

In response to the Third-party Panel's finding that KEPCO's introverted corporate culture (i.e., KEPCO's giving priority to its business activities over Compliance and KEPCO's lack of electricity user- and general public-orientedness) is a root cause of the Incident, KEPCO will correct such corporate culture and will make efforts to create a sound and Compliance-driven organizational climate.

(1) Re-Establishment of a Compliance Regime Utilizing External Human Resources (to be implemented promptly and by the end of June, 2020)

[1] Creation of a Compliance Committee and Compliance Promotion Division

a. Creation of a Compliance Committee

- In order to enhance Compliance-related supervisory functions, KEPCO will create a “Compliance Committee,” which should be independent of President and other executives and should directly report to the Board of Directors.

The Compliance Committee will be responsible for giving guidance, advice and supervision for KEPCO Group’s promotion of Compliance, and will discuss and approve especially important matters such as KEPCO’s basic policies for promotion of Compliance, and KEPCO’s policies and procedures for handling of Compliance incidents involving its officers. The Compliance Committee will give guidance, advice and supervision relating to Compliance promotion directly to President and other executives and will make periodical reports to the Board of Directors.

- Chairman of the Compliance Committee should be an external individual, and majority members of the Compliance Committee should be also external individuals. External members of the Compliance Committee should be selected from diversified viewpoints. Internal members of the Committee should be President and officers in charge of Compliance Promotion Division.
- For a while, the Compliance Committee should hold ordinary meetings on a quarterly basis, and should flexibly hold extraordinary meetings from time to time upon occurrence of critical incidents.
- The Compliance Committee’s independence of President and other executives should be ensured also in terms of operation of the Committee through, for example but not limited to, an express provision contained in KEPCO’s internal rule to the effect that any internal member of the Compliance Committee whose direct conduct relates to an incident should leave a place where the Committee discusses such incident.
- The Compliance Committee will review progress of implementation of this Business Improvement Plan and effectiveness of this Plan, and will give guidance, advice and supervision relating to this Plan to President and other executives and will make reports to the Board of Directors.

b. Creation of Compliance Promotion Division

- In order to enhance Compliance promotion functions, KEPCO will create “Compliance Promotion Division” as an executive side organization. The division should be independent of Office of General Administration, and will be responsible for developing and implementing KEPCO Group’s Compliance promotion plans and responding to Compliance incidents. Compliance Promotion Division should be composed of members having legal knowledge and also members having diversified professional backgrounds.

- c. Cooperation between the Compliance Committee and Compliance Promotion Division
- Compliance Promotion Division will report KEPCO Group's Compliance incidents to the Compliance Committee and refer those incidents to the Compliance Committee's discussions. Compliance Promotion Division will receive the Compliance Committee's guidance, advice and supervision, while President and other executives will be responsible for determining specific measures to be taken in relation to Compliance.
  - Officers in charge of Compliance Promotion Division will make monthly reports of progress of implementation of Compliance measures to Chairman of the Compliance Committee, for his/her guidance, advice and supervision.

[2] Establishment of an Incident Reporting System

- KEPCO's internal rule should expressly provide that a Compliance incident must be promptly reported to Compliance Promotion Division and that Compliance Promotion Division must respond to the reported incident with reference to social norms and other relevant considerations, and must escalate the incident to the Compliance Committee for its guidance, advice and supervision.
- In connection with consideration of the possibility of KEPCO's shift to a "Company with Nominating Committees, etc." (Sub-Section 4 (1) below), a current system should be revised so that the Audit Committee can conduct audits by giving directions directly to staff who are under the Audit Committee's jurisdiction, and can provide audit and supervisory functions in a multilateral way together with the Compliance Committee's supervision.

[Improvement of a whistle-blowing and complaint handling mechanism]

- KEPCO's preexisting Compliance Contact Point should appropriately handle whistle-blowing reports and complaints received from KEPCO Group's officers/employees and external stakeholders. In addition, lawyers specializing in the field of each reported incident will respond to the incident, as and when necessary. A mechanism will be developed for implementation of effective measures by enabling such lawyers to request the Compliance Committee or the Audit Committee at their discretion to respond to the incident.
- Officers will have the obligation to report not only breach of laws and governmental regulations but also Compliance incidents to the Compliance Committee and Chairman of the Board of Directors.
- Employee's obligation to report not only breach of laws and governmental regulations but also Compliance incidents should become well known to employees by expressly providing for this obligation in KEPCO's internal rule, and employees should be encouraged to use the Compliance Contact Point.
- The Compliance Contact Point should investigate into and respond to any reported incident with due care for protection of confidential information. The Compliance Contact Point should ensure its adequate use by, for example but not limited to, repeatedly making KEPCO Group's officers and employees aware of the requirement that whistle-blowers or complainants should not be treated in a detrimental manner.

(2) Creation and Maintenance of Compliance Awareness

[1] Officers' Initiatives, and Establishment of a Code of Conduct to be Observed by KEPCO Group's Officers and Employees

- President should declare that he does and will take to heart that "safety first" and "fulfillment of social responsibility" are keys to KEPCO Group's corporate management, and that KEPCO Group will make best efforts to operate in an honest, transparent and open manner. In such declaration, President should covenant to bear in mind that "priority should not be given to KEPCO Group's business performance and business activities over Compliance," to always behave himself in a user-oriented way, thinking what are present social norms, and not to hesitate to amend any of KEPCO's corporate practices and rules, organizations and systems if they should be amended. (implemented today.)
- KEPCO Group's officers will be responsible for fully disseminating the contents of said declaration by President to each and every employee of KEPCO Group, and should take initiatives always keeping in mind the contents of the declaration so that the officers will be models for employees. (to be implemented from today on)
- The intent of said declaration by President as well as more strict regulation on offering and acceptance of gifts and hospitalities should be expressly set forth in KEPCO Group's CSR Charter as a code of conduct to be observed by KEPCO Group's officers and employees, and they should be strongly encouraged to behave themselves in accordance with it. (to be implemented promptly and by the end of June, 2020)

[2] Comprehensive Revision of Basic Policies and Internal Regulations Relating to Promotion of Compliance (provisions to be revised should be closely examined and the direction of the revision should be determined by or around the end of June, 2020)

- In order to create "user-oriented" Compliance awareness, KEPCO's basic policies and internal regulations relating to promotion of Compliance should be comprehensively revised under the newly-formed Compliance Committee's guidance, advice and supervision.
- KEPCO's "Regulations on Handling of Gifts and Hospitality," which was established in December, 2019, should be also reviewed within the framework of KEPCO's new Compliance system, and should be revised so that the regulations will become more effective.
- Rules on personnel actions against officers should be developed and expressly set forth in internal regulations.

[3] Enhancement of Compliance Training (partially already implemented / to be implemented promptly and by the end of June, 2020)

- Training offered to officers should be enhanced for renovation of corporate management. For example, in order to enable officers to improve themselves and to keep the especially strict code of conduct, opportunities for discussions with external experts should be offered to them on a periodical (more or less quarterly) basis, and training courses to be attended by new officers should be developed.
- Training programs already adopted for employees should be enhanced for continuous improvement of KEPCO Group's Compliance awareness.



### **3. Establishment of a Business Operation System for Ensuring Reasonableness and Transparency in Business Procedures Relating to Issuance of Work Orders and Execution of Work Contracts**

In light of the Third-party Panel's finding that KEPCO's rules concerning locally-oriented measures have not been well developed and KEPCO's related business procedures are not reasonable and transparent and that KEPCO has poor recognition of harmful effect of the wrong "local orientedness," KEPCO will ensure reasonableness and transparency in business procedures relating to issuance of work orders and execution of work contracts by developing clear rules concerning such order issuance and contract execution, and by establishing procedures for examination and review of such transaction as follows: a business unit which will issue a work order or execute a work contract should examine such transaction by itself, then a procurement department should examine the transaction in accordance with internal rules and based upon the department's contracting expertise, and finally, after the work order is issued or the work contract is executed, the Procurement Review Committee should review the transaction from external experts' perspective. KEPCO will also ensure reasonableness and transparency in business procedures relating to donations and cooperative contributions.

In the long term, KEPCO will make efforts to ensure that effect of community relations will spread widely and equally in the region and to make contributions to regional vitalization and to improvement of local companies' competitiveness, both through said measures.

- (1) Revision of Procedures Relating to Issuance of Work Orders and Execution of Work Contracts (to be implemented promptly and by the end of June, 2020)
  - [1] Separation of an Implementation Authority and a Contracting Authority
    - In order to strengthen control functions relating to issuance of work orders and execution of work contracts, a contracting authority now held by work implementing departments should be transferred to procurement departments, except for purchase of office supplies and outsourcing of highly professional services such as system development services.
  - [2] Creation of Procurement Review Committee
    - "Procurement Review Committee" will be created in order to ensure reasonableness and transparency in business procedures relating to issuance of work orders and execution of work contracts or relating to payment of donations and cooperative contributions: the external experts will review said order issuance, contract execution and payment after the transaction is done.
    - The Procurement Review Committee will be composed of several external members (lawyers, certified public accountants and other professionals) and internal members including officers assigned to Compliance Promotion Division, and will hold monthly meetings for a while.
    - Business owner departments should submit all transactions of issuance of work orders, execution of work contracts, and payment of donations and cooperative contributions to the Procurement Review Committee, which will review sampled transactions in terms of whether or not business procedures relating to those transactions conform to internal rules. The Committee will give guidance and advice to business owner departments as and when necessary, and will publish an outline of the Committee's review.
    - The Procurement Review Committee will report the contents of its discussions to the Compliance Committee and the Board of Directors, and will receive their guidance, advice and supervision when necessary.

- (2) Prohibition of Deviating Procedures for Issuance of Work Orders and Execution of Work Contracts (to be implemented promptly and by the end of June, 2020)

In order to prohibit malpractice of issuance of work orders or execution of work contracts upon particular individuals' or entities' demand, internal rules should be revised to be stricter in terms of the following deviating procedures, and acceptability of revised internal rules should be assessed by the Procurement Review Committee.

- [1] Prohibition of Advance Provision to Particular Individuals or Entities of Information Relating to Work Order or Contract
- Any information relating to work order or contract should not be provided in advance in any way which benefits any particular individuals or entities, so that competitive tenders will not lose substance.
- [2] Prohibition of Disclosure of Prices of Particular Orders or Contracts Leading to Advance Commitments to Issue Work Orders
- Any monetary amount (e.g. budgeted amount or planned contract amount) concerning any particular work or concerning any work conforming to planned annual contract prices must not be disclosed in advance to any individual or entity, so that such disclosure will not lead to advance commitment to issue a work order.
- [3] Prohibition of Inappropriate Involvement in Prime Contractors' Order Issuance to Subcontractors or Contract with Subcontracts
- Any information should not be provided in a manner which will benefit any particular individual or entity through indirect ordering. KEPCO must not be involved in its prime contractors' selection of subcontractors in any inappropriate manner which will benefit any particular individuals or entities.
- [4] Prohibition of Unreasonable Sole-Source Procurement with Designated Individuals or Entities
- Sole-source procurement which will benefit any particular individuals or entities will be prohibited if KEPCO does not have reasonable justifications for such procurement.
- [5] Prohibition of Non-transparent Payment of Donations and Cooperative Contributions
- When KEPCO pays a donation or a cooperative contribution, its recipient and a purpose of its use must be clarified, so that such donation or a cooperative contribution will not be paid into a bank account which can be accessed by any individual for any unintended purpose.
- (3) Ensuring of Transparency in Subsidiaries' Order Issuance (to be implemented promptly and by the end of June, 2020)
- Prohibition under (2) above should strictly apply to KEPCO's subsidiaries.
  - If a work order issued by KEPCO to its subsidiary is subject to the Procurement Review Committee's review, any related work orders issued by such subsidiary to its subcontractor will be also reviewed by the Committee.

- (4) Strict Punishment against Business Partners whose Malpractice has been Detected (to be implemented promptly and by the end of June, 2020)
- KEPCO should impose strict punishment (including suspension of nomination) on any business partners whose misconduct has been detected by the Third-party Panel's investigation. KEPCO should require such business partners to take recurrence prevention measures including but not limited to re-establishment of a Compliance promotion system and prohibition of misconduct, and must cause them to report such measures.
  - If, in the future, KEPCO issues work orders to any business partner whose malpractice has been detected in connection with the Incident, transparency should be ensured by the Procurement Review Committee's review of all of such transactions.

#### **4. Development of a New Corporate Management Regime for Ensuring Implementation of and Continued Observance to Requirements Set forth above**

- (1) Development of an Effective Corporate Governance Regime Utilizing External Human Resources (to be implemented by or around the end of June, 2020)

For a long time, inappropriate connection between KEPCO's officers / senior managerial employees and a specific local influencer (such as those officers'/employees' acceptance of cash and gifts from the influencer, and those officers'/employees' advance provision to the influencer of information relating to work orders and contracts) has not been remedied, and findings from internal investigations have not been reported to the Board of Directors: KEPCO's corporate governance has been ill functioning. In light of the Third-party Panel's conclusion that a root cause of such poor corporate governance is KEPCO's introverted corporate culture, KEPCO will make clear separation between execution and supervision, and will develop an effective corporate governance regime attaching importance to external objective perspectives, for the purpose of enhancing supervisory functions of the Board of Directors. The Third-party Panel's Investigation Report found that remuneration paid to retired officers had not been legitimate because it had included indemnification for their additional tax burden arising from their revised tax declarations, and also indemnification for previous decrease in their remuneration during KEPCO's business slump. In light of the finding that the top management arbitrarily determined such indemnification, KEPCO will enhance objectiveness of the remuneration determination process.

[1] Revision of a Corporate Governance Framework

- Consideration of the possibility of, and preparatory tasks for, KEPCO's shift to a "Company with Nominating Committees, etc." will be commenced.
- Corporate governance guidelines should be developed which will show KEPCO's approaches to and policies for effective corporate governance including this revision.

[2] Enhancement of Supervisory Functions Attaching Importance to External Objective Perspectives

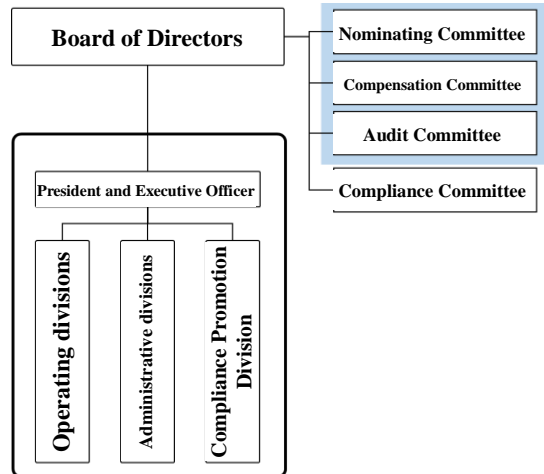
- Preparatory tasks for the following revision of KEPCO's corporate governance framework will be commenced: majority members of each of KEPCO's three statutory committees (i.e., the Nominating Committee, the Compensation Committee and the Audit Committee) should be external directors; Chairman of the Board of Directors, who will chair meetings of the Board, should be an individual who joined KEPCO after having worked for another company or other companies; and Chairman of each of the three statutory committees should be an external director.

- Personnel actions against officers should be determined by the Board of Directors after discussions in the Nominating Committee and the Compensation Committee. Revision for ensuring objectiveness should be considered.
- If, after any officer's retirement, KEPCO engages him/her as a corporate advisor, a consultant or post-retirement staff, the necessity of such continued engagement and remuneration payable to him/her should be determined by the Board of Directors after discussions in the Nominating Committee and the Compensation Committee. Revision for ensuring objectiveness should be considered.

[3] Enhancement of Audit Functions

- Review toward and preparatory tasks for the following revision of audit functions will be commenced: the Audit Committee, majority members of which should be external directors and Chairman of which should be also an external director, must have power to conduct audits on its own initiatives.
- The current framework should be revised so that Chairman of the Audit Committee, who should be an external director, will conduct investigations into various incidents including Compliance incidents on his/her own initiative and will make reports to the Board of Directors, and the Audit Committee together with the Compliance Committee will provide multilateral audit and supervisory services to President and other executives.
- A secretariat will be created which will support the Audit Committee so that the Committee can timely and comprehensively collect information based upon which the Committee will conduct audits. Members of the secretariat should consist of individuals having diversified professional backgrounds.

[Chart of Planned Corporate Governance Regime Utilizing External Human Resources]



(2) Development of a System for Effective Governance over Nuclear Power Division

The Third-party Panel found that most of the events constituting the Incident (i.e., acceptance of cash and gifts, advance commitments to issue work orders, and other misconduct) had occurred in Nuclear Power Division (hereinafter, "NPD"), that several Chief Nuclear Officers of and multiple senior managerial employees in NPD had successively engaged in such misconduct, which had never been remedied, and that the Incident had become more serious upon NPD's relocation to Mihama Town. The Third-party Panel also found that poor governance over NPD lies behind the Incident: NPD was peculiar among other divisions in KEPCO (in that NPD was technically peculiar, incidents arising in NPD were more likely to become political and/or social issues, and resumption of operation of nuclear power plants had material effect on KEPCO's corporate management); because of such peculiarity NPD was a self-enclosed organization and in NPD it was difficult to realize correct opinions; and such self-enclosedness could not be broken through.

In light of these findings, KEPCO will develop a system for effective governance over NPD so that NPD will become a well-governed and open organization, including "enhancement of compliance functions utilizing external human resources" (Sub-Section 2 (1) above) and "establishment of a business operation system for ensuring reasonableness and transparency in business procedures relating to issuance of work orders and execution of work contracts" (Section 3 above).

[1] Enhancement of Control over and Support to Nuclear Power Division

a. Creation of the Position of Senior Executive Officer of NPD to Supervise Compliance (to be implemented by or around the end of June, 2020)

- In order to enhance Compliance-related control and support, KEPCO will create the position of Senior Executive Officer of NPD, that should supervise Compliance and administrative departments and should be always stationed in NPD.

Senior Executive Officer of NPD should periodically report progress of promotion of Compliance and also flexibly from time to time report any incidents, upon their occurrence, to officers in charge of Compliance Promotion Division and also to the Compliance Committee, for their guidance, advice and supervision. Furthermore, Senior Executive Officer of NPD should periodically and flexibly from time to time report performance of Compliance-related job responsibilities to Chairman of the Board of Directors, for his/her guidance and supervision.

In addition, audit functions over NPD will be enhanced by appointing a specially assigned audit officer who serves the Audit Committee and will be always stationed in NPD to monitor it effectively.

b. Participation by Officers in other Divisions in NPD's Major Meetings (to be implemented promptly and by the end of June, 2020)

- In order to enhance control over and support to NPD's business activities in general, officers in other divisions (including corporate planning, accounting, and human resources & safety divisions) should participate in NPD's major meetings.

- [2] Measures for Creation of an Open Organization (to be implemented promptly and by the end of June, 2020)
- a. Holding of Meetings of the Board of Directors in NPD's Premises (located in Mihama Town)
    - In order to shorten geographic distance between officers/employees in NPD and officers in other divisions including external officers, meetings of the Board of Directors, the Compliance Committee, the Nuclear Safety Promotion Committee and so on should be held in NPD's premises located in Mihama Town, on a periodical basis.
  - b. Periodical Discussions and Dialogues between NPD Members and Non-NPD Officers including External Officers
    - In order to wipe away NPD's self-enclosedness, opportunities should be offered for officers in divisions other than NPD including Chairman of the Board of Directors, President, and external officers to periodically hold discussions and dialogues with a wide range of NPD members.
  - c. Promotion of Interaction with Other Divisions
    - NPD members should be provided with experiences to work in KEPCO's divisions not relating to nuclear business and/or in other companies and more personnel should be transferred from such divisions to NPD, so that individuals who will play key roles in KEPCO's nuclear business in the future can deeply think and behave themselves from user-oriented perspectives and wipe away NPD's self-enclosedness. KEPCO will aim at ensuring, through said active interaction, that a majority of officers and senior managerial employees in NPD will have experience in engaging in non-nuclear business.

#### **5. Implementation of Recurrence Prevention Measures in Kansai Transmission and Distribution, Inc.**

Kansai Transmission and Distribution, Inc., which will commence business in April, 2020, will take specific measures mentioned in Sections 2 and 3 above, in line with KEPCO's intentions reflected in those sections. As to Sub-Section 4 (1) above, KEPCO will realize a satisfactory corporate governance system in Kansai Transmission and Distribution, Inc. as its shareholder.

#### **B. Assessment and Review for Ensuring Effectiveness of Recurrence Prevention Measures**

As a "Company with Nominating Committees, etc." to which KEPCO plans to be converted, KEPCO will review its recurrence prevention measures through its Board of Directors and newly created Compliance Committee and such review will be done principally by external members of these organizations. If necessary, additional remedial measures will be added to the recurrence prevention measures, and/or the recurrence prevention measures will be modified.

- Officers in charge of Office of Corporate Planning will report implementation of this Business Improvement Plan (including implementation by Kansai Transmission and Distribution, Inc.) to the Board of Directors with reference to guidance, advice and supervision given by the newly created Compliance Committee. The Board of Directors will verify the effectiveness of the remedial measures and, if necessary, will give direction that additional measures should be developed and/or current measures should be modified. After creation of Compliance Promotion Division, officers in charge of the division will be responsible for reporting implementation of measures set forth in Sub-Section 2 (1) above to the Board of Directors.

**Conclusion**

We will make best efforts for management renewal and restoration of trust, with full determination that “KEPCO will not survive unless reborn now” and with indomitable resolve to break with KEPCO’s past and create wholly new KEPCO.

We will promptly implement this Plan. For that purpose, we will determine specific measures to be taken and report implementation of those measures by the end of June, 2020.