

# 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.

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.\*

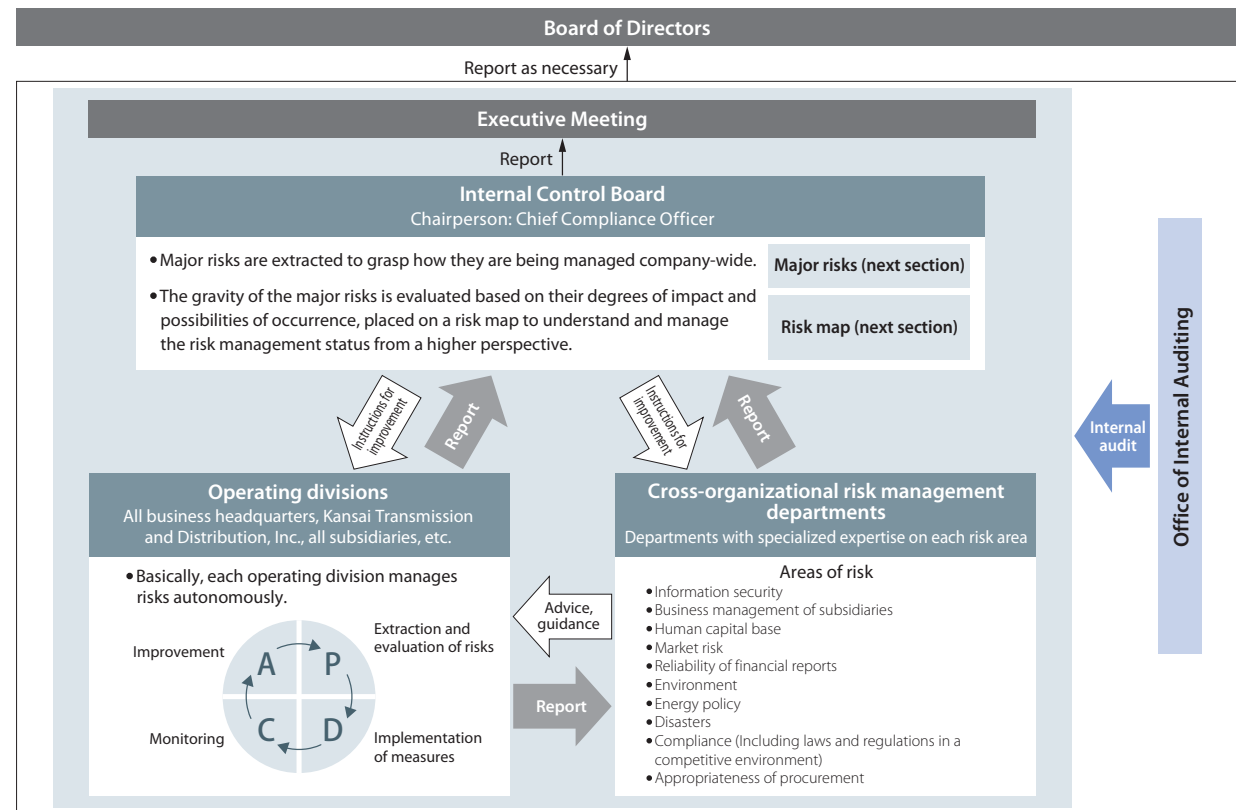
\* See page 112 for a general picture of our compliance promotion system.

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

### Risk management status

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 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, 2023 and financial results for the three months ended June 30, 2023 (only available in Japanese).

#### <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 securement of diverse and talented human capital. As a result, the gravity was revised downward.

《11》 Decrease in profits from power transmission and distribution business: Revised downward considering mitigation of the risk with the approval 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.

#### Major risks

Organizational goals/ 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
	《3》 Release of radioactive materials	Huge	Huge
S	《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

# Risk Management

Risk map

Degree of impact	<b>Huge</b>	● Raises doubts about business continuity ≪3≫ Release of radioactive materials				
	<b>High</b>	Exerts major impact on corporate management and takes time to recover ● "High" in monetary value ● Extended power outage ● Permanent disruption/ Not being able to return to work/Death ● News coverage and response across the country	≪4≫ Human capital base		≪1≫ Climate change ≪5≫ Natural disasters, changes in international situations, etc. ≪6≫ Information security ≪8≫ Governance / Compliance ≪9≫ Market risk (fluctuations in market conditions) ≪10≫ Decrease in profits from energy business	
	<b>Medium</b>	Exerts a certain degree of impact on corporate management ● "Medium" in monetary value ● Medium-scale power outage ● Serious injury ● News coverage and response in the Kansai area				
	<b>Low</b>	Exerts small impact on corporate management ● "Low" in monetary value ● Small-scale power outage ● Minor injury ● News coverage and response in specific areas		≪11≫ Decrease in profits from power transmission and distribution business ≪12≫ Decrease in profits from information and telecommunications business ≪13≫ Decrease in profits from life/business solution business	≪2≫ Environmental issues (violation of environmental laws and regulations, etc.) ≪7≫ Stagnation of innovation	
		<b>Minimum</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Maximum</b>
		● Extremely unlikely to materialize	● Less than once/10 years ● Unlikely to materialize within 10 years	● Once or more/10 years - Less than once/3 years ● Possibly materialize within 10 years	● Once or more/3 years ● Possibly materialize within 3 years	● Once or more/year ● Has already materialized and is likely to continue

**Probability of occurrence**

Low
Medium
High
Huge

Red font: Perspective of achieving financial targets  
 Black font: Perspective of ESG

## 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 disinvestment/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.

## Risk Management

### <Investigations on disinvestment 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 disinvestment and replanning as we strive to appropriately deal with risks.

### | Supply chain management

#### Kansai Electric Power Group Basic Procurement Policy

In January 2021, the Kansai Electric Power Group announced the Kansai Electric Power Group Basic Procurement Policy (hereinafter, the "Policy") to endeavor to carry out sustainable, transparent, and responsible procurement in all business activities.

In accordance with the Kansai Electric Power Group Code of Conduct and the Policy, we will endeavor to carry out sustainable, transparent, and responsible procurement activities in all business activities. Our procurement activities are supported by our suppliers, who we view as valuable partners, and we will place importance on communication as we move forward with procurement initiatives.

The Sourcing and Procurement Division holds in-house discussions on the Policy and provides new employee training, for the purpose of disseminating and implementing the Policy.

We make use of supplier registration and other opportunities to explain the Policy to our suppliers and ask for their cooperation in fact-finding surveys, etc. to monitor how sustainability-related tasks are addressed.

#### 1. Practice and ensure strict compliance.

With the practice and ensuring of strict compliance positioned as the foundation to all procurement activities, we shall thoroughly observe all relevant laws, regulations, and morals thereof.

We shall also give due consideration to the strict management and protection of personal and confidential information, as well as intellectual property.

#### 2. Carry out transparent and responsible procurement activities.

We shall carry out highly transparent and responsible procurement activities. We shall not participate in bribery or other corrupt conduct with the goal of obtaining profits unfairly nor shall we provide convenience only to specific individuals or companies. Furthermore, we shall have no relationship with antisocial forces or organizations.

We shall expand our business through new transactions with companies at home and abroad. When selecting suppliers, selection shall be conducted in a fair and equitable manner according to the supplier selection criteria outlined below, taking into consideration economic and social rationality.

##### Criteria for selecting suppliers:

We shall select suppliers by considering factors including thorough compliance implementation; respect for human rights; safety; quality; level of technical expertise; attention to environmental considerations; business conditions; 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.

#### 3. Respect human rights.

With respect for human rights, we shall not be involved in any forms of discrimination or inhumane treatment (forced labor, child labor, etc.). We shall also respect workers' rights (freedom of association, collective bargaining rights, payment of appropriate wages, etc.).

#### 4. Establish strong partnerships.

We shall establish strong partnerships with our suppliers by deepening bilateral communication and working together to make improvements. We shall also strive to build relationships toward mutual development through collaboration to optimize the entire supply chain, from material procurement, manufacturing, and logistics through to maintenance.

#### 5. Ensure safety.

By making the assurance of safety the top priority in all activities, we shall thoroughly implement measures to prevent occupational accidents and occupational diseases, and to ensure public safety.

#### 6. Promote cost reduction and quality improvement efforts.

We shall promote sustainable low-cost procurement efforts by reducing costs through technological innovation and new ideas, as well as by strengthening cooperation with our suppliers. Moreover, for the sake of our customers, we shall work to maintain and improve the quality and technical expertise of the products and services we provide.

#### 7. Always consider the environment and contribute to local communities.

We shall promote procurement of materials with low environmental impacts to help build a decarbonized, recycling-oriented society. We shall also contribute to the development of local communities in cooperation with our suppliers.

#### 8. Achieve continuous and stable procurement.

Together with our suppliers, we shall seek to ensure continuous and stable procurement by improving our methods of placing orders and other means. Moreover, in preparation for the occurrence of accidents and natural disasters, as well as the spread of infectious diseases, we shall thoroughly implement crisis management in a systematic manner. In such emergency events, we shall endeavor to promptly arrange necessary materials and equipment.

## Risk Management

### Procurement activities in line with the Declaration on Partnership Building

In October 2020, we announced our Declaration on Partnership Building.

In order to implement procurement activities in line with this declaration, we inform both internal and external parties of the details of the declaration and sincerely respond to requests and consultations from our suppliers, thereby endeavoring to build a relationship of co-existence and co-prosperity.

### Information security initiatives

#### Basic policy

The Company believes that one key duty is to advance information security efforts to ensure the safe and stable supply of power and to protect customer information in our possession. In particular, amid increasing cyber attacks around the world and the targeting of important infrastructure operators, information security management is being promoted by strengthening cyber security measures based on the relevant laws, regulations, and guidelines related to cyber security management along with in-house rules. At the same time, our in-house rules and systems are revised on a continual basis as a countermeasure against improper handling of personal information. As for the promotion of economic security, necessary measures will be taken as soon as the details related to the system are finalized.

#### Information security promotion system for the entire Group

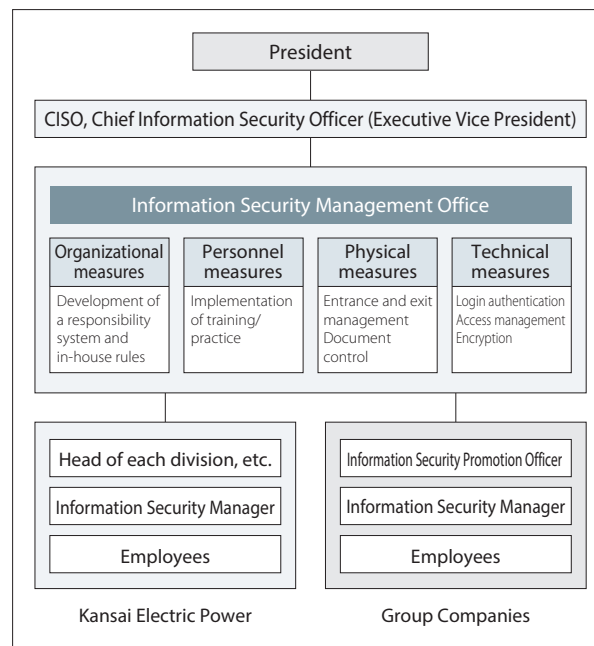
In our corporate information security promotion system, we have a Chief Information Security Officer (CISO) [Executive

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 Kansai Electric Power Group 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)



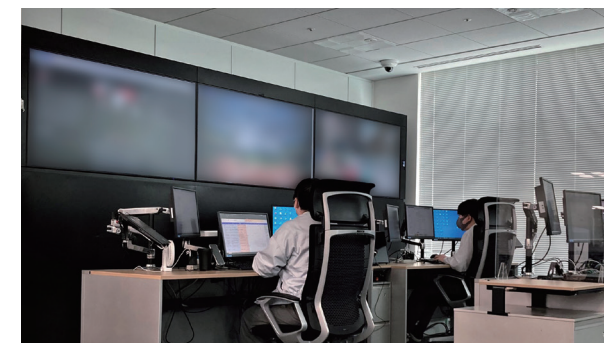
### Efforts for cyber security measures

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, security levels are evaluated for IT and OT systems based on a global standard framework, necessary 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.



24/7/365 monitoring at our monitoring center