

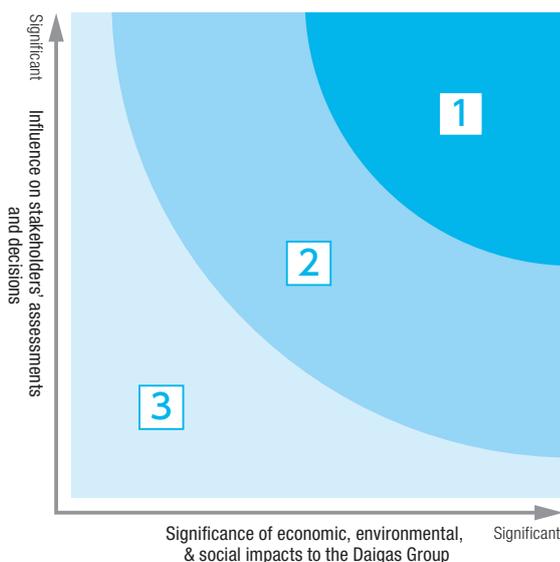
Revision of Important Aspects of CSR (Materiality) and Setting of New KPIs

The Daigas Group newly identified important aspects of CSR (materiality) in FY2018, and began PDCA management in FY2019. In identifying the new materiality, the Group evaluated the progress of CSR activities that had been seen for the previous materiality (FY2015-FY2017), identified in FY2014, based on opinions from outside experts, and referred to procedures spelled out under the GRI Standards, the latest version of GRI Guidelines, while taking into consideration the changes made in the business environment surrounding the Group and the social trends related to sustainability. Based on the identified materiality, we will introduce main KPIs and conduct the PDCA cycle. We will report on its progress on a yearly basis.

New Materiality Analysis Map

Based on the 33 seemingly important items set under the GRI Standards, we have tried to link them in accordance with their importance, judged from the viewpoints of both ourselves and stakeholders, as shown in the chart below. The upper right portion of the chart lists aspects recognized as important both by our company and stakeholders, which we call "materiality."

Two items – "Training and Education" and "Diversity and Equal Opportunity" - were newly added to the previous materiality (FY2015-FY2018). On the other hand, three items were deleted from the previous materiality or modified in line with a change in specifications in the fourth edition of the GRI Guideline (G4). The three items are "Product and Service Labeling," "Effluents and Waste" and "Grievance Mechanism." (For further information, see "Revision of Materiality," shown on the right page.)



* The GRI Standards consists of the 100 Series, a common standard, and three item-by-item standards – the 200 Series (economic items), 300 Series (environmental items) and 400 Series (social items). The items recognized by our company as materiality, listed above under 1 were chosen from among the 33 items covered by the item-by-item standards.

1 Materiality	
201	Economic Performance
302	Energy
305	Emissions
308 414	Supplier Assessment (Environmental / Social)
404	Training and Education
405	Diversity and Equal Opportunity
413	Local Communities
416	Customer Health and Safety
418	Customer Privacy

2			
202	Market Presence	403	Occupational Health and Safety
204	Procurement Practices	407	Freedom of Association and Collective Bargaining
205	Anti-corruption	409	Forced or Compulsory Labor
206	Anti-competitive Behavior	417	Marketing and Labeling
301	Materials	419	Socioeconomic Compliance
304	Biodiversity		
306	Effluents and Waste		
307	Environmental Compliance		

3			
203	Indirect Economic Impacts	408	Child Labor
303	Water	410	Security Practices
401	Employment	411	Rights of Indigenous Peoples
402	Labor / Management Relations	412	Human Rights Assessment
406	Non-discrimination	415	Public Policy

► Revision of Materiality

Items continuously recognized as materiality	Reasons
Customer Health and Safety	Ensuring customers' health and safety is the responsibility of a company whose fulfillment must be given top priority in its business activities. We believe that it is necessary for us to continue making efforts on this item so as to curb social impacts in the event of an accident or disaster to the minimum level.
Energy / Emissions	We believe addressing the reduction of greenhouse gas emissions is an extremely important mission for us. The Daigas Group's Long-Term Management Vision 2030 lists CO ₂ reduction goals to be achieved by that year.
Local Communities	To ensure sustainable business operations, dialogue with local communities and regional development in collaboration with them are essential. We believe it is important grasp our operations' impact on local communities, step up information disclosure and deepen communication with them.
Customer Privacy	We recognize the importance of protecting customer information. To maintain the trust of stakeholders, we believe it is necessary to take appropriate response actions continuously.
Supplier Assessment	We believe that we can build a relationship of mutual trust with stakeholders by curbing social impacts from value-chain operations to the minimum level and fulfill our social responsibility in cooperation with suppliers – our important partners.
Economic Performance	We believe that grasping risks and opportunities of climate change and disclosing relevant information to stakeholders will lead to sustainable development of local communities and the Daigas Group.
Newly added items	Reasons
Training and Education	We believe that developing human and intellectual capital is a source of value creation. The Daigas Group's Long-Term Management Vision 2030 lists the promotion of work style reform and development of human resources as important goals to be attained by that year.
Diversity and Equal Opportunity	As a way of expanding our business fields, we will strive to build a sound business environment in which all people are given opportunities to play important roles in society, in pursuit of promoting a work style that leads to higher productivity and of striking a work-life balance.

► Main Key Performance Indicators (KPIs) and Its Goals for New Materiality

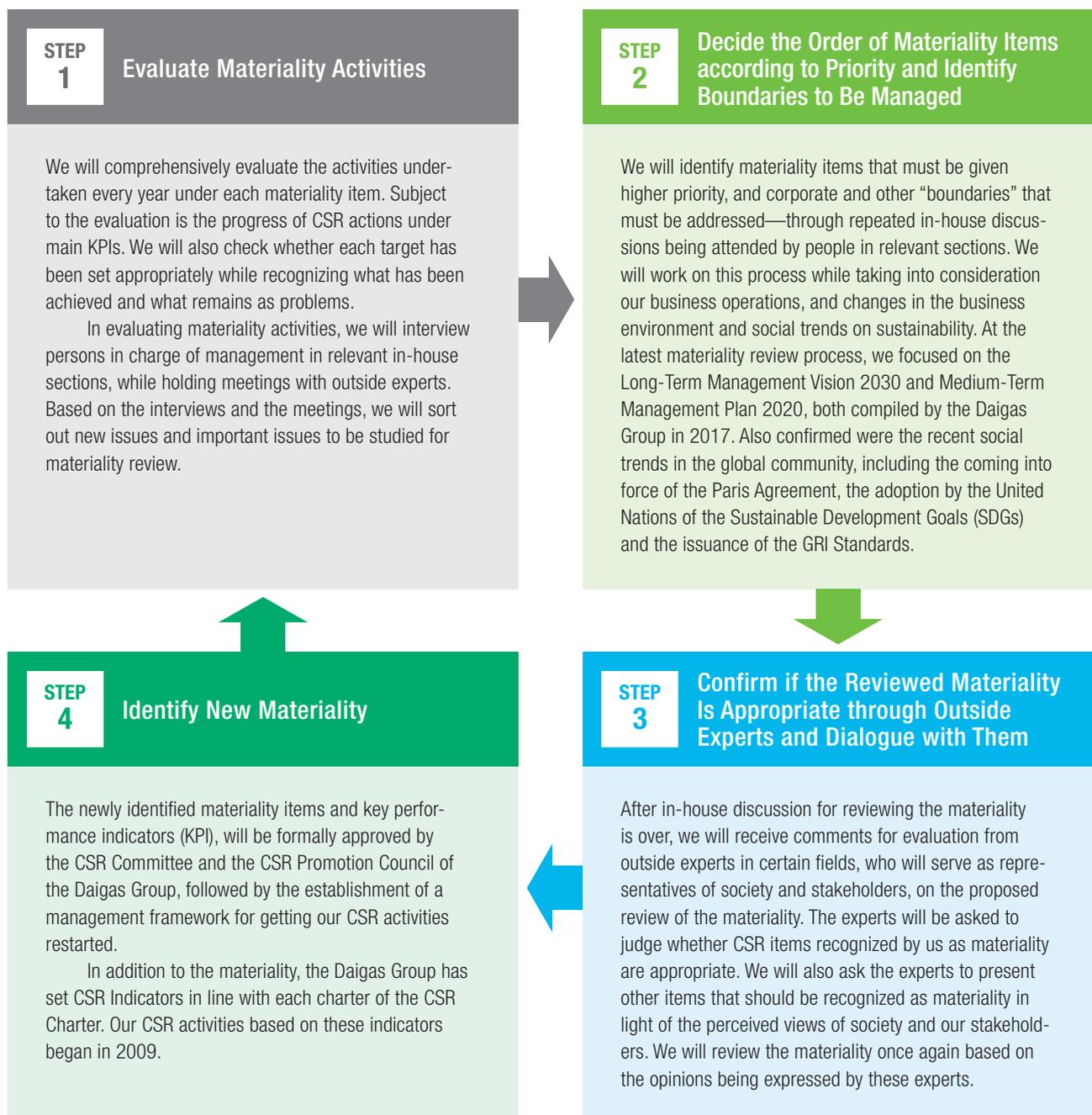
CSR Charter	Materiality	Indicators changed point	FY2019 goals
I	Customer Health and Safety	Percentage of city gas for which health and safety impacts are assessed for improvement against total city gas provided by Osaka Gas	100%
II	Energy / Emissions	Boundary expanded CO ₂ emissions	Reduction of 7 million tons (FY2021 goal)
III	Local Communities	Percentage of operations with implemented local community engagement, impact assessments and development programs	100%
IV	Customer Privacy	Total number of substantiated complaints regarding breaches of customer privacy	Assessment of management situation
V	Training and Education	Newly added item Hours spent by each employee per year for training and education	Development of human resources, improvement of work environment
	Diversity and Equal Opportunity	Newly added item Percentage breakdown of rank-and-file employees and executives by sex and age	Promotion of diversity
Common Theme	Supplier assessment on Environmental Impacts, Impacts on Society, Human Rights and Labor Practices	Boundary expanded Percentage of new suppliers that have been selected using criteria regarding environment, social impact, human rights and labor practice	100%
	Economic Performance	Content changed Financial impacts, risks and opportunities due to climate change	Recognition of risks and opportunities

Materiality Review Cycle

The Daigas Group identified the materiality for the Group's CSR as a means of grasping possible impacts of the Group's business activities on the environment and society, and conducting its business operations while managing the ongoing impacts and the possible impacts. In FY2014, the Group identified the materiality for the first time. Since FY2015, the Group has conducted PDCA management. Every year, the progress of actions taken under each CSR indicator has been confirmed while problems to be tackled have been studied in light of the progress. Fields whose CSR indicators were found to be short of the required levels have been improved and

managed properly until FY2018.

In FY2018, the Group identified the new materiality based on the assessment of the previous materiality (FY2015-FY2017). The new materiality reflects opinions from parties inside and outside the Group. (For the process of identifying the new materiality, see the chart below.) The Daigas Group will continue to review the materiality on a cyclical basis and fulfill its responsibility to the environment and society. By doing so, we aim to create value for stakeholders and contribute to the development of a sustainable society.



▶ Dialogue with Outside Experts for Validation of Materiality

To further review the materiality already identified by the Daigas Group, six outside experts were called in. They have been asked every year since FY2014 to evaluate the CSR activities of our group and its CSR reports. We will continue to seek their advice because their comments are based on a deep understanding of our company following years of dialogue with us, helping us identify problems and others to be addressed.



Dr. Katsuhiko Kokubu
Professor,
Graduate School of
Business Administration,
Kobe University

Under the GRI, compiling an economic report is close to the concept of value-added accounting. The value's distribution will be meaningless, however, unless a company clarifies what it aims to do through its corporate activities as well as disclosing information. Undertaking business activities that lead to the creation of social value will be eventually followed by economic benefits for the com-

pany engaging in the activities. Osaka Gas should clarify what kind of value it can present to society through its business activities. One example would be pledging to enhance the value of the Kansai region, the main service area for Osaka Gas, by making its local communities comfortable places for medium- and long-term living and worker-friendly places.



Mr. Hideo Iida
Representative of
organizers,
Council of the Kansai
Consumers' Association

At a time when the situation of its customers has been changing, as seen by their aging and an increase in single-person households, Osaka Gas should seriously study what the Company can do to ensure their safety continuously. In compiling a plan to protect their safety, Osaka Gas should reflect not only its own views but also stakeholders' views. As one example, the Company can

work with local authorities (municipalities). Incorporating consumers' viewpoints or the Company's existing services aimed at protecting elderly customers into existing regional administrative networks for local people is a possibility that Osaka Gas might pursue. This is an idea that can be concretized by companies none other than Osaka Gas.



Dr. Koji Shimada
Professor, Department of
Economics at Ritsumeikan
University

Working on reducing CO₂ emissions is one of the most important challenges facing energy service providers like Osaka Gas. In continuing its business activities, Osaka Gas must fulfill its accountability regarding what the Company would do with its coal-based power generation business. While pursuing efforts in line with the central government's energy policy, Osaka Gas should respond to

social needs on this point sincerely and consider various policy options. In addition, the Company should recognize the status quo concerning the environment preservation measures being taken on the side of material suppliers and the measures being taken to protect the human rights of workers engaging in the process of drilling and processing the materials used for its business.



Ms. Kaori Kuroda
Executive Director of CSO
Network Japan

Osaka Gas is likely to resort to mergers and acquisitions (M&As) as an important tool in many cases of overseas projects. What is important for the company in M&As is exercising due diligence [\[21\]](#) not only on the financial front but also on the nonfinancial front, including the environment and social impacts. If Osaka Gas is to launch business projects overseas, it should ensure risk management and find a way to coexist with local communities – a task the Company might achieve by

referring to the information owned by foreign government agencies and to the international code of conduct. Engagement in certain regions of the world is difficult for a Japanese company because the regional situations there are complex. Under these circumstances, Osaka Gas should first recognize the status quo surrounding the targeted region. Having understood the situation, the Company should identify the priority parties with which it should engage, including affected people in the region.



Ms. Emi Sugawara
Associate Professor at
Faculty of Law, Osaka
University of Economics
and Law

Any business activity will involve human rights, making human rights assessment at the Daigas Group and its value chain [\[21\]](#) important. Based on this idea, the Group should work out an action plan to protect human rights and an information disclosure plan in line with the results of the assessment. In view of an expected increase in material supply from overseas companies, I hope that the Group's supply chain [\[21\]](#) will actively exercise due

diligence on human rights. Such due diligence should aim to protect the human rights of stakeholders by taking into account the viewpoint of suppliers in drawing up improvement plans. For example, the Group should kindly explain, to suppliers being covered by its survey on human rights assessment, how to answer each question. It is also important for the Group to share good practices with the suppliers.



Mr. Taro Tamura
Representative Director,
Institute for Human
Diversity Japan

In Japan, labor-related accident risks have been rising against the backdrops of the dwindling working population and an increase in the number of elderly workers and unskilled workers. In light of these trends, I believe it is necessary for gas and power companies in Japan to strongly support the development of human resources at engineering subcontractors and other partner companies. Labor practices should be also changed at these companies. For example, it is necessary to establish a

work environment friendly to elderly people and foreigners. Moreover, a strategy for promoting the diversity [\[21\]](#) of employees should be crafted from the viewpoint of ensuring the employment of various people. I hope that Osaka Gas will draw up a strategy aimed at expediting the employment of female workers and foreigners for front-line operations by analyzing the data it has collected in the past and grasping the actual state of its workplaces.