

## **Submission of the Business Improvement Plan under the 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: Nozomu Mori, Director, Representative Executive Officer, President

Contact: Hironori Kakiguchi, General Manager, Office of Accounting and Finance

Tel: 050-7105-9084

On July 14, 2023, we received a business improvement order under the Electricity Business Act\*<sup>1</sup> from the Minister of Economy, Trade and Industry, alleging that we had hindered the sound development of electricity businesses.

Today, we submitted the Business Improvement Plan under the Electricity Business Act to the Minister of Economy, Trade and Industry.

The Plan was decided in consideration of the contents of measures for compliance with the Anti-Monopoly Act\*<sup>2</sup>, the Business Improvement Plan\*<sup>3</sup> relating to the handling of information on customers of new electric power.

We seriously responded to the pointing-out of the business improvement order, namely, “we had significantly hindered the sound development of electricity businesses.” From now on we will steadily execute the Plan and add new initiatives as necessary after reviewing the status of its execution.

The Group will make utmost efforts across the group to exhaustively adhere to recurrence prevention measures and reform the organizational climate, in order to regenerate the Group as a company which will not bring about these situations again and can thoroughly adhere to compliance in fact. Through these efforts, we will continue to devote ourselves to recover trust from the general public.

\*1 Article 2-17 (1) of the Electricity Business Act

\*2 Report on Collection of Reports from the Electricity and Gas Market Surveillance Commission disclosed on April 12, 2023

\*3 Submission of the Business Improvement Plan under the Electricity Business Act disclosed on May 12, 2023

# Overview of the Business Improvement Plan

August 10, 2023

The Kansai Electric Power Company, Incorporated

# I. Top Management Commitment to Fair Competition

Item	Specific Actions to Be Taken	Progress Achieved
<p>I. Top Management Commitment to Fair Competition</p> <p>(Established on May 12)</p>	<ul style="list-style-type: none"> <li>• Top management of the Company should be fully aware of the paradigm shift in competition policy and expresses its clear commitment to refraining from violations of the Anti-Monopoly Act, including unreasonable restraint of trade.</li> </ul>	<ul style="list-style-type: none"> <li>• As the commitment to fair competition, the President declared below and communicated it to all employees. (May 2023)</li> <li>– As a business operator in the liberalized retail market, we will provide energy supply services of higher value through fair competition in terms of price and quality.</li> <li>– We will put an end to violations of restrictive practices specified by the Anti-Monopoly Act, the Electricity Business Act, and other rules and regulations, and operate our business under a reorganized corporate structure.</li> </ul>

## II. Measures to Be Implemented Promptly for Compliance with Anti-Monopoly Act (1)

Item	Specific Actions to Be Taken	Progress Achieved
1 Establishment of internal rules, etc. (Development of a mechanism for compliance with the Anti-Monopoly Act) (Announced on April 12)		
(1) Establishment and enforcement of “Rules Concerning Compliance with the Anti-Monopoly Act” and “Notice of Operating Rules Concerning Compliance with the Anti-Monopoly Act,” etc.	<ul style="list-style-type: none"> <li>• Establish and enforce: a) provisions that stipulate compliance with the Anti-Monopoly Act; b) strict rules concerning contact with competitors; and c) internal rules on procedures to be followed to control the risk of violating the Anti-Monopoly Act and to detect violations at an early stage.</li> </ul>	<ul style="list-style-type: none"> <li>• We have already established and enforced rules described under a) to c) on the left for the compliance with the Anti-Monopoly Act. (June 2022)</li> </ul>
(2) Implementation of a process to monitor the operation of the Rules Concerning Compliance with the Anti-Monopoly Act, etc.	<ul style="list-style-type: none"> <li>• Ensure that the monitoring process is thoroughly executed by the compliance division to confirm that the rules are operated properly and are in line with the current social conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• A monitoring process was executed to assess the operation of relevant rules. (Dec. 2022)</li> </ul>
(3) Development of an internal leniency program	<ul style="list-style-type: none"> <li>• Introduce an internal leniency program to detect and correct potential and actual violations of the Anti-Monopoly Act at an early stage.</li> </ul>	<ul style="list-style-type: none"> <li>• We revised the Anti-Monopoly Act Compliance Rules (May 2023). We also introduced the internal leniency program and communicated it to all personnel.</li> </ul>
(4) Dissemination of the Rules Concerning Compliance with the Anti-Monopoly Act to affiliated companies	<ul style="list-style-type: none"> <li>• Disseminate KEPCO's Rules Concerning Compliance with the Anti-Monopoly Act to its Group companies and support their efforts to develop Anti-Monopoly Act compliance programs.</li> </ul>	<ul style="list-style-type: none"> <li>• We notified all Group companies of the Rules (July 2022) and provided guidance and advice in response to individual consultations.</li> <li>• We are committed to continuously supporting their efforts to provide training programs and develop relevant systems.</li> </ul>

## II. Measures to Be Implemented Promptly for Compliance with Anti-Monopoly Act (2)

Item	Specific Actions to Be Taken	Progress Achieved
<p>2. Improvement of Internal Education, Training, etc.            (Improvement of internal education, training, etc., to promote understanding of the Anti-Monopoly Act and to re-instill compliance awareness)</p> <p style="text-align: right;">(Announced on April 12)</p>		
(1) Improvement of compliance training	<ul style="list-style-type: none"> <li>• Provision of training to all Executives and employees to ensure that “business performance and activities should not be prioritized over compliance” and to promote compliance awareness</li> </ul>	<ul style="list-style-type: none"> <li>• The details of the FY2023 compliance training are currently under consideration.</li> </ul>
(2) Provision of training on the Anti-Monopoly Act	<ul style="list-style-type: none"> <li>• Increase precise awareness and knowledge of the activities prohibited by the Anti-Monopoly Act through the use of content and methods appropriate for the target group.               <ol style="list-style-type: none"> <li>a. Training for Executives</li> <li>b. Training targeting divisions with high potential risk of violating the Anti-Monopoly Act</li> <li>c. E-learning for all Executives and employees</li> <li>d. Development, enhancement, and dissemination of awareness-raising tools</li> </ol> </li> </ul>	<ol style="list-style-type: none"> <li>a. A training program has been conducted for Executives. (Oct. 2021, Jul. 2022)</li> <li>b. A training program has been conducted for Executives and employees in sales, planning, and other divisions (Jan.-Feb. 2023)</li> <li>c. An e-learning program has been conducted for employees in all divisions. (Oct. 2022)</li> <li>d. Information on the awareness-raising tools have been posted and disseminated on the company website. (Jun. 2022) Contents for workplace discussions will be posted on the company website in FY2023.</li> </ol> <p>Items a. through c. above will be implemented continuously during FY2023.</p>

## II. Measures to Be Implemented Promptly for Compliance with Anti-Monopoly Act (3)

Item	Specific Actions to Be Taken	Progress Achieved
3. Enhancement of internal preventive functions (Enhancement of support systems to prevent violations of the Anti-Monopoly Act) (Announced on April 12)		
(1) Dissemination of information to promote the use of the legal consultation desk and enhancement of the consultation system	<ul style="list-style-type: none"> <li>• Dissemination of information on the legal consultation desk and encouragement of its use during the Anti-Monopoly Act training sessions held after the on-site inspection by the Japan Fair Trade Commission</li> <li>• Proactive use of outside attorneys specialized in the Anti-Monopoly Act</li> </ul>	<ul style="list-style-type: none"> <li>• We continuously disseminated information on the legal consultation desk and encouraged its use at various opportunities (in different training sessions held in Sep. 2021 and thereafter).</li> </ul>
(2) Dissemination of information to promote the use of whistle-blowing system and strengthening/enhancement of the system	<ul style="list-style-type: none"> <li>• Further encouragement and promotion of the use of internal and external consultation desks</li> </ul>	<ul style="list-style-type: none"> <li>• We continuously disseminated information throughout the organization (in different training sessions held in Sep. 2021 and thereafter). (We are currently considering introducing the leniency program to other cases than those related to the Anti-Monopoly Act.)</li> </ul>
(3) Monitoring of important meetings by legal personnel	<ul style="list-style-type: none"> <li>• Legal personnel review minutes and reference materials of meetings that discuss competition-related important management policies to detect any possible violation of the Anti-Monopoly Act by such policies.</li> <li>• Furthermore, introduce a mechanism to allow legal personnel to attend certain meetings and detect risky activities in a timely manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Launched in Aug. 2023</li> </ul>

## II. Measures to Be Implemented Promptly for Compliance with Anti-Monopoly Act (4)

Item	Specific Actions to Be Taken	Progress Achieved
<p>4. Strengthening of monitoring functions</p> <p style="text-align: right;">(Announced on April 12)</p>		
(1) Investigation by outside attorneys	<ul style="list-style-type: none"> <li>Engage external attorneys to carry out investigations to uncover any other violations of the Anti-Monopoly Act than the improprieties at issue.</li> </ul>	<ul style="list-style-type: none"> <li>As a result of the investigations, no violations of the Anti-Monopoly Act were found except for the improprieties at issue.</li> </ul>
(2) Conducting of internal audits pertaining to the Anti-Monopoly Act	<ul style="list-style-type: none"> <li>Conducting of internal audits to verify compliance with the Anti-Monopoly Act (development and implementation of recurrence prevention measures, etc.) targeting all divisions</li> <li>Confirmation of how the recurrence prevention measures have been embedded into the organization and installation of internal control to identify any signs of Anti-Monopoly Act violations</li> </ul>	<ul style="list-style-type: none"> <li>Internal audits have been conducted concerning compliance with the Anti-Monopoly Act since the second half of FY2022.</li> <li>In FY2023, an audit is underway to inspect procedures for contacting with competitors and the consistency with relevant internal data to see if there are any signs of possible violation of the Anti-Monopoly Act.</li> </ul>
(3) Conducting of regular audits by a third party	<ul style="list-style-type: none"> <li>The Compliance Committee will engage outside attorneys, etc. to conduct periodic audits for three years starting from FY2023, with the objective of ensuring compliance with the Anti-Monopoly Act.</li> </ul>	<ul style="list-style-type: none"> <li>The audit scheme is currently under consideration by the Compliance Committee.</li> </ul>
(4) Conducting of focused audits, etc., by the Audit Committee	<ul style="list-style-type: none"> <li>Implementation of audits that take into account external insights about the effectiveness of recurrence prevention measures and the degree to which they have embedded and taken root in the organization</li> </ul>	<ul style="list-style-type: none"> <li>Reports will be submitted to the Audit Committee with a majority of outside members to ensure that an external viewpoint is included in the audits.</li> </ul>

### III. Group-wide and Fundamental Measures to Strengthen Internal Control and Reform the Organizational Climate (1. Internal Control) (1)

Item	Specific Actions to Be Taken	Progress Achieved (Initiatives Currently Underway)
1 Strengthening of Internal Control <span style="float: right;">(Announced on May 12)</span>		
(1) Strengthening by the newly established Compliance Promotion Headquarters	<ul style="list-style-type: none"> <li>• Strengthening of initiatives for regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Keeping track of regulatory revisions, horizontal dissemination of information on improprieties committed by our own or other companies, and promotion of recurrence prevention measures</li> <li>• Interviews with business divisions to hear about the progress of regulatory compliance initiatives and provision of appropriate guidance</li> </ul>
	<ul style="list-style-type: none"> <li>• Improvement of internal control effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of a system to strengthen cooperation with corporate divisions with the aim of improving the effectiveness of internal control in business divisions including front-line workplaces</li> </ul>
	<ul style="list-style-type: none"> <li>• Enhancement of training programs</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement of training program effectiveness to ensure compliance with competition policy and other regulations, not only to acquire knowledge, but also to ensure proper execution of duties</li> </ul>
	<ul style="list-style-type: none"> <li>• Strengthening and enhancement of the whistle-blowing system</li> </ul>	<ul style="list-style-type: none"> <li>• Consideration is underway to introduce the leniency program to cases other than those relating to the Anti-Monopoly Act, in addition to “II. Measures to Be Implemented Promptly for Compliance with the Anti-Monopoly Act.”</li> </ul>



### III. Group-wide and Fundamental Measures to Strengthen Internal Control and Reform Organizational Climate (1. Internal Control) (2)

Item	Specific Actions to Be Taken	Progress Achieved (Initiatives Currently Underway)
1. Strengthening of Internal Control <span style="float: right;">(Announced on May 12)</span>		
(2) Strengthening of internal audits	<ul style="list-style-type: none"> <li>• Expansion of the scope of workplace communication</li> <li>• Conducting of on-site audits</li> </ul>	<ul style="list-style-type: none"> <li>• Workplace communication sessions were held by auditors to identify potential risks, etc.</li> <li>• Auditors reviewed a wide range of business processes over sufficient time frames at head office divisions, branch offices, etc.</li> </ul>
	<ul style="list-style-type: none"> <li>• Strengthening of monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• We strengthened monitoring of unaudited risk information.</li> </ul>
	<ul style="list-style-type: none"> <li>• Strengthening and enhancement of the structure of the Office of Internal Auditing</li> <li>• Improvement of audit quality through the use of external insights</li> </ul>	<ul style="list-style-type: none"> <li>• Advice and guidance were provided in response to the Internal Auditing Committee's reports concerning progress of serial improvement measures and the results of audits.</li> <li>• Provision of advice and guidance by external consultants</li> <li>• Periodic external assessment in line with international standards</li> </ul>

### III. Group-wide and Fundamental Measures to Strengthen Internal Control and Reform Organizational Climate (2. Organizational Climate)

#### IV. Verification of Progress in Implementing Initiatives and Their Effectiveness Utilizing External Human Resources

Item	Specific Actions to Be Taken	Progress Achieved
2. Reform of Organizational Climate  (Announced on May 12)	<ul style="list-style-type: none"> <li>Establishment of the Organizational Climate Reform Committee chaired by the President to build an organizational culture where all executives and employees can candidly talk about their feelings and awareness across positions and sections, while also overseeing and promoting a series of reforms</li> </ul>	<ul style="list-style-type: none"> <li>The Organizational Climate Reform Committee was established in July 2023.</li> </ul>

Item	Specific Actions to Be Taken	Progress Achieved
IV. Verification of progress in implementing initiatives and their effectiveness utilizing external human resources (Announced on May 12)		
1. Board of Directors	<ul style="list-style-type: none"> <li>The Board of Directors performs special supervision (reform monitoring) to verify the progress of a series of reforms from a continuous and objective perspective.</li> </ul>	<ul style="list-style-type: none"> <li>A progress report will be submitted to the Board meetings concerning initiatives undertaken by the Compliance Promotion Headquarters and the Office of Internal Auditing.</li> </ul>
2. Audit Committee	<ul style="list-style-type: none"> <li>Submit reports to the Audit Committee on a regular and as-needed basis as a special audit about the progress in implementing a series of reform initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Full-time Audit Committee members will attend the meetings of the Organizational Climate Reform Committee, the Internal Control Board, and other relevant bodies and submit a report to the Audit Committee with a majority of outside members.</li> </ul>
3. Compliance Committee	<ul style="list-style-type: none"> <li>Continuous implementation of monitoring and review necessary to ensure strict compliance</li> </ul>	<ul style="list-style-type: none"> <li>In the future, the Committee will monitor progress in implementing recurrence prevention measures and their effectiveness and provide necessary advice and guidance.</li> </ul>

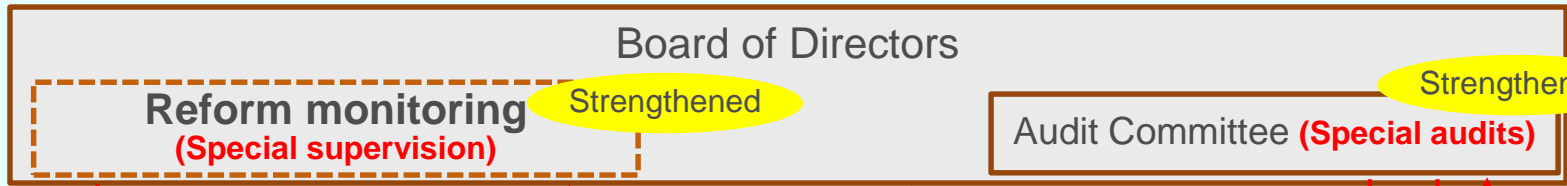
## **Disclosure of the details and causes of the improprieties**

- The details and causes of the improprieties have been disclosed as the “Summary of Report to The Electricity and Gas Market Surveillance Commission” on April 12, 2023.

## **Strict disciplinary action against parties involved**

- To identify those who are responsible for the improprieties, we decided to reduce the remuneration of involved Executives, etc. and disclosed the fact on April 12, 2023.

**Supervision**



**Execution**

