

Risk Management

GOVERNANCE



► Policy and Concept

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 being managed at an appropriate level through this series of processes.

► System

Risks associated with the Group's business activities are to be managed autonomously by each operating division.

With the position of "Internal Control and Compliance Officer" newly set up, each operating division is promoting autonomous risk management in the division in collaboration with front-line workplaces, etc., and through risk management plans and evaluation of results.

Management of risks considered to have cross-organizational importance, such as information security, business management at subsidiaries, human capital base, market risk, financial report reliability, environment, energy policy, disasters, compliance (including laws and regulations in a competitive environment), and appropriateness of procurement, is enhanced by the supervision of departments with specialized expertise in each area of such risks that provide advice and guidance to the operating divisions on an as-needed basis.

The Compliance Promotion Headquarters supports these efforts and centrally promotes compliance, risk management, etc. for the entire Group*.

* See page 117 for a general picture of our compliance promotion system.

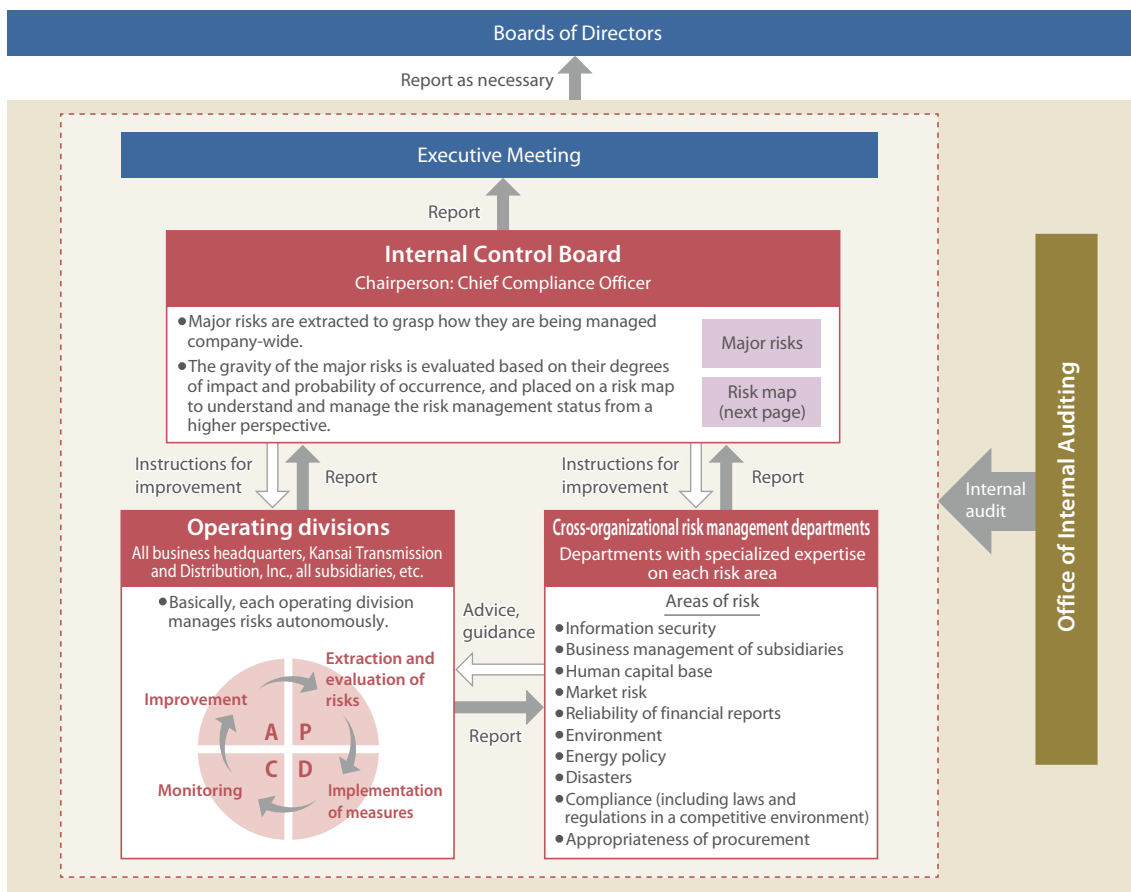
Moreover, an Internal Control Board has been established to put risks under central management. The Chairperson of the Board, who also serves as the Chief Compliance Officer, is appointed as the Risk Management Officer of the Group, and the Board strives to manage risks associated with the Group's business activities at an appropriate level through this system.

The Internal Control Board oversees risk management plans by, for instance, coordinating cooperation between corporate divisions and operating divisions that have expertise to ensure group-wide risk management. The Board also reports its risk evaluation results to the Executive Meeting and, as necessary, the Board of Directors. If necessary, it improves the structure and system of risk management.

Furthermore, the Office of Internal Auditing conducts internal auditing on the maintenance and operation of the risk management system, and we are working to make improvements based on audit results. In fiscal 2023, we will clarify issues in our internal control systems, including risk management, based also on the opinions of external experts, and consider concrete ways to make improvements.



◆ Risk management system



► Efforts

We identify major risks that could greatly affect our Group’s business activities, ascertaining and evaluating how they are being managed company-wide. These major risks are systematically sorted out not only for our Group’s sustainable growth but also with the aim of achieving our financial targets and ESG goals, to contribute to the sustainable development of society by solving global social issues covered under SDGs. The gravity of the major risks is evaluated based on their degrees of impact and probability of occurrence, classified and organized on a risk map to clarify, manage, and evaluate how the risks are being handled from a higher perspective, and instructions for improvement are given to operating divisions, as necessary, based on the evaluation results. For details of and countermeasures for major risks that could affect the Group’s business results and financial position, please refer to the “Operational risks” section of our securities report for the fiscal year ended March 31, 2023 and financial results for the three months ended June 30, 2023 (only available in Japanese).

◆ Major risks

Classification	Major risks	Gravity	
		FY 2022	FY 2023
E	《1》 Climate change	High	High
	《2》 Environmental issues (violation of environmental laws and regulations, etc.)	Medium	Medium
S	《3》 Release of radioactive materials	Huge	Huge
	《4》 Human capital base	High	Medium
	《5》 Natural disasters, changes in international situations, etc.	High	High
	《6》 Information security	High	High
	《7》 Stagnation of innovation	Medium	Medium
G	《8》 Governance / Compliance	High	High

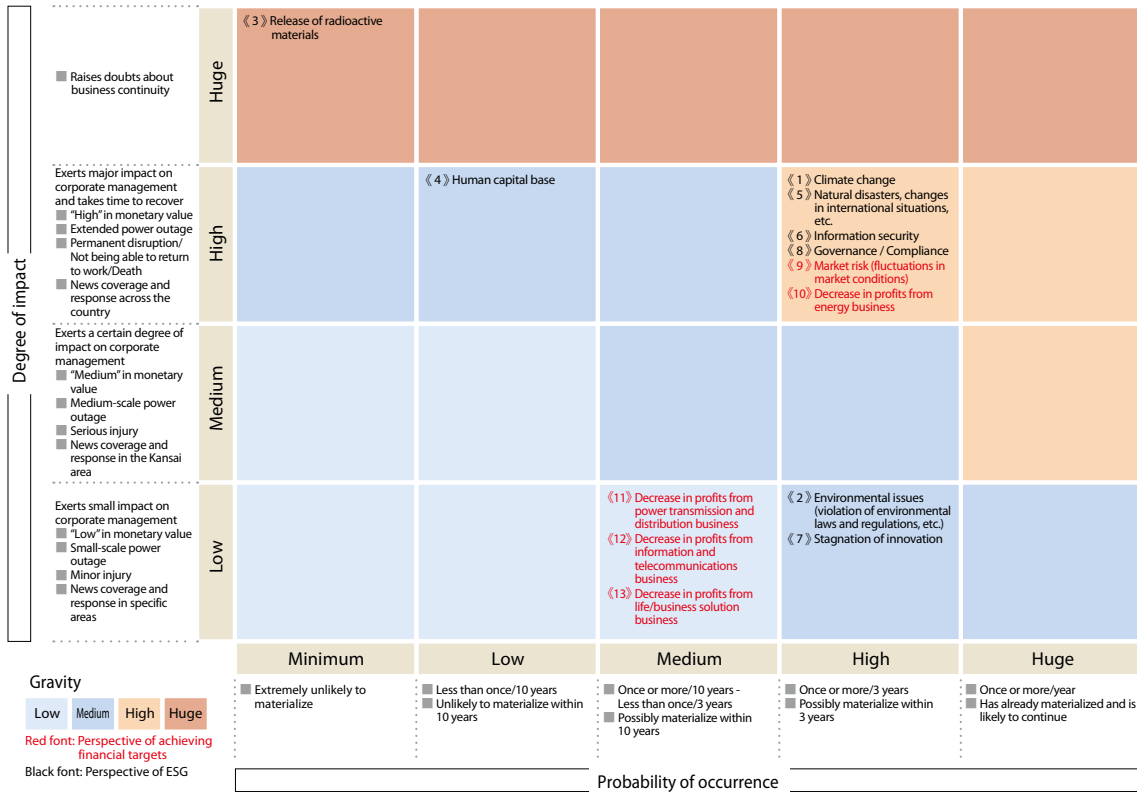
Organizational goals/ Classification	Major risks	Gravity		
		FY 2022	FY 2023	
Achievement of financial targets Undershooting of profit targets	Business environment	《9》 Market risk (fluctuations in market conditions)	High	High
	Energy	《10》 Decrease in profits from energy business	High	High
	Transmission & Distribution	《11》 Decrease in profits from power transmission and distribution business	Medium	Low
	Information & Telecommunications	《12》 Decrease in profits from information and telecommunications business	Medium	Low
	Life/Business Solution	《13》 Decrease in profits from life/business solution business	Medium	Low

<Reason for changes in Gravity>

- 《4》 Human capital base: Following the consolidation of the aforementioned major risks, reevaluation was made on this occasion with the risk event defined as an obstacle to stable securing of diverse and talented human capital. As a result, the gravity was set to medium.
- 《11》 Decrease in profits from power transmission and distribution business: Revised downward considering mitigation of risk factors mainly because the post-adjustment framework for revenue fluctuations, etc. attributable to external factors has now been in place in conjunction with the introduction of our application for the new wheeling pricing system.
- 《12》 Decrease in profits from information and telecommunications business: Revised downward considering the fact that no risks occurred in the most recent fiscal years.
- 《13》 Decrease in profits from life/business solution business: Revised downward considering the fact that no risks occurred in the most recent fiscal years.



◆ Risk map



◆ Investment risk management

<Investment evaluation system>

Regarding investment in the domestic renewable energy business, international and our group businesses, and new businesses, in addition to the investment appropriateness evaluations, we have established and operated a series of management processes including post-investment monitoring, as well as consideration and implementation of divestment/replanning measures. The internal meeting structure (Investment Evaluation Committee), which consists of executives in charge of business promotion and corporate divisions, deliberates and examines such processes based on their specialized knowledge. In these ways, we support appropriate decision-making for individual projects and take timely measures when risks manifest to manage investment risks suitably. We regularly report these states of management to the Executive Meeting, and we reform frameworks and methods for evaluation and management as necessary.

<Investment appropriateness evaluations>

When implementing investments, along with conformity to company-wide policies for investment goals and objectives, with the assurance of profitability as a prerequisite, we are evaluating the appropriateness of each project based on sufficiently examining risks.

<Monitoring>

After making investments, we regularly conduct monitoring of individual projects to confirm their states of achieving investment objectives and profitability. We demand the implementation of necessary countermeasures when profitability decreases or other issues arise.

<Investigations on divestment and replanning>

For projects that have greatly worsened profitability or that have decreased retention value, based on comprehensive consideration of risks and other conditions, we promptly investigate and deliberate divestment and replanning as we strive to appropriately deal with risks.

