

# Materiality for the Kansai Electric Power Group

## Important issues in CSR

Our corporate group is currently in the middle of a period of great change. Along with the full liberalization of the retail markets for electricity and gas and legal requirements related to the assurance of neutrality in the transmission and distribution sector, there are changes in the awareness and understanding of society regarding nuclear power generation. Under these conditions, we have applied the principle of materiality to specify important issues. The goal of this is to clarify the issues that our company should be working on now in order to make both our corporate group businesses and the communities surrounding our business sustainable.

### Materiality identification process

- 1 With the supervision of an outside consultant who has expertise in the GRI Guidelines, for each important measure in the Kansai Electric Power Group Medium-term Management Plan (2016–2018), which was established on April 26, we identified risks that could obstruct realization of the plan as well as opportunities for facilitation.

### Main risks and opportunities in our Medium-term Management Plan

Focus	Important measures	Main risks and opportunities identified	
		Risks	Opportunities
Enhancement of competitiveness in comprehensive energy business	Enhancement of marketing and sales strategies	<ul style="list-style-type: none"> <li>● Intensified competition with other businesses</li> <li>● Subordination of rate options and cost competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>● Full liberalization of the retail market for electricity</li> <li>● Increased number of “Hapi e-Miruden” participants</li> </ul>
	Strengthening of competitiveness in power supply (realization of a power structure achieving S + 3E)	<ul style="list-style-type: none"> <li>● Results of new regulatory requirement compliance, litigation and other factors</li> <li>● Trends in back-end nuclear power operations</li> <li>● Trends in environmental policies, including global warming countermeasures (thermal power)</li> </ul>	<ul style="list-style-type: none"> <li>● Energy mix trends</li> <li>● Technological innovations related to renewable energy</li> </ul>
	Active expansion of the gas business	<ul style="list-style-type: none"> <li>● Delay in acquisition of skills and expertise for gas businesses</li> </ul>	<ul style="list-style-type: none"> <li>● Sales to the household gas market fully liberalized in April 2017</li> </ul>
	Active promotion of alliances among operators		<ul style="list-style-type: none"> <li>● Building of effective alliances</li> </ul>
	Further promotion of reform of cost structure		<ul style="list-style-type: none"> <li>● Cost reductions through work outsourcing and supplier diversification</li> </ul>
Establishment of new pillars for growth	Dramatic growth of international businesses	<ul style="list-style-type: none"> <li>● Country risks</li> <li>● Occurrence of human rights problems and other issues at overseas bases</li> </ul>	<ul style="list-style-type: none"> <li>● Increased energy consumption overseas</li> </ul>
	Further growth of Group businesses	<ul style="list-style-type: none"> <li>● FTTH market saturation</li> <li>● Declining population and number of households in Japan</li> </ul>	<ul style="list-style-type: none"> <li>● Expansion of MVNO and cloud markets</li> <li>● Bundled sales with group services</li> </ul>
	Promotion of innovation to accelerate growth	<ul style="list-style-type: none"> <li>● Delayed response to technological innovations</li> </ul>	<ul style="list-style-type: none"> <li>● Development of new businesses, products and services</li> </ul>
Strengthening group management foundation	Promotion of stable transmission and distribution services	<ul style="list-style-type: none"> <li>● Natural disasters and large-scale facility accidents</li> <li>● Continued aging of facilities</li> </ul>	<ul style="list-style-type: none"> <li>● Utilization of smart meter data</li> <li>● Enhancement of transmission and distribution networks</li> </ul>
	Reform of organization and governance		<ul style="list-style-type: none"> <li>● Establishment of group governance that is suitable for the competitive environment</li> </ul>
	Strengthening foundation of human resources	<ul style="list-style-type: none"> <li>● Reduced employee performance and technical abilities</li> <li>● Problems related to safety and compliance</li> </ul>	<ul style="list-style-type: none"> <li>● Promotion of diversity</li> </ul>

### ● Prioritization

- 2 Comprehensively evaluate the identified risks and opportunities for their degrees of impact on stakeholders and their relevance to the 54 aspects\* by using analysis sheets, for example.

- 3 As prospective materiality aspects, select those related to the risks and opportunities evaluated in step 2.

### ● Validity confirmation

- 4 Confirm the validity of the prospects selected in step 3 based on our CSR Action Principles, the results of monitoring investigations of ordinary consumers and other measures.

- 5 Identify 18 aspects for materiality through deliberations by the CSR Promotion Council, which has the president as its Chairman.

\* 54 consist of aspects specific to the power industry in addition to the 46 defined in the GRI Guidelines (4th edition).

### Materiality for the Kansai Electric Power Group

Important aspects that should be prioritized (18)	
● Economic	Economic Performance, Availability and Reliability*, Demand-Side Management*, Plant Decommissioning*, System Efficiency*
□ Environmental	Emissions, Effluents and Waste, Compliance
○ Labor practices and decent work	Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity
▲ Society	Local Communities, Compliance, Disaster/Emergency Planning and Response*
▣ Product responsibility	Customer Health and Safety, Product and Service Labeling, Customer Privacy, Access*

#### Aspects that should consider expectations and demands from stakeholders

Economic: Indirect economic impacts, Market presence, Procurement practices, Research and development\*

Environmental: Materials, Energy, Water, Biodiversity, Products and services, Transport, Supplier environmental assessment, Overall, Environmental grievance mechanisms

Labor practices and decent work: Employment, Labor/management relations, Equal remuneration for women and men, Supplier assessment for labor practices, Labor practices grievance mechanisms

Human rights: Investment, Freedom of association and collective bargaining, Non-discrimination, Child labor, Forced or compulsory labor, Security practices, Indigenous rights, Assessment, Supplier human rights assessment, Human rights grievance mechanisms

Society: Public policy, Anti-competitive behavior, Supplier assessment for impacts on society, Anti-corruption, Grievance mechanisms for impacts on society

Product responsibility: Marketing communications, Compliance, Provision of information\*

\* Aspects specific to the power industry (electric utilities).

## Main results for CSR Action Principles and materiality

(Fiscal 2015)

We have organized the identified materiality aspects by CSR Action Principles and are reporting our main efforts in this document. In response to changes in the business environment and in the expectations and demands of stakeholders, we will revise materiality selections and enhance efforts to contribute to sustainable development.

CSR Action Principle	Materiality aspects	Index No.	Main efforts and results		Boundary (extent included in total)	Reference pages
Safe and stable delivery of products and services as chosen by customers	● Economic Performance	G4-EC1	Revenue assurance	<ul style="list-style-type: none"> <li>● Ordinary Profit ¥ 241.6 billion</li> <li>● Capital to asset ratio 15.9%</li> <li>● Return on assets (ROA) 3.9%</li> </ul>	Consolidated base	7, 12, 113
	● Availability and Reliability	G4-DMA (old EU 6)	Safe and stable power supply	<ul style="list-style-type: none"> <li>● Maximum power 24.90 million kW</li> <li>● Supply capacity 27.97 million kW</li> </ul>	Kansai Electric Power Co., Inc.	8, 26, 114
	● Demand-Side Management	G4-DMA (old EU 7)	Energy conservation consulting for customers	<ul style="list-style-type: none"> <li>● Number of "Hapi e-Miruden" participants 1,608,000</li> </ul>	Kansai Electric Power Co., Inc.	16, 37, 41
	● Plant Decommissioning	G4-DMA (old EU 9)	Nuclear power plant utilization and decommissioning measures	<ul style="list-style-type: none"> <li>● Mihama Nuclear Power Station Units 1 and 2 decommissioning measures plan approval application (February 12, 2016)</li> </ul>	Kansai Electric Power Co., Inc.	23
	● Disaster/Emergency Planning and Response	G4-DMA (old EU 21)	Preparation for and handling of accidents and disasters	<p><b>Preparation for nuclear power disasters</b></p> <ul style="list-style-type: none"> <li>● Number of participants in training and practice programs (total) (Mihama, Takahama and Ohi) About 5,200</li> <li>● Number of drills (Mihama, Takahama and Ohi) About 2,820</li> </ul> <p><b>Preparation for large-scale disasters</b></p> <ul style="list-style-type: none"> <li>● Number of participants in companywide comprehensive disaster response drills 809</li> </ul>	Kansai Electric Power Co., Inc.	22, 28
	● Customer Health and Safety	G4-EU 25	Assure public security at power facilities	<ul style="list-style-type: none"> <li>● Number of injured ordinary citizens 3</li> </ul>	Kansai Electric Power Co., Inc.	26, 27
	● Product and Service Labeling	G4-PR 5	Transmit useful information and increase customer satisfaction	<ul style="list-style-type: none"> <li>● Number of reform cases based on customer feedback 62</li> <li>● Customer satisfaction index (Run-to-You Electricity Service) 98.7%</li> </ul>	Kansai Electric Power Co., Inc.	32
● Access	G4-EU 29	Power supply quality	<ul style="list-style-type: none"> <li>● Annual power outage time per household 4 minutes</li> </ul>	Kansai area	25	
Proactive approach with a view to creating ever better environment	● System Efficiency	G4-EU 11	Maintain and improve thermal efficiency of thermal power plants	<ul style="list-style-type: none"> <li>● Thermal power thermal efficiency (lower heating value) 46.6%</li> </ul>	Kansai Electric Power Co., Inc.	36, 37, 39, 114
		G4-EU 12	Reduce transmission and distribution loss	<ul style="list-style-type: none"> <li>● Transmission and distribution loss rate 5.2%</li> </ul>		
	■ Emissions	G4-EN 18	Reduce carbon impact of electricity	<ul style="list-style-type: none"> <li>● CO<sub>2</sub> emission coefficient 0.50 kg-CO<sub>2</sub>/kWh</li> </ul>	Kansai Electric Power Co., Inc.	36, 37, 38, 45
		G4-EN 21	Prevent atmospheric pollution	<ul style="list-style-type: none"> <li>● SO<sub>x</sub> emissions (thermal power) 0.055 g/kWh</li> <li>● NO<sub>x</sub> emissions (thermal power) 0.085 g/kWh</li> </ul>		
	■ Effluents and Waste	G4-EN 23	Reduce environmental impacts from waste	<ul style="list-style-type: none"> <li>● Amount of low-concentration PCB processed 77,000 kl</li> <li>● Amount of high-concentration PCB processed 4,763 units</li> <li>● Low-level radioactive waste generated -6,021 drums</li> </ul>	Kansai Electric Power Co., Inc.	36, 37, 44
■ Compliance	G4-EN 29	Strictly abide by laws, regulations and other rules related to the environment	<ul style="list-style-type: none"> <li>● Press releases related to violations of environmental laws and regulations 1</li> </ul>	Kansai Electric Power Group	47	
Proactive contributions to development of local communities	● Local Communities	G4-DMA (old EU 19)	Smart community development	<ul style="list-style-type: none"> <li>● Number of smart communities that have realized this concept 3</li> </ul>	Kansai Electric Power Co., Inc.	50
Respect for human rights and development of favorable work environment by taking advantage of diversity	● Occupational Health and Safety	G4-LA 6	Employee safety and hygiene	<ul style="list-style-type: none"> <li>● Accident frequency rate 0.18</li> </ul>	Kansai Electric Power Co., Inc.	55
	● Training and Education	G4-LA 9	Development of employee skills and abilities	<ul style="list-style-type: none"> <li>● Number of group training participants (group training) 43,445</li> </ul>	Kansai Electric Power Co., Inc.	54
	● Diversity and Equal Opportunity	G4-LA 12	Promotion of diversity	<ul style="list-style-type: none"> <li>● Number of female managers (ratio) 84 (1.5%)</li> <li>● Number of female hires for office positions (ratio) 16 (39%)</li> </ul>	Kansai Electric Power Co., Inc.	53
Strict enforcement of compliance	● Compliance	G4-SO 8	Strict enforcement of compliance	<ul style="list-style-type: none"> <li>● No serious issues were raised in consultations with the Compliance Consultation Desk</li> </ul>	Kansai Electric Power Group	61
	● Customer Privacy	G4-PR 8	Information security management	<ul style="list-style-type: none"> <li>● Press releases related to personal information leaks Not applicable</li> </ul>	Kansai Electric Power Group	62