

# Corporate Governance

## Basic Views on Corporate Governance

To implement measures envisaged under the Long-Term Management Vision 2030 and the Medium-Term Management Plan 2020, both formulated in March 2017 and together called “Going Forward Beyond Borders,” Osaka Gas intends to ensure transparency, fairness and boldness in decision making, and execute its assigned business duties efficiently and adequately, based on the Daigas Group CSR Charter, a set of guiding principles, and specific standards for actions—the Daigas Group Code of Conduct

and the Daigas Group Environmental Activities Policy. By doing so, the Company aims to attain sustainable growth and enhance its corporate value on a medium- and long-term basis. The Company aims to maintain its trust from stakeholders in response to shareholders’ moves to exercise their rights and by promoting dialogue and collaboration with them. To further enhance its CSR levels, the Daigas Group will continuously improve and strengthen the current corporate governance system.

## System and Efforts Aimed at Enhancing Corporate Governance

Osaka Gas has chosen to be a company that adopts a corporate auditor system. The Company has also adopted an executive officer system. The Company’s corporate governance system is shown below.

### Board of Directors, Directors of the Company

The Board of Directors consist of 13 Directors, including three Outside Directors. Its mission is to make swift and appropriate decisions concerning important matters that affect the Group as a whole including subsidiaries, and reinforce the supervisory capability. In FY2018, the Board of Directors met a total of 13 times, with the attendance rate reaching an average of 98.8%. Sufficient time was allocated to discussing the matters tabled for the meetings and active discussions were conducted.

### Executive Officers

Osaka Gas has adopted an executive officer system, which is aimed at revitalizing the activities of the Board of Directors, and enhancing its supervisory function while increasing the Company’s management efficiency, by enabling Directors to focus on decision-making, and supervisory duties. Under the executive officer system, Executive Officers perform duties determined by the Board of Directors, while some Representative Directors and Directors concurrently serve as executive officers to make management decision-making more accurate and efficient.

### Executive Board

Osaka Gas makes decisions on important matters concerning basic management policies and other management issues after the Executive Board fully discusses these matters. In line with the in-house rules related to the Executive Board, the Board is composed of the President, Vice Presidents, Managing Directors, Heads of HQs and Business Units, and generally meets every week. In principle, meetings held by the Executive Boards each year include three meetings held as the CSR Promotion Council, which deliberates on CSR-related activity plans and share the results of the activities.

### Board of Corporate Auditors, Auditors

The Board of Corporate Auditors consists of five Auditors, including three Outside Auditors. These Auditors audit the execution of duties assigned to each Director.

### Auditing Department

Osaka Gas has established the Auditing Department as a section in charge of internal auditing affairs. Based on a yearly auditing plan, the Department evaluates, from independent and neutral viewpoints, the adequacy of business activities in light of in-house standards, their efficiency, and the appropriateness of various systems and standards adopted by the Company. If problems related to auditing are found in certain departments or divisions, the Auditing Department proposes improvement and follow-up measures for the affected organizations, and reports the findings to the Executive Board. The Auditing Department is subject to periodic evaluation from an outside party to maintain and improve its auditing abilities.

### Advisory Committee

From the viewpoint of ensuring objectivity and transparency in decision-making, matters relating to the nomination of candidates for Directors and Auditors, selection and dismissal of the Representative Director and other Executive Directors, and remuneration paid to Directors are determined following deliberation by voluntary Advisory Committee, the majority of whose members are Outside Directors.

### CSR Committee

The CSR Committee is chaired by the CSR Executive, a Director in charge of controlling CSR activities of the Daigas Group, with its members chosen from among the Heads of relevant divisions and departments. The CSR Committee promotes CSR activities in such fields as the environment, compliance, social contribution, human rights, employment, information security and risk management, and plays a coordinating role between relevant departments or divisions regarding these activities.

### Investment Evaluation Committee

The Investment Evaluation Committee is chaired by the Head of the Corporate Planning Headquarters (HQ), with its members chosen from among the Heads of relevant divisions and departments. The committee evaluates investment risks and returns for investment projects of a certain scale. The evaluation, put forward to the Executive Board, is used for appropriate investment decision.

## Roles and Functions of Outside Directors

As a member of the Board of Directors, each Outside Director takes part in the Company’s decision-making process, and monitors and supervises whether the Executive Officers have executed their

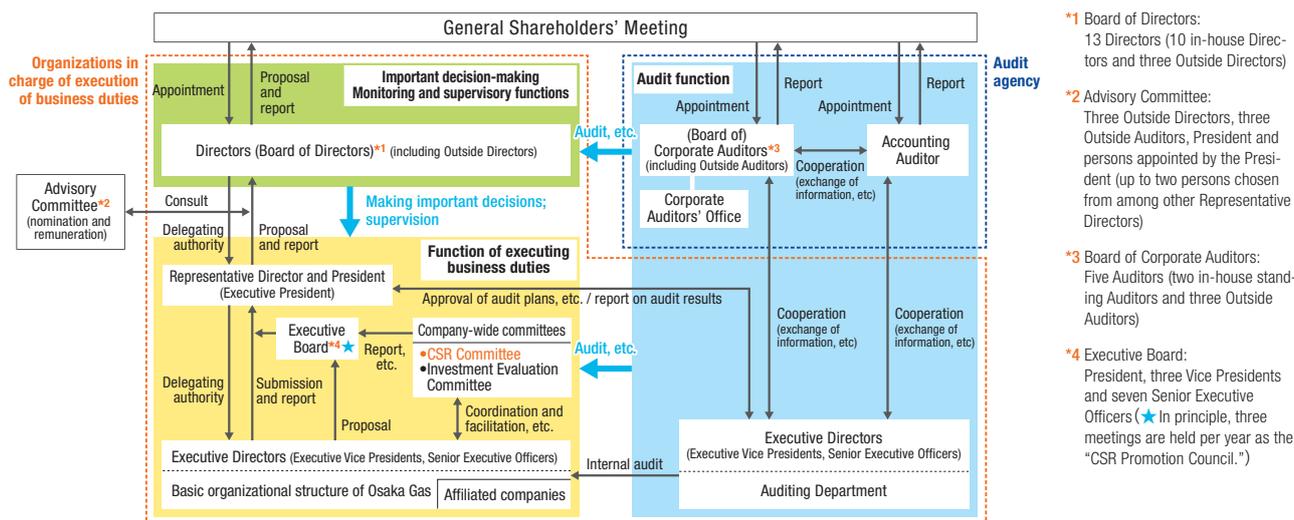
business duties appropriately, based on his or her knowledge and experience, and from an independent viewpoint.

## Efforts to Strengthen the Functions of Auditors

As part of its efforts to strengthen the functions of Auditors, Osaka Gas appoints three Outside Auditors, whose role is to audit if Directors have executed their duties appropriately—from an independent viewpoint. The Auditors meet on a regular basis to discuss annual audit plans and audit reports, and exchange information to ensure the effectiveness

of auditing activities and enhance their quality. Osaka Gas has established the Corporate Auditors' Office, which is composed of full-time staff operating outside the Executive Officers' chain of command. The Office is designed to strengthen the auditing function of Auditors by supporting them in executing their business duties.

### Corporate Governance System (As of the end of a regular general shareholders meeting held on June 28, 2018)



- \*1 Board of Directors: 13 Directors (10 in-house Directors and three Outside Directors)
- \*2 Advisory Committee: Three Outside Directors, three Outside Auditors, President and persons appointed by the President (up to two persons chosen from among other Representative Directors)
- \*3 Board of Corporate Auditors: Five Auditors (two in-house standing Auditors and three Outside Auditors)
- \*4 Executive Board: President, three Vice Presidents and seven Senior Executive Officers (★ In principle, three meetings are held per year as the "CSR Promotion Council.")

## Risk Management

Heads of divisions of the Daigas Group and affiliates are in charge of managing crisis-related losses by conducting risk-management inspections on a regular basis. Utilizing the Gas Group Risk Management System (G-RIMS)\* and other systems, each division and affiliate checks if there are any risks and if risk control has been conducted properly regarding each risk item, and implements follow-up and other measures if necessary. The CSR Committee's subpanel in charge of risk management meets to clarify and share awareness among all employees regarding how the Daigas Group should respond to possible risks in the future, based on the results of G-RIMS.

As for risk management regarding matters that affect the entire Daigas Group, such as safety, security, and disaster and accident

prevention, the departments or divisions responsible have been clarified to support each division. In order to be prepared for disasters or emergency situation, the Rules for Disaster Control and the Business Continuity Plan (BCP [21]) in the Event of Large-Scale Disasters and Accidents have been established. Companies that newly entered the retail gas market participated in a comprehensive disaster-prevention drill in FY2018. The event enabled the participants to confirm how gas retailers and gas pipe [21] operators should work together in the event of an emergency.

\* G-RIMS is a system for risk management in routine business operations. The manager of each organization and affiliated company checks if preventive measures have been implemented or an early-detection system is in place as required, using a checklist comprising about 50 items. G-RIMS is also designed to evaluate the magnitude of risks and identify risks to be addressed, before PDCA (plan-do-check-act) is operated for improvement.

## Status of Internal Control

Osaka Gas established systems (internal control systems) to ensure that the Directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Group's

operations. The Company confirms the operating status of the internal control systems on a periodic basis. At the meeting of the Board of Directors held on April 26, 2018, it was reported that the internal control systems were operating in a proper manner.