

Governance

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Governance

- ◆ Corporate Governance
- ◆ Risk Management
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Corporate Governance



GOVERNANCE



Basic concept on corporate governance

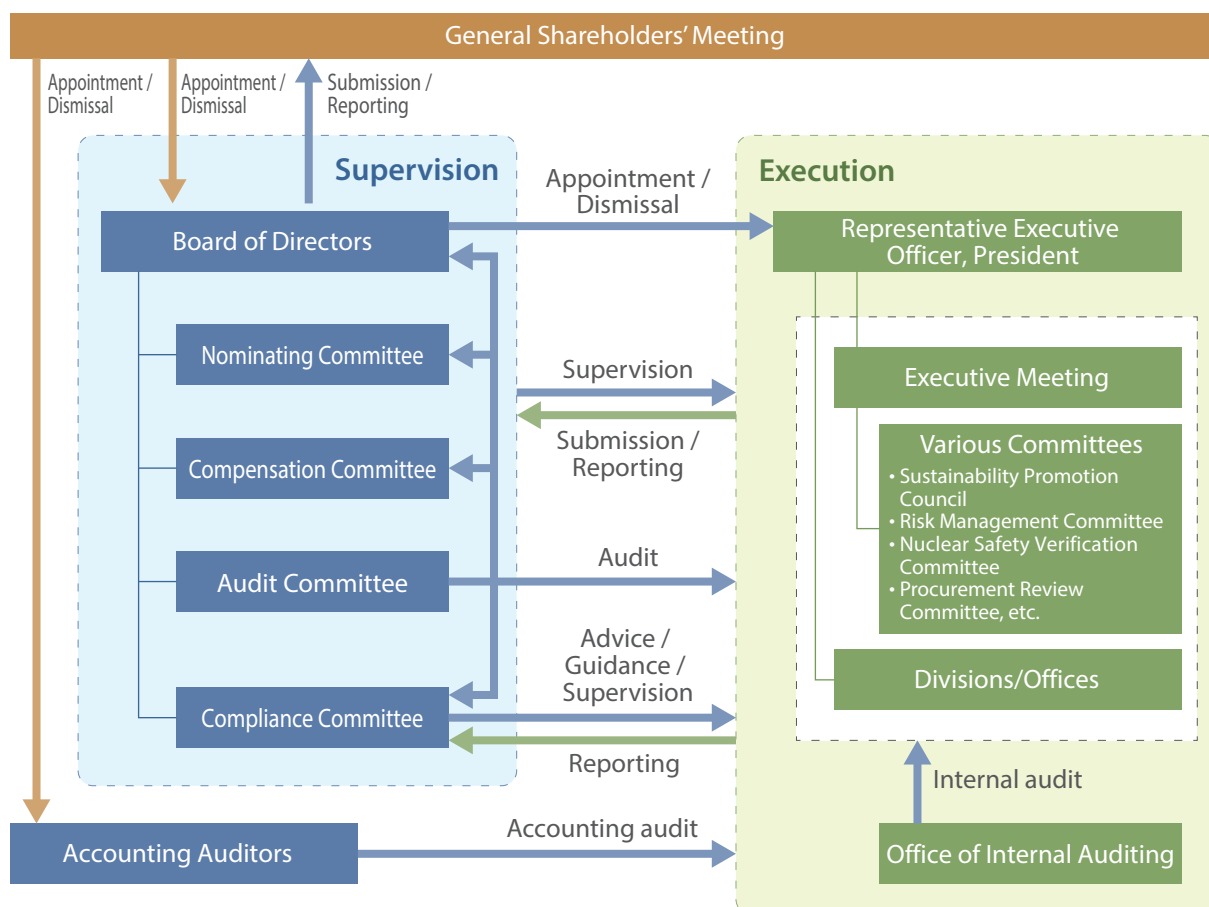
Based on the Kansai Electric Power Group Purpose & Values, the Group will continue to meet the expectations of all its stakeholders, thereby contributing to the sustainable improvement of corporate value and the sustainable development of society.

Recognizing that the most important management issue for achieving this goal is strengthening corporate governance, we have adopted the institutional design of a company with a nominating committee, etc., which clearly separates execution and supervision for our corporate governance, with the aim of enhancing management transparency and objectivity in business management.

In terms of supervision, in order to reflect the perspectives of all our stakeholders, we have established a system with a Board of Directors at the core focused on objective and diverse perspectives as outsiders. By appropriately supervising execution, we will improve transparency and objectivity in business management.

Overview of current corporate governance

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. While executing operations appropriately, we supervise the execution of duties by our directors and executive officers through the Board of Directors. We have adopted the institutional design of a company with a nominating committee, etc. since June 2020, which clearly separates execution and supervision for our corporate governance, with the aim of enhancing management transparency and objectivity in business management.



* The Kansai Electric Power Co., Inc. will also implement an appropriate governance system for Kansai Transmission and Distribution, Inc., insofar as the Company has the right to do so as its shareholder, based on the premise of ensuring neutrality as a general power transmission and distribution business operator.

Corporate governance systems

1. Supervision

● Board of Directors

◆ Structure

In light of our business scale, business description, approach to managerial issues, and supervisory function, as well as diversity, including gender and internationality, the Board of Directors is a necessary and appropriate structure comprised of independent outside directors (eight persons) with ample experience and knowledge cultivated as executives or professionals in a wide range of fields and inside directors (six persons) who have abundant expertise and abilities in our business.

In addition, from the perspective of appropriate decision-making and effective supervision, the number of the Board members shall be 20 or less, a majority of which shall be independent outside directors.

The Chairperson of the Board of Directors shall be an independent outside director.

◆ Roles and responsibilities

Based on the standpoints of our diverse and wide-ranging set of stakeholders, the Board of Directors aims to achieve sustainable growth and increase the corporate value of the Group over the medium to long term. To achieve these ends, the Board takes on the following main responsibilities: ① to illuminate the future path of the Group, including our corporate strategy, ② develop an environment that supports appropriate risk-taking by executive officers, and ③ provide highly effective supervision of management from an independent and objective standpoint.

We will decide basic management policies such as management plans after thorough discussions from a variety of perspectives, regularly monitor progress and reflect results in our future policies. In addition, we will establish effective internal control and risk management systems, supervise management with a focus on compliance, and support executive officers for their swift and strong-minded decision-making.

From the standpoint of clearly separating execution and supervision, the Board of Directors, in principle, delegates decisions on business execution to executive officers in line with basic management policies. Regardless of whether or not delegation to executive officers is made, if necessary, especially important decisions on business execution are discussed in advance at the Board of Directors meeting while they are being considered, and appropriate opinions and advice are provided from outside directors and other directors before decisions are made.

● Nominating Committee

The Nominating Committee is chaired by an independent outside director and all of its four members are independent outside directors.

The Nominating Committee resolves proposed agenda for General Shareholders' Meeting regarding the appointment and dismissal of directors after establishing the "Policy for nominating director candidates." The Committee also resolves/deliberates on matters related to the appointment of executives. In addition, the Committee is responsible for formulating a successor plan for the Executive Officer and President, as well as developing candidates in a planned manner, with sufficient time and resources. In the course of this process, it is important for the Committee to recognize the appointment of the Executive Officer and President as the most important strategic decision-making for sustainable growth of the entire Group and improvement of corporate value over the medium to long term. In formulating the successor plan, the Committee deliberates the outcome, required experience and skills, competency (ability), potential (quality), sense of value, and personality expected from the next Executive Officer and President, and reviews "what the President is supposed to be."

Moreover, utilizing internal assessment and external assessment by third-party organizations, the Committee collects information on candidates in a multifaceted way. Members also directly interview candidates to clarify the appointment process, with high transparency and objectiveness ensured.

Chairperson: Sadayuki Sakakibara

Committee members: Takamune Okihara, Tetsuya Kobayashi and Kazuko Takamatsu

● Compensation Committee

The Compensation Committee is chaired by an independent outside director and all of its four members are independent outside directors.

The Compensation Committee resolves compensation of respective directors and executive officers after establishing the "Policy for determining the compensation of directors and executive officers." The Committee also resolves/deliberates on other matters related to executive compensation. When considering various compensation-related issues, such as the standard of compensation of directors, the Committee uses data from external specialized organizations and examples from other companies.

Chairperson: Tetsuya Kobayashi

Committee members: Sadayuki Sakakibara, Takamune Okihara and Atsuko Kaga

● Audit Committee

The Audit Committee is chaired by an independent outside director and consists of four outside and two inside directors not concurrently serving as executive officers. To serve as an Audit Committee member, each director is required to have appropriate experience and abilities as well as necessary knowledge of finance, accounting, and legal affairs.

The Audit Committee establishes basic policies and rules necessary to execute its duties, and then audits the execution of duties by executive officers, directors, employees and others of the Company or its subsidiaries, from the viewpoint of legality and appropriateness. In addition to that, the Committee reports the status and results of audits to the Board of Directors. When necessary, the Committee provides advice and recommendations to executive officers, etc.

The Audit Committee, the Office of Internal Auditing and accounting auditors will conduct efficient and effective audits in close collaboration as appropriate through exchanging opinions on audit plans and audit results.

The Committee members are engaged in auditing activities on a daily basis through their attendance at important meetings (other than Board of Directors meetings) to audit operations and assets of our key business offices.

Chairperson: Hiroshi Tomono

Committee members: Shigeo Sasaki, Atsuko Kaga, Fumio Naito, Yasushi Sugimoto and Yasuji Shimamoto

● Compliance Committee

For the purpose of strengthening the Group's function to supervise compliance, we have established a Compliance Committee, which is independent from the President and other executive officers. The Committee is under the direct control of the Board of Directors. The Committee, a majority of which including the Chairperson are external experts, deliberates and approves particularly important matters such as basic policies for promoting compliance and policies for addressing problematic events associated with directors, executive officers, and others. When necessary, the Committee also directly guides, advises and supervises the President and other executive officers, as well as reporting periodically to the Board of Directors.

● Directors

◆ Nomination policy

In performing their duties, our directors must be willing to conduct themselves with emphasis on compliance, in accordance with the basic orientation of business management and guiding principles specified in the Kansai Electric Power Group Purpose & Values, the Kansai Electric Power Group Code of Conduct, etc. Regarding the nomination of director candidates, the Nominating Committee makes a decision after deliberating comprehensively on whether the candidate's ability, experience, personality, insight, and other elements are good enough to take on management of the Company, also in light of diversity, including gender and internationality, from the viewpoint of appropriate decision-making and effective supervision. As for outside director candidates, we ensure in particular that they have independence from an outsider's objective viewpoint and also take into account their role of enhancing the supervisory function of the Board of Directors.

The Company has established its own judgment criteria for independency, as described below, in light of the requirements for independent officers stipulated by the Tokyo Stock Exchange, Inc. We assess the independency of outside directors by these criteria.

If an outside director concurrently serves as an officer at another listed company, the number of concurrent positions is within a reasonable range so that the time and labor required to properly fulfill the roles and responsibilities as an outside director of the Company can be secured.

【Judgment criteria for independency established by the Company】

The Company considers an outside director to be independent when the outside director does not fall under any of the categories of 1 to 9 below.

1	A person to whom the Company is a major business partner, or a business executive for that person
2	A major business partner of the Company, or its business executive
3	A consultant, accounting professional or legal professional who receives a large amount of money or any other assets, other than executive compensation, from the Company (if the consultant, etc. who receives such assets is an organization such as a corporation, a person who belongs to that organization)
4	A person who receives a large amount of donations or membership fees from the Company, or a business executive for that person
5	A business executive of the auditing firm of the Company
6	A person who is a major shareholder of the Company, or a business executive for that person and a business executive of a company for which the Company is a major shareholder
7	A business executive of a company which has accepted an executive from the Company or a subsidiary of the Company
8	A person who has fallen under any of the categories of 1 to 7 above recently
9	A spouse or relative within the second degree of kinship to a person described in either of the following items (excluding those who are not in applicable positions) (1) A person listed in 1 to 3 above (2) A person who is currently or has recently been a business executive of the Company or a subsidiary of the Company

【Directors' skill matrix】

In order to ensure diversity in knowledge, experience, abilities, etc. across the Board of Directors, skills required for directors to manage important issues were selected by the Company and decided by the Nominating Committee, in addition to basic skills in line with the Corporate Governance Code.

Directors	Management experience	Governance/ Risk management	Finance/ Accounting	Legal affairs/ Compliance	Technologies	Industrial policies	Public relations strategies	Global experience	Sales/Marketing
Sadayuki Sakakibara	●	●			●	●		●	
Takamune Okihara	●	●	●					●	●
Tetsuya Kobayashi	●	●					●		●
Shigeo Sasaki		●		●					
Atsuko Kaga					●	●			●
Hiroshi Tomono	●	●			●			●	
Kazuko Takamatsu	●						●	●	
Fumio Naito		●	●						
Takashi Morimoto	●					●			●
Toyokazu Misono	●							●	●
Koji Inada	●				●	●			
Nozomu Mori					●	●			
Yasushi Sugimoto		●	●						
Yasuji Shimamoto	●				●				

◆ Roles and responsibilities

Directors shall actively express their opinions and have thorough and constructive discussions at the Board of Directors, etc. When executing their duties, directors shall diligently collect sufficient information by requesting explanations from other directors and executive officers and through other means.

Outside directors' roles include strengthening the supervisory function of the Board of Directors from their objective external perspective, making use of their abundant experience and insight as corporate managers and specialists. Additionally, from the perspective of actively contributing to discussions at the Board of Directors, outside directors actively exchange opinions and cooperate fully with executive officers.

◆ Training

We hold training sessions for directors when and after they take up their post on a periodical basis to provide the knowledge necessary to fulfill their roles and responsibilities.

For outside directors, we provide explanation about the Group's business, finances, organization, and other aspects on a continual basis when and after they take up their post so they can acquire the knowledge necessary to fulfill their roles and responsibilities. In addition, we hold tours of our facilities as appropriate and provide opportunities for them to talk with our frontline staff to promote their understanding of our business.

2. Execution

● Executive Officers

◆ Appointment policy

In performing their duties, our executive officers must be willing to conduct themselves in accordance with the basic orientation of business management and guiding principles specified in the Kansai Electric Power Group Purpose & Values, the Kansai Electric Power Group Code of Conduct, etc., and in adherence to the spirit of the President's Oath to Stakeholders. Regarding the appointment/dismissal of executive officers, the Board of Directors makes a decision after deliberating comprehensively on whether the officer has abundant expertise, and whether his/her experience, business execution ability, personality, and other elements are good enough to take on management of the Company.

◆ Roles and responsibilities

Executive officers make decisions on how the business of the Company is carried out, which is delegated to them by the Board of Directors and by the resolution of the Board of Directors, and also execute the operations of the Company.

◆ Training

We hold training sessions for executive officers when and after they take up their post on a periodical basis to provide the knowledge necessary to fulfill their roles and responsibilities.

● Executive Meeting and Committees

In order to deliberate on important business execution policies, plans, and execution of business for the entire Group and to receive necessary reports, based on the basic policies determined by the Board of Directors, we hold Executive Meeting every week as a general rule. The Executive Meeting is chaired by Executive Officer and President, and consists of all our executive officers to ensure swift and appropriate corporate management. In addition to the above, for the purpose of ensuring appropriate and smooth business execution, we have established various committees that support decision-making through the Executive Meeting and the business execution by respective divisions. These committees mostly consist of executive officers in charge of duties related with respective goals, and meetings are convened periodically or on an as-needed basis.

◆ Sustainability Promotion Council

To address sustainability-related issues, our Group's basic concept and code of conduct that we should strictly observe are stipulated in the Kansai Electric Power Group Code of Conduct. We also set up a Sustainability Promotion Council to draw up comprehensive sustainability measures for the entire Group and check implementation status. At the same time, we perform concrete activities for the Group to contribute to the sustainable growth of society.

◆ Risk Management Committee

Risks associated with the Group's business activities are managed autonomously by each operating division in accordance with the Kansai Electric Power Group Risk Management Rules. Risk management for risks considered to have cross-organizational importance (information security, business management of subsidiaries, safety and health, market, credibility of financial reporting, environment, disasters, and compliance) are enhanced by the supervision of departments with specialized expertise on each risk category that provide advice and guidance to the various operating divisions on an as-needed basis. Furthermore, a Risk Management Committee is established to put risks under central management. The Committee Chairperson is appointed as the Risk Management Officer, and the Committee strives to manage risks associated with the Group business activities at the appropriate level through this system.

◆ Nuclear Safety Verification Committee / Nuclear Safety Enhancement Committee

Regarding nuclear safety, our principles associated with nuclear safety to be succeeded to our employees in future generations are clearly stated in our Commitment to Enhancing Nuclear Safety. Based on this, we are making constant efforts to improve safety. A Nuclear Safety Enhancement Committee has been set up to enhance the safety of nuclear power on a company-wide basis. The Committee checks and conducts discussion on the promotion of recurrence prevention measures and fostering of safety culture following the accident at Mihama Nuclear Power Station Unit 3 and activities from a broad range of viewpoints, including voluntary and continuous activities following the accident at Tokyo Electric Power Fukushima Daiichi Nuclear Power Station. In addition, opinions and advice provided by the Nuclear Safety Verification Committee from its independent position have been reflected in our safety improvement initiatives.

◆ Procurement Review Committee

For the purpose of ensuring appropriateness and transparency in the procedures of construction orders and contracts as well as payment of donations and cooperation funds, we have established a Procurement Review Committee, the majority of which are outside experts, with an examination mechanism from the perspective of such experts put in place.

◆ Internal Auditing Committee

Regarding internal audits, we have established an Internal Auditing Committee in order to share and deliberate widely-ranging management issues, such as safety and quality, gain insights and information from outside the Company, and ensure the adequacy of the internal audit process for the entire Group from a fair and professional standpoint.

In addition, as a dedicated organization for conducting internal audits, the Office of the Internal Auditing Committee has been set up to audit the adequacy and effectiveness of the system and operational status on a regular basis, this ensuring the adequacy of operations.

3. Advisors

After deliberation by the Nominating Committee, the Company has abolished the conventional senior advisor and advisor system and put a new advisor system in place. Under the new advisor system, the post of senior advisor has been abolished and excluded from eligibility for part-time engagements of retired officers.

◆ System

Advisors may be appointed on an as-needed basis, if doing so contributes to the sustainable development of the Group.

◆ Appointment/remuneration determination process

From the perspective of ensuring objectivity, when appointing an advisor to a person who retired from the post of a director or executive officer, the Nominating Committee, the Compensation Committee, and the Board of Directors decide the necessity of such appointment, job description, and remuneration after rigorous deliberation, and disclose the commissioned duties and the individual amount of remuneration of the advisor.

◆ Roles

Advisors contribute to society through activities in business and industrial communities and respond to requests from regional economic communities by making full use of their own experience and human networks, toward the growth of the economy in the Kansai region as well as the business of the Group. Advisors do not provide guidance or advice on business management.

4. Remuneration of directors and executive officers

Remuneration of directors and executive officers is determined by the Compensation Committee in accordance with the provisions of the Companies Act.

Remuneration of directors not responsible for execution of business consists only of basic compensation, in consideration of their roles. Remuneration for executive officers responsible for the execution of business consists of basic compensation that takes into account the responsibilities required for each executive officer's position, etc., and short-term incentives, which are results-based compensation and stock-based compensation as a medium- to long-term incentive, in order to contribute to the sustainable improvement of our corporate performance and corporate value. Proportion of the payment will be set using "basic compensation: results-based compensation: stock-based compensation = 6:3:1" as a guide.

5. Management of subsidiaries

We try to instill in our subsidiaries the basic approaches to management and action standards that are embodied in, for example, the Kansai Electric Power Group Purpose & Values and the Kansai Electric Power Group Code of Conduct. 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. Moreover, 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.

6. Effectiveness evaluation and response policies for the Board of Directors

● Method of effectiveness evaluation

The Board of Directors uses a third-party organization to conduct an annual questionnaire survey targeting all directors on the effectiveness of the Board of Directors, etc. Based on the aggregated results of the questionnaire, the Board of Directors evaluates its effectiveness and takes proper steps to improve corporate governance, including operation of the Board of Directors, etc.

In 2020, we conducted a questionnaire survey on the effectiveness of the Board of Directors, etc. with a question added to confirm the status of efforts in implementation of our business improvement plan formulated to prevent problem recurrence (including the transformation to a company with a nominating committee, etc. as of June 25, 2020 aimed at further strengthening of the supervisory function by clearly separating execution and supervision), based on reflection regarding issues such as receiving money and gifts and compensation paid to officers for their part-time engagements after retirement.

● Results of effectiveness evaluation

Fiscal 2020 overall evaluation
Survey results indicate that many respondents consider appropriate or generally appropriate the "Construction of a meeting management system due to the change in the organizational design associated with the transformation to a company with a nominating committee, etc. (ensuring of appropriate agenda items for the Board of Directors, basic operation of each committee, etc.)," "Composition of the Board of Directors," and "Implementation of efforts toward fulfilling discussions at the Board of Directors (such as providing information to outside directors beforehand) and resultant active discussions by the Board of Directors." In consideration of the above, the Board of Directors determined that the effectiveness of the Board of Directors, etc. for fiscal 2020 has been ensured.
Issues in the future
<ul style="list-style-type: none"> • Enhancing opportunities for communication between outside directors and the management • Further strengthening of reporting on the operational status of internal control system, etc.
Response policy
Taking into account the above issues, the Board of Directors will formulate an improvement plan, and outside directors and executive officers will thoroughly discuss our medium- to long-term management policies, the direction of growth strategies, and other matters to enhance opportunities to develop clear understanding of the Company and its operations. In addition, through further enhancement of reporting details, including the business management status and risk management status of affiliated companies as well as the operational status of the whistleblowing system, we will implement and strengthen our group governance. The Board of Directors will continue to share issues based on the evaluation of effectiveness and make continuous efforts to further improve our effectiveness.

● Operating status of fiscal 2020

◆ Board of Directors

Based on laws and regulations and the rules of the Board of Directors, the Board of Directors resolves proposals submitted to the General Shareholders' Meeting, members comprising each committee, and other important matters related to the management of the Group, such as Kansai Electric Power Group Purpose & Values, Kansai Electric Power Group Medium-term Management Plan (2021-2025) and Zero Carbon Vision 2050. Moreover, the status of efforts in implementation of our business improvement plan in line with the Electricity Business Act, quarterly financial results, operational status of the internal control, and other matters are reported and deliberated on a regular basis. For the resolutions and deliberation stated above, with the aim of ensuring fulfilling discussions at the Board of Directors and strengthening corporate governance, in fiscal 2020, six opinion exchange meetings were held by directors, and one meeting was held only attended by independent outside directors to discuss a wide range of themes such as management issues and the direction of future growth strategies of the Company. Views obtained through these meetings are reflected in our business management and subsequent discussions at the Board of Directors. Furthermore, various measures are implemented for outside directors throughout the year, such as prior briefing on board meeting agendas from the executive side; visiting front-line workplaces including nuclear power plants; and dialogue with employees.

◆ Nominating Committee

The Committee decides the content of proposals for appointment and dismissal of directors, submitted to the General Shareholders' Meeting, as well as the policy for selecting directors, and deliberates the details of a successor plan for the Executive Officer and President, successor development process, commissioning of advisors, and other matters. Priority items discussed in fiscal 2020 include the following:

- ✓ Successor plan for Executive Officer and President
- ✓ Skills directors should have (skill matrix)
- ✓ Independence criteria for outside directors

◆ Compensation Committee

The Committee decides on the policy and details of compensation of respective directors and executive officers, and deliberates on compensation for advisors. Priority items discussed in fiscal 2020 include the following:

- ✓ Compensation standards for officers in the Company based on the results of surveys related to compensation standards of other companies, trends in compensation policies, etc.
- ✓ Performance-based compensation system and goal setting

◆ Audit Committee

The Committee formulates audit plans encompassing important matters related to the Group's management decided by the Board of Directors, and performs audits from the perspective of whether or not the Group is conducting business activities legally and appropriately, and making decisions and executing business properly and reasonably to prevent risks and improve corporate value. Deliberation is made among the Committee members, and their opinions and recommendations are provided to the Board of Directors and the executive side. Priority audits and other items conducted in fiscal 2020 include the following:

- ✓ Confirmation of the status of efforts to strengthen compliance and governance in line with our business improvement plan
- ✓ Confirmation of the status of efforts such as improving profitability of the comprehensive energy business
- ✓ Dialogue with front-line workers
- ✓ Response to proceedings for damages against our former officers filed by the Company concerning problems such as receiving money and gifts and compensation paid for their part-time engagements after retirement.

Board of Directors, Nominating Committee, Compensation Committee, and Audit Committee meetings held in fiscal 2020 and the attendance status of respective directors are as follows.

Name	Meetings held and attendance status			
	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee
Sadayuki Sakakibara*	◎100% (13/13 attendances)	◎100% (8/8 attendances)	100% (3/3 attendances)	—
Takamune Okihara*	100% (18/18 attendances)	100% (8/8 attendances)	100% (3/3 attendances)	—
Tetsuya Kobayashi*	100% (18/18 attendances)	100% (8/8 attendances)	◎100% (3/3 attendances)	—
Shigeo Sasaki*	94% (17/18 attendances)	—	—	95% (18/19 attendances)
Atsuko Kaga*	89% (16/18 attendances)	—	100% (3/3 attendances)	84% (16/19 attendances)
Hiroshi Tomono*	100% (13/13 attendances)	—	—	◎100% (13/13 attendances)
Kazuko Takamatsu*	100% (13/13 attendances)	100% (8/8 attendances)	—	—
Fumio Naito*	100% (13/13 attendances)	—	—	100% (13/13 attendances)
Takashi Morimoto	100% (18/18 attendances)	—	—	—
Toyokazu Misono	100% (18/18 attendances)	—	—	—
Koji Inada	100% (18/18 attendances)	—	—	—
Yasushi Sugimoto	100% (18/18 attendances)	—	—	100% (19/19 attendances)
Susumu Yamaji	100% (13/13 attendances)	—	—	100% (13/13 attendances)

Notes: 1 The numbers in parentheses indicate the number of attendances/the number of meetings held during the term of office.

2 ◎ represents the chairperson of the board/committee.

3 * represents an independent outside director.

4 The attendance status of the Audit Committee includes the Audit & Supervisory Board meetings held before the 96th Ordinary General Shareholders' Meeting held on June 25, 2020, when the Company transitioned to a company with a nominating committee, etc.