

Risk Management

Our fundamental approach to risk management

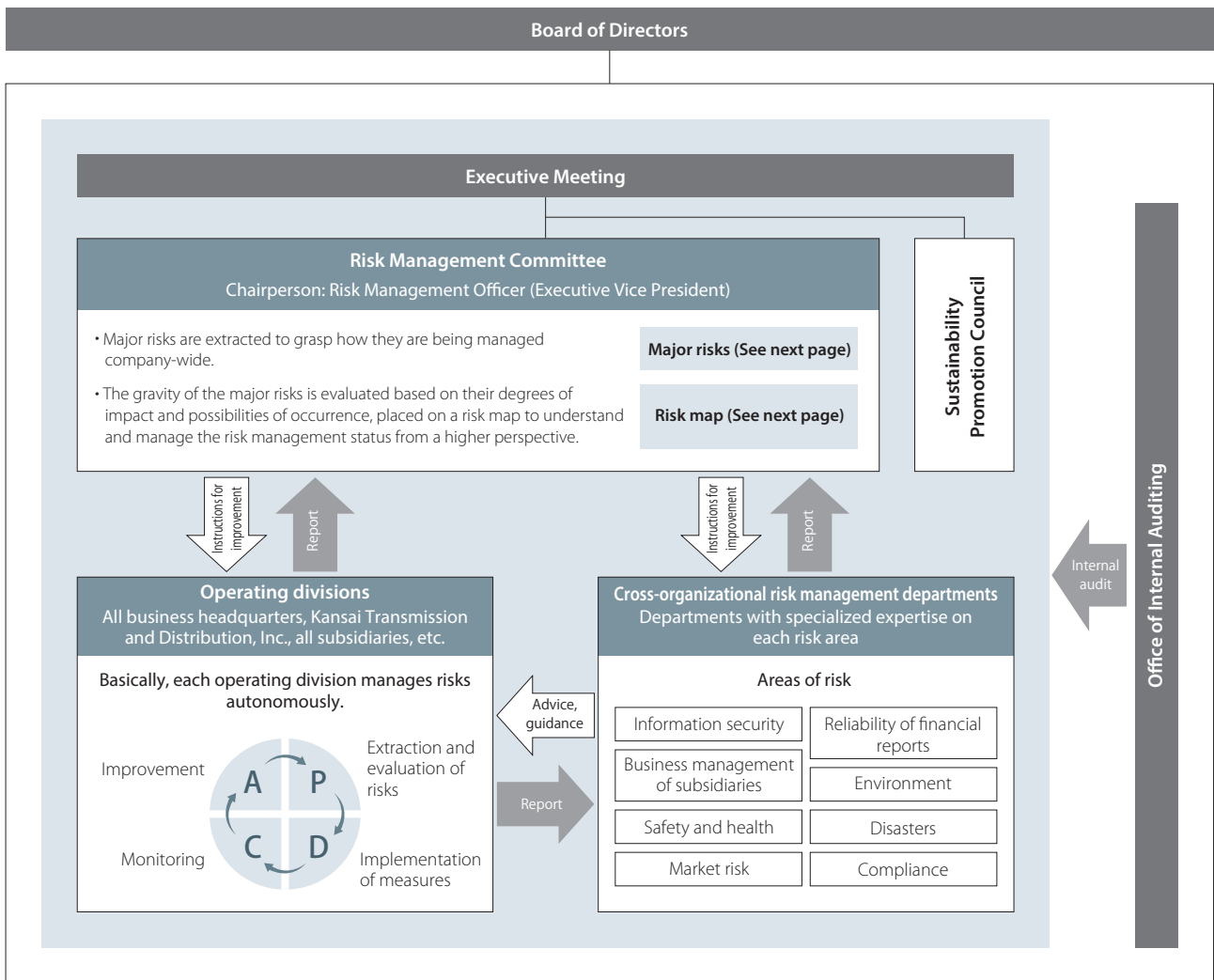
In accordance with the Kansai Electric Power Group Risk Management Rules established in April 2006, risks that have the potential to affect the achievement of organizational goals are to be recognized and identified. Then, an assessment is to be made, followed by implementing necessary measures to deal with the risks. The impact of risk on the Group is being managed at an appropriate level through this series of processes.

Risk management system

Risks associated with the Group's business activities are to be managed autonomously by each operating division. Risk management for risks considered to have cross-organizational importance, such as information security, business management of subsidiaries, safety and health, market risk, reliability of financial reports, environment, disasters and compliance, is enhanced by the supervision of departments

with specialized expertise on such risks that provide advice and guidance to the operating divisions on an as-needed basis. Furthermore, a Risk Management Committee comprising 14 members headed by an Executive Vice President has been 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 Group business activities at an appropriate level through this system.

The Risk Management Committee presents the risk evaluation results to the Executive Meeting and the Sustainability Promotion Council so that necessary risk measures are reflected in plans and policies for the entire Group with the aim of realizing our sustainable growth into the future. The Committee also periodically reports its risk management findings to the Executive Meeting and 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 the audit results.



Risk Management

Risk management status

The Risk Management Committee held meetings four times during fiscal 2020. Meetings ascertain and evaluate how major risks that could greatly affect our Group's business activities 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 possibilities 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, 2021 and financial results for the three months ended June 30, 2021 (only available in Japanese).

Major risks

Classification	Major risks	Organizational goals/Classification			Major risks	
E	《1》 Climate change	Achievement of financial targets	Achievement of profit targets (P/L)	Energy	《14》 Decline in operating revenue from energy business	
	《2》 Environmental laws and regulations				Expenses	《15》 Increase in energy business expenses
	《3》 Release of radioactive materials					《16》 Difficulty in nuclear power operation
S	《4》 Personal injury			Investments and loans	《17》 Decrease in profits from investment and loan	
	《5》 Natural disasters, armed attacks, spread of infectious diseases, etc.				Transmission & Distribution	《18》 Decrease in profits from power transmission and distribution business
	《6》 Information security			Information & Telecommunications	《19》 Decrease in profits from information and telecommunications business	
	《7》 Reputation			Life/Business Solution	《20》 Decline in profits from life/business solution business	
	《8》 Decrease in employee motivation			Business environment	《21》 Change of political measures	
	《9》 Problems with the provision of products and services and deterioration in quality				《22》 Market risk (fluctuations in market conditions)	
	《10》 Decrease in human capital competitiveness				《23》 Stagnation of innovation	
	G			《11》 Information disclosure-related issues	Maintenance and improvement of asset value (B/S)	Energy
《12》 Compliance		Other	《25》 Damage to the asset value of businesses other than energy			
《13》 Governance						

Risk map

Degree of impact Huge • Raises doubts about business continuity High • 150 billion yen or more • Extended power outage • Permanent disruption/ Not being able to return to work/Death • News coverage and response across the country Medium • 50 billion yen or more • Medium-scale power outage • Serious injury • News coverage and response in the Kansai area Low • Less than 50 billion yen • Small-scale power outage • Minor injury • News coverage and response in specific areas	《3》 Release of radioactive materials			
	《11》 Information disclosure-related issues	《9》 Problems with the provision of products and services and deterioration in quality 《10》 Decrease in human capital competitiveness 《15》 Increase in energy business expenses 《25》 Damage to the asset value of businesses other than energy	《1》 Climate change 《4》 Personal injury 《5》 Natural disasters, armed attacks, spread of infectious diseases, etc. 《6》 Information security 《8》 Decrease in employee motivation 《12》 Compliance 《13》 Governance 《16》 Difficulty in nuclear power operation	
			《7》 Reputation 《21》 Change of political measures 《24》 Damage to the asset value of energy business	《14》 Decline in operating revenue from energy business
		《18》 Decrease in profits from power transmission and distribution business 《22》 Market risk (fluctuations in market conditions)	《2》 Environmental laws and regulations 《17》 Decrease in profits from investment and loan 《19》 Decrease in profits from information and telecommunications business 《20》 Decline in profits from life/business solution business 《23》 Stagnation of innovation	
	Low • Less than once/25 years • Unlikely to materialize	Medium • Once or more/25 years - Less than once/5 years • Possibly materialize within 25 years	High • Once or more/5 years • Possibly materialize within 5 years	Maximum • Once or more/year • Has already materialized and maximized

Gravity

Low	Medium	High	Huge
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Red font: Perspective of achieving financial targets
 Black font: Perspective of ESG

Probability of occurrence

[Note] Probability of occurrence indicates that, for example, a risk classified as "Medium: Once or more/25 years - Less than once/5 years" does not always occur at least once in 25 years, but viewed relatively, it is evaluated to have that degree of probability. The monetary impact reflects lower sales and higher expenses.

Investment risk management

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 and sustainability.

<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.

Risk Management

Supply chain management

CSR-based Procurement Policy

With safety as the highest priority and the ideal of cost reduction and stable procurement at the same time, the procurement divisions of our Company are procuring materials and services that are outstanding in terms of safety, quality and price at appropriate times. We follow our Action Standards for Procurement Activities, which is comprised of seven items, including quality maintenance, consideration of the environment and human rights, and thorough compliance. Doing so, we undertake purchasing activities based on corporate social responsibility and endeavor to contribute to society and create value.

Since these procurement activities are supported by our suppliers, who are valuable partners, we are using contract negotiations, supplier visits and other opportunities to work to explain our CSR-based Procurement Policy and deepen their understanding of our efforts.

<Action Standards for Procurement Activities>

1. Place the highest priority on safety.

By considering safety as a top priority, we shall implement a solid system that includes public safety and sanitation while preventing occupational accidents and occupational diseases.

2. Promote cost reduction efforts.

As a comprehensive energy company that seeks to become the first choice of energy consumers, we shall promote efforts to reduce the cost of items procured in an effort to maintain a stable and low-cost supply of energy.

3. Ensure the stable procurement of equipment, materials, and services while maintaining or improving quality and technical expertise.

We shall strive for stable procurement in order to ensure the optimal construction, maintenance, and operation of our facilities. Additionally, we shall implement efforts and measures to contribute to the maintenance and improvement of quality and technical expertise.

4. Establish strong partnerships.

We shall listen to the comments of our suppliers and take steps to communicate sincerely and courteously.

In order to contribute to the emergence of a sustainable society, we wish to grow and develop together by working to improve all procurement supply chains from our suppliers to our company. Toward this end, we shall establish strong relationships of mutual trust and understanding.

5. Contribute to society and always consider the health of the environment.

We shall promote green procurement of eco-friendly equipment, materials, and office supplies. We shall contribute to the emergence of a recycling-oriented society by working in

cooperation with our suppliers.

Moreover, we shall strive to revitalize the local economy and society at large by working with our suppliers.

6. Maintain the openness and transparency of all business transactions.

Regardless of whether our business transactions take place inside or outside Japan, we shall remain open to the public. Toward this end, we shall constantly investigate the possibility of introducing new products and technologies when we do business with new companies and when selecting suppliers.

We shall engage in just and fair business dealings according to the selection criteria outlined below.

Criteria for selecting suppliers: We shall select suppliers by considering economic and social factors including safety, quality, and level of technical expertise; attention to environmental considerations; willingness to maintain a relationship of trust; price; adherence to delivery/construction schedules; adherence to maintenance and management standards; provision of after-sales service; and adequacy of response to accidents and defects.

7. Fully comply with laws and regulations.

We shall comply with all relevant laws and regulations and their spirit while providing thorough training for employees of the Procurement Department.

In particular, we shall focus on careful observance of safety-related laws and regulations; respect for human rights (including prohibitions on child labor and forced labor); prevention of corruption; and strict management and protection of individual and confidential information as well as intellectual property.

Moreover, we shall never encourage the activities of antisocial forces and organizations that pose a threat to public safety and the social order.

Dissemination and implementation of our CSR-based Procurement Policy

The Sourcing and Procurement Division provides CSR-related training as part of our new employee training program, for the purpose of implementing the CSR-based Procurement Policy and promoting their adoption by suppliers. We also confirm how well CSR is being understood through regular skill checks.

We make use of supplier registration and other opportunities to explain our CSR-based Procurement Policy to our business partners, and conduct questionnaires to see how they address CSR-related tasks.

- CSR questionnaire implementation rate for new suppliers (Sourcing and Procurement Division contracts) 100%
→ Implementation rate of 75% (FY 2020 results)
- Implement CSR questionnaire in fiscal 2019-2021 for our top 200 business partners whose transaction amounts are among the largest.
→ Scheduled to be fully completed by the end of FY 2021 (42% completed)

Information security initiatives

Fundamental policies

The Company believes that one key duty is to steadily advance information security efforts to ensure the safe and stable supply of power, and to protect customer information in our possession. In particular, while further strengthening countermeasures against cyber attacks, which are increasing around the world and targeting important infrastructure operators, we are promoting information security management based on the relevant laws, regulations and guidelines of cyber security management along with in-house rules. At the same time, in accordance with amendments to the Personal Information Protection Law, our in-house rules and systems are revised on a continual basis.

Information security promotion system for the entire Group

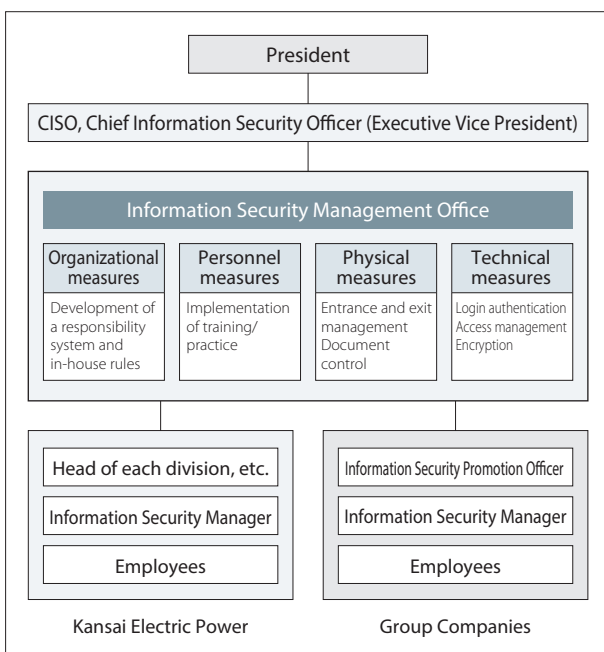
In our corporate information security promotion system, we have a Chief Information Security Officer (CISO) [Executive Vice President] and deploy Information Security Managers to promote specific efforts in each workplace.

In addition, our group companies are undertaking independent efforts based on the information security guidelines. With this and other guidance and support from our Company, we are raising the security level of the entire Group.

Director responsible: Makoto Araki [Kansai Electric Power CISO (Executive Vice President)]

Deliberative body: Executive Meeting

Management office: Cyber Security Administration Group,
Office of IT Strategy
(Information Security Management Office)



Efforts for cyber security measures

By quickly recognizing threats such as security incidents and vulnerabilities that occur outside the Company, as well as issues with our Information Technology (IT) systems used in our daily work and all Operational Technology (OT) systems related to the provision of a stable power supply, we are continuously implementing necessary security measures.

Specifically, risk assessments are made for IT and OT systems, necessary technical measures are taken, and monitoring is carried out 24 hours a day, 365 days a year at dedicated IT and OT monitoring centers. In addition to an emergency response system established in preparation for incidents, we are continuing to provide drills for how to respond to cyber attacks as well as relevant training for employees.

We are gathering information about cyber attacks that occur outside the Company and the latest security information through, for example, the activities of the Japan Electricity Information Sharing and Analysis Center (JE-ISAC*), which is an organization that undertakes the sharing and analysis of cyber attack information among electric power businesses. Moreover, countermeasures are reviewed as needed.

* An organization where business operators share and analyze information from the perspective of cyber security in order to ensure the stability of the supply of electricity in Japan.



Company-wide training to respond to cyber attacks

Initiatives for protecting personal information

Amid rising awareness of personal information and accelerating data utilization with the progress of digitization, the Personal Information Protection Law imposes more stringent obligations on business operators that handle personal information.

The Company believes that the proper protection of personal information is an important responsibility in terms of earning the trust of customers as well as other people in society, in addition to helping fulfill our mission as an enterprise. From this viewpoint, we have developed in-house rules in compliance with the Personal Information Protection Law and other laws, regulations and guidelines. Moreover, we inform employees thoroughly about these issues through training, etc., and urge them to reaffirm the importance of proper handling and protection of personal information with regard to privacy and other rights.