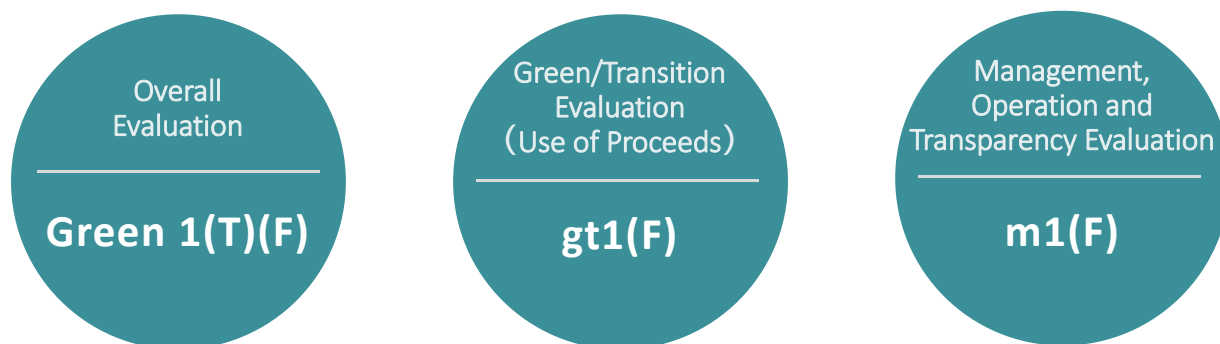


Japan Credit Rating Agency, Ltd. (JCR) announces the following Climate Transition Finance Framework Evaluation Results.

Kansai Electric Power Company, Incorporated

Green/Transition Finance Framework

Assignment



Issuer/Borrower	The Kansai Electric Power Company, Incorporated (security code: 9503)
Subject	The Kansai Electric Power Company, Incorporated Green/Transition Finance Framework

Evaluation Overview

▶▶▶ 1. Overview of the Kansai Electric Power Company, Incorporated.

The Kansai Electric Power Company, Incorporated (hereinafter referred to as "KEPCO" or "the Company") is an electric power company established in 1951. The Company, as a former general electricity utility, has mainly provided electrical power in six prefectures in the Kinki region (Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama.) In the fiscal year ended March 2023, the retail electricity sales volume was 111.6 billion kWh and the total electricity sales volume was 127.2 billion kWh, which accounted for just over 10 percent of the demand in the nationwide area. The Company has a high proportion of nuclear power in its power generation facilities capacity partly because it has been focusing on the nuclear power generation business from an early stage. Therefore, it is susceptible to the nuclear power policies. The Company also has characteristics that it has less areas suitable for renewable energy power generation compared to other areas. The Company, however, has strengths in the Group businesses other than the energy business, such as telecommunications and real estate. Kansai Electric Power Group (hereinafter referred to as "the Group",) centered on KEPCO, has 98 companies in total (consolidated subsidiaries and equity-method affiliates as of December 31, 2023,) including 56 companies in the energy

business, 3 companies in the transmission and distribution business, 8 companies in the information and telecommunications business and 31 companies in the life/business solution business.

▶▶▶ 2. KEPCO's ESG management and decarbonization initiatives

In February 2021, the Group formulated "Zero Carbon Vision 2050" and announced to reduce the CO₂ emissions associated with its business operations to zero by the year 2050 including the power generation business to prevent global warming by striving to improve the energy self-sufficiency rate so as to stably provide energy with a priority given to safety as a "leading company with zero carbon energy" toward the realization of a sustainable society. In the Medium-term Management Plan (2021-2025) announced in March, 2021, the Company published its goal of halving CO₂ emissions through power generation in FY 2025 (relative to FY 2013,) which is the top spot for the amount of zero-carbon power generation in Japan, with "Seeking to Achieve Zero-carbon Emissions: Energy Transformation (EX)" as one of the key initiatives.

In March 2022, the Group established "Zero Carbon Roadmap" as a path toward the realization of the Zero Carbon Vision 2050. The Group published a target to decrease the CO₂ emission factor of electricity to industry-leading levels or a 2040 goal for new development of renewable energy in addition to the aforementioned quantitative targets. The Group has listed its efforts to achieve these goals as follows: (i) Making the most of renewable energy for use as a main power source; (ii) Maximizing the use of nuclear power; (iii) Zero-carbon thermal power generation; or (iv) Contributing to the construction of a hydrogen supply chain. The Group has steadily progressed its efforts and the followings are its progress: (i) The cumulative development capacity of renewable energy has reached approximately 5,059,000 kW (as of January 31, 2024, including projects underway domestically and internationally); and (ii) Establishment of operation at the seven nuclear reactors by fully restarting Takahama Power Station Units 1 and 2 in August 2023 and October 2023, respectively. The Group has also intended to address to decarbonize society as a whole by promoting electrification in addition to decarbonizing the Company and planned to promote efforts toward decarbonization not only in the Company but also throughout its customers and sales area.

The plan for the investments for EX from FY 2021 to FY 2025 comes to a cumulative total of 1.05 trillion yen (including 340 billion yen of an investment amount on renewable energy.) The Group made an investment of 456 billion yen from FY 2021 to FY 2022. With the resumption of full operations in Takahama Power Station Units 1 and 2, the construction work to ensure safety, which requires a large amount of capital expenditures for restarting the power plant have been mostly completed. JCR has therefore confirmed that investments in EX hereafter will be mainly made for expanding the introduction of renewable energy or developing decarbonization technologies, such as zero-carbon thermal power generation or utilizing hydrogen and improving network facilities to expand the introduction of renewable energy.

▶▶▶ 3. Relevance on Transition Strategy (Outline of Alignment Evaluation with CTFH and so forth)

The transition strategy and specific policies in the Company meet the four components in the Climate Transition Finance Handbook¹ and the Basic Guidelines for Climate Transition Finance² (hereinafter collectively referred to as "CTFH and so forth.") JCR has evaluated that the transition strategy for KEPCO requires initiatives beyond Business As Usual compared to its own track record, and the Company has been ambitious relative to goals of the government or peers.

The Group has set a goal of achieving the 1.5°C target in FY 2025 while the government has established the same goal but in 2030 with regard to CO₂ emissions from power generation. The Group has also established a goal of reducing the CO₂ emissions from power generation and decreasing the CO₂ emission factor of electricity supplied to customers to industry-leading levels by FY 2030, and has been making efforts in line with the Zero Carbon Roadmap. KEPCO endorsed the GX League Basic Concept in March 2022 and submitted the following quantitative targets in September 2023: (1) FY 2023- FY 2025 total: 70.66 million t-CO_{2eq}, (2) FY 2025: 21.35 million t-CO_{2eq} (-55 percent from FY 2013 levels) and (3) FY 2030: 14.00 million t-CO_{2eq} (-70 percent from FY 2013 levels) as an annual direct goal (Scope 1 of the Company) and an annual indirect goal (Scope 2 of the Company.) Since the quantitative targets for FY 2030 have not yet been reflected in the Zero Carbon Roadmap, the Roadmap is expected to be updated in light of the quantitative targets for FY 2030.

▶▶▶ 4. Outline of Climate Transition Finance Framework Evaluation

In cases where green bonds or green loans (collectively referred to as "green finance") or transition bonds or transition loans (collectively referred to as "transition finance") are executed based on the green/transition finance framework formulated by KEPCO (hereinafter referred to as "this Framework"), the proceeds financed is exclusively used for projects with environmental benefits. JCR evaluates whether this Framework aligns with the Green Bond Principles³, the Green Loan Principles⁴, the Green Bond Guidelines⁵ and the Green Loan Guidelines⁶. These principles and guidelines are voluntarily published by the International Capital-Marketing Association (ICMA), Loan Market Association (LMA) etc., and the Ministry of Environment, respectively, and are not legally regulated based on evidences. JCR however refers these principles and guidelines as they are referred to as unified standards domestically and globally.

In this Framework, KEPCO will use the proceeds in green finance and transition finance exclusively to renewable energy, nuclear power, zero-carbon thermal power, hydrogen, transmission and distribution, electrification, energy creation (energy storage) and zero-carbon towns. It is stipulated that appropriate measures shall be taken in consideration of the negative

¹ ICMA(International Capital Market Association) (2023) *Climate Transition Finance Handbook*
<https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/>

² Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment (2021) *Basic Guidelines for Climate Transition Finance*
<https://www.meti.go.jp/press/2021/05/20210507001/20210507001-1.pdf>

³ ICMA(International Capital Market Association) (2021, with June 2022 Appendix 1) *Green Bond Principles*
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁴ LMA (Loan Market Association), APLMA (Asia Pacific Loan Market Association), LSTA (Loan Syndications and Trading Association) (2023) *Green Loan Principle*
<https://www.lma.eu.com/>

⁵ Ministry of the Environment (2022) *Green Bond Guidelines*
<https://www.env.go.jp/content/000062495.pdf>

⁶ Ministry of the Environment (2022) *Green Loan Guidelines*
<https://www.env.go.jp/content/000062495.pdf>

impact on the environment and society in implementing eligible projects. Accordingly, JCR has evaluated that the use of proceeds in the Framework is expected to have environmental benefits.

The criteria and processes for selecting the use of proceeds have been properly established with involvement of the management, and the proceeds have also been adequately managed, through which a third party has verified them. JCR has confirmed that items related to reporting on the use of proceeds and impact reporting have been adequate. Accordingly, JCR has evaluated that the management and operation structure in KEPCO has been established and has provided transparency.

Based on JCR Green Finance Evaluation Methodology, JCR assigned "gt1(F)" for "Green/Transition Evaluation (Use of Proceeds)" and "m1(F)" for "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green 1(T)(F)" for the overall "JCR Climate Transition Finance Framework Evaluation."

The Framework meets the standards for the items required in the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines and CTFH and so forth.

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■ Evaluation Phase 1: Green and Transition Evaluation

I. The Use of Proceeds

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

1. Environmental improvement effects of the project
2. Negative Impacts on the Environment and Society
3. Consistency with SDGs

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I. Selection Standards and Processes for Use of Proceeds

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

1. Goals
2. Selection criteria
3. Processes

II. Management of the Proceeds

JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

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JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

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JCR's Key Consideration on This Factor

Current Status of Evaluation Targets and JCR's Evaluation

■ Evaluation phase 3 : Evaluation result (Conclusion)

Chapter 1: Overview of Evaluation Target

This evaluation target refers to this Framework formulated by KEPCO. This Framework covers green finance, such as green bonds and green loans and transition finance including transition bonds and transition loans.

The transition finance covers finance in accordance with Climate Transition Finance (hereinafter referred to as "CTF".) The CTF refers to a financing means to promote long-term, strategic greenhouse gas (hereinafter referred to as "GHG") emissions reduction initiatives that are taken by firms that has been considering to tackle climate change for the achievement of a decarbonized society. JCR will confirm that this Framework has been aligned with CTFH and so forth formulated by ICMA. JCR will then evaluate whether or not this Framework has been aligned with the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan Guidelines based on JCR Green Finance Evaluation Methodology.

Chapter 2: Alignment with the Climate Transition Finance Handbook

2-1. KEPCO Medium- to Long-Term Management Plan and Transition Strategy

<Business Overview>

KEPCO is an electric power company established in 1951. The Company, as a former general electricity utility, has mainly provided electrical power in six prefectures in the Kinki region (Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama.) In the fiscal year ended March 2023, the retail electricity sales volume was 111.6 billion kWh and the total electricity sales volume was 127.2 billion kWh, which accounted for just over 10 percent of the demand in the nationwide area⁷. The composition of power sources (supply and demand records by source) for the fiscal year ended March 2023 includes 31 percent of nuclear power, 53 percent of thermal power (12 percent of coal, 36 percent of LNG and 5 percent of petroleum) and 16 percent of hydroelectric power⁸. The Company has a high proportion of nuclear power in its power generation facilities capacity partly because it has been focusing on the nuclear power generation business from an early stage. Therefore, it is susceptible to the nuclear power policies. The Company also has characteristics that it has less areas suitable for renewable energy power generation compared to other areas. The Company, however, has strengths in the Group businesses other than the energy business, such as telecommunications and real estate. The Group centered on KEPCO, has 98 companies in total (consolidated subsidiaries and equity-method affiliates as of December 31, 2023,) including 56 companies in the energy business, 3 companies in the transmission and distribution business, 8 companies in the information and telecommunications business and 31 companies in the life/business solution business.

<Kansai Electric Power Group Purpose & Values>

In March 2021, the Group formulated the Kansai Electric Power Group Purpose & Values as its new management philosophy. Under this Purpose & Values, the Group's ultimate overarching concept, the Group has announced that it will carry out business activities that promote the Values of "Fairness, Integrity, Inclusion and Innovation" to achieve its Purpose of "Serving and Shaping the Vital Platform for a Sustainable Society" for the benefit of its customers and society.



Figure 1: The Group Purpose & Values/Brand Statement (Power with Heart)⁹

⁷ JCR calculated with KEPCO's Consolidated Financial Statements for the Year Ended March 31, 2023 and the Survey of Electric Power Statistics (Preliminary Report for FY 2022) provided by the Agency for Natural Resources and Energy in the Ministry of Economy, Trade and Industry

⁸ KEPCO POWER BOOK 2023

https://www.kepco.co.jp/corporate/report/document/2023/pdf/power_book_2023.pdf

⁹ Source: Kansai Electric Power Group Integrated Report 2023

https://www.kepco.co.jp/english/corporate/list/report/pdf/e2023_a4.pdf

<Kansai Electric Power Group Medium-term Management Plan (2021–2025)>

The Group announced its Medium-term Management Plan (2021-2025) and it simultaneously published its new Purpose & Values. The Group has positioned "Firmly establishing governance" and "Promoting compliance" as a basic premise of its business operations in this Medium-term Management Plan and has established three key initiatives as "KX: Kanden Transformation" as shown in the figure below. In the first initiative, seeking to achieve zero-carbon emissions (EX: Energy Transformation), the Group released quantitative targets of becoming a top spot for the amount of zero-carbon power generation in Japan and of halving CO₂ emissions from power generation in FY 2025 (comparing to FY 2013.) Specific initiatives involve: (i) "Zero-carbon power sources" including zero-carbon thermal power in addition to nuclear power/renewable energy in the energy business; (ii) Policies to work on examination/demonstrations toward a hydrogen society; (iii) Promoting the energy business that contributes to zero-carbon emissions in respective overseas regions; (iv) Developing next generation grid networks, a foundation for zero-carbon emissions in the transmission and distribution business; and (v) Creation of new solutions in the information and communications business.

KX: Kanden Transformation

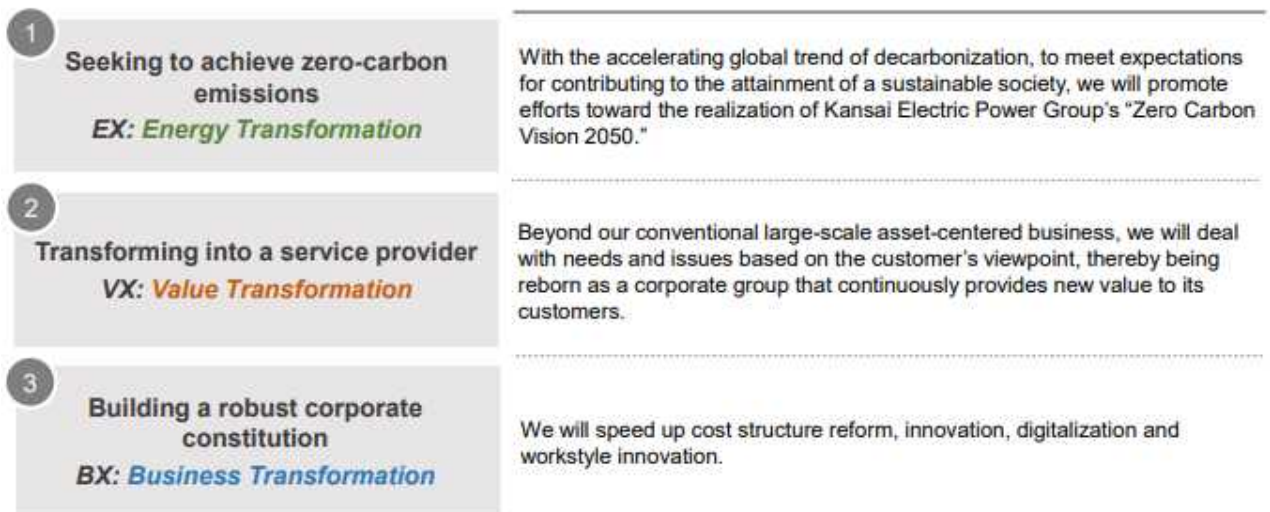


Figure 2: Key Initiatives in the Medium-term Management Plan (2021-2025)¹⁰

<Kansai Electric Power Group "Zero Carbon Vision 2050">

The Group has recognized that zero carbon emissions are a common global issue that must be achieved so as to overcome climate change issues and pave the way for sustainable development, and it has been anxious to lead the efforts to realize a zero-carbon society with the pioneering spirit that has been demonstrated by the Group. With the thoughts, in February 2021, the Group formulated Zero Carbon Vision 2050 and announced to reduce the CO₂ emissions associated with its business operations to zero by the year 2050 including the power generation business so as to prevent global warming by striving to improve the energy self-sufficiency rate to stably provide energy with a priority given to safety as a "leading company with zero carbon energy" toward the realization of a sustainable society. The Company published its goal of reducing CO₂ emissions for FY 2025 in the Medium-term Management Plan (2021-2025) released in March, 2021 as mentioned above.

¹⁰ Source: Kansai Electric Power Group Medium-term Management Plan (2021–2025)
https://www.kepco.co.jp/english/corporate/info/policy/pdf/plan_2021.pdf

The Group has considered that the demand side will use energy intensively from "electricity" and "hydrogen" and that the energy system in 2050 will be decentralized and diversified as 3D (decarbonization, decentralization and digitization) plus *Denka* (electrification) have been drastically progressing. Meanwhile, the Group has expected that the supply side will provide energy without zero carbon emissions; however, the demand side will expand its roles; for instance, energy users will provide energy as prosumers¹¹. Based on this expectation, the Group has been working to promote zero carbon emissions in the three areas: the demand side, the supply side and hydrogen society as follows:

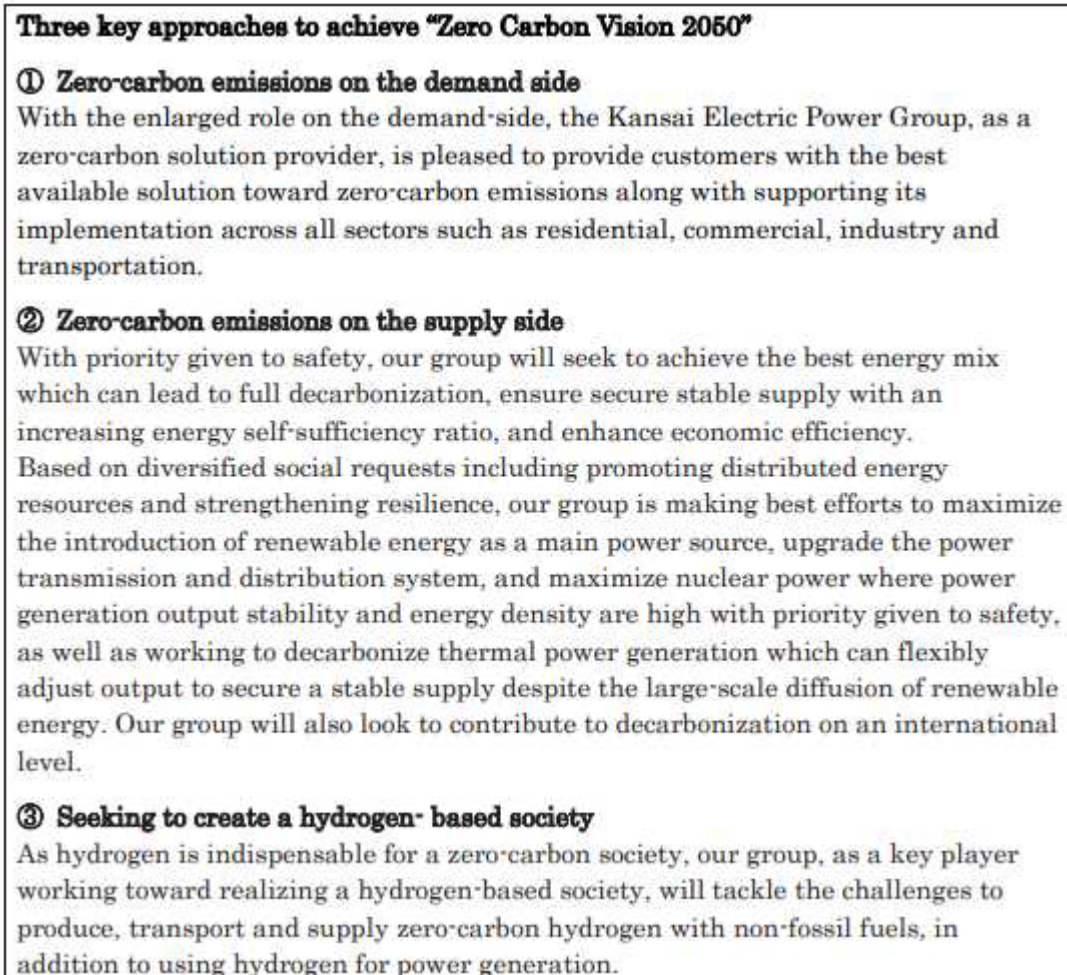


Figure 3: Three key approaches of the Zero Carbon Vision 2050¹²

<Kansai Electric Power Group "Zero Carbon Roadmap">

The Group formulated the Zero Carbon Roadmap as a path to realize the Zero Carbon Vision 2050 in March 2022. In addition to the aforementioned quantitative targets, the Group announced the goals for CO₂ emissions in the power generation business or targets to decrease the CO₂ emission factor to industry-leading levels in this roadmap. The goals and general pictures of the Zero Carbon Roadmap are shown in the figure below (in the following page.)

¹¹Production consumers who consume electricity generated by themselves and sell surplus electricity

¹²Source: KEPCO Announcement of Kansai Electric Power Group "Zero Carbon Vision 2050"
https://www.kepcoco.jp/english/corporate/pr/2021/pdf/feb26_1.pdf

[Reduction Targets for FY2030]

- **The Kansai Electric Power Group's initiatives**
 - Halve CO₂ emissions through power generation by FY 2025 (compared to FY 2013) and maintain industry-leading reduction levels.
 - Completely electricity over 5,000 vehicles owned by the Group (by FY2030).
- **Contribution to customers and society**
 - Decrease the CO₂ emission factor of electricity supplied to customers to industry-leading levels (by FY2030),
 - Provide services to help customers and society reduce CO₂ emissions by over 7 million tonnes (by FY2030).

[Targets for 2040]

- **Renewable energy as a main power source**
 - New development of renewable energy domestically at a 5GW scale and achievement of a 9 GW scale of cumulative capacity (by 2040).

Figure 4: Reduction Targets for FY 2030 and Targets for 2040¹³

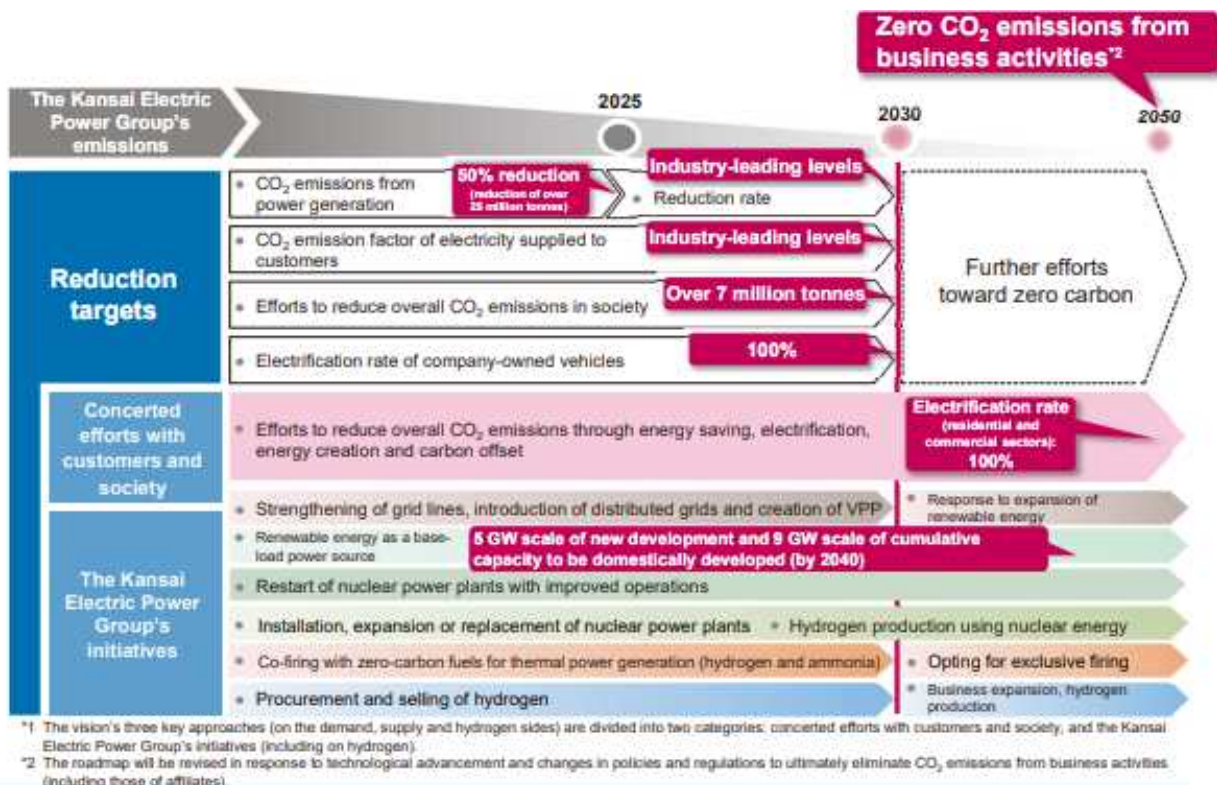


Figure 5: Roadmap for Zero Carbon Emissions, General Picture of the Roadmap¹⁴

¹³ Source: KEPCO Press Release (translated by JCR)
https://www.kepcoco.jp/corporate/pr/2022/pdf/20220325_3j.pdf

¹⁴ Source: Kansai Electric Power Group, Zero Carbon Roadmap
https://www.kepcoco.jp/english/corporate/list/report/pdf/zc_roadmap2022.pdf

The Group has determined that the important is to have a well-balanced combination of a variety of power sources so as to shift from the economic, social and industrial structure that relies upon fossil fuels to a clean energy-centered structure in Japan with scarce energy resources while simultaneously achieving S (Safety) plus 3E (namely Energy security, Economy and Environmental conservation, including stable supply,) in particular, during the transition period toward decarbonization. Based on the premise, the Group has listed through its own initiatives: (i) Making renewable energy a main power source; (ii) Maximizing utilization of nuclear power with excellent output stability and high energy density, with a priority given to safety; (iii) Outstanding zero-carbon thermal power generation with adjustability required for introduction of a large amount of renewable energy; (iv) Contributing to building a hydrogen supply chain; or (v) Strengthening interconnection lines to make renewable energy the main power source and strengthen resilience

The Group has set forth as efforts by customers or throughout society: (i) "Electrification" to change heat sources from fossil fuels to electrification devices; (ii) "Energy saving" by introducing energy-saving devices or upgrading the energy management; or (iii) "Replacement" with zero-carbon electricity by making proposals for utilizing renewable energy or storage batteries or using CO₂-free menus, and it also has planned to provide solutions on these efforts. The Group has intended to enhance its initiatives to electrify mobility with less electricity.

<Details through "the Group's own initiatives" in the Zero Carbon Roadmap>

(i) Renewable energy generation

The Group has illuminated the future path to contribute to the initiatives to make renewable energy a main power source for which the government has aimed country by country as for renewable energy power generation and has set a goal as 5 GW of new development in Japan and 9 GW as cumulative development by 2040. The capacity of domestic power-generating facilities has been steadily progressing at approximately 3.83 GW (projects under operation) as of March 31, 2023. JCR has confirmed that the Group will work on the development of various renewable energy while taking into the account economic potential or feasibility of businesses, focusing on the development of offshore wind power, in particular, with large developmental potential. The Group has been pursuing to acquire solar power plants; develop offshore wind power generation in collaboration with other companies; perform refurbishment for aging hydropower facilities (replacement of water turbine generators); or switch fuels to woody biomass in thermal power plants. The aforementioned are domestic goals; however, the Group has been actively participating in the wind power generation business overseas as well. The Group will aggressively promote joint development or business alliances with other companies by leveraging the technical prowess it has cultivated in the power generation business and the knowledge and know-how it has gained in offshore wind projects domestically and internationally hereafter.

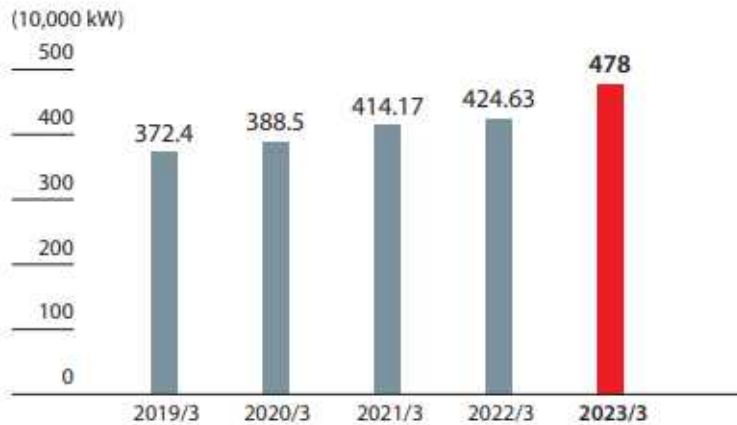


Figure 6: Accumulated Capacity of Renewable Energy Source Facilities (Completed) Projects that have started operation (including domestic and overseas)¹⁵

(ii) Nuclear power generation

The Group has recognized that nuclear power with well-balanced 3E plays a major role in Japan with scarce resources and that it is necessary to secure a certain scale of nuclear power generation in the future from the viewpoint of ensuring safety and maintaining technological/human resources bases. The Group has established its operational structure with 7 Units by fully resuming operations at Takahama Units 1 and 2 in August and October, 2023, respectively in addition to Mihama Unit 3, Takahama Units 3 and 4 and Oi Units 3 and 4. The operations of the nuclear power plants possessed by KEPCO as of January 31, 2024 are shown in the figure below.

Figure 7: KEPCO's Nuclear Power Plants

Please refer the KEPCO's document p.2 (Japanese)¹⁶

Of the nuclear power plants possessed by KEPCO, Takahama Units 1 and 2 and Mihama Unit 3 are allowed to operate for 60 years, respectively with permission to extend their operating periods by the government in 2016 under the current Nuclear Reactor Regulation Law. KEPCO applied for an extension of the operating period based on the current Nuclear Reactor Regulation Law for Takahama Units 3 and 4 in April 2023. The Company applied for approval for a long-term facility management plan in light of the GX Decarbonization Electricity Act, which will come into effect, in December 2023.

(*) The operating period and system of nuclear power plants

The law on nuclear power plants was amended after the accident at the Fukushima Daiichi Nuclear Power Plant in March 2011, and the "New Regulatory Requirements" formulated by the Nuclear Regulation Authority came into effect in 2013. The New Regulatory Requirements

¹⁵ Source: *Kansai Electric Power Group Integrated Report 2023*

¹⁶ Source: KEPCO Unaudited Financial Release (Consolidated) for the Third Quarter (as of January 31, 2024) (in Japanese) https://www.kepco.co.jp/ir/brief/earnings/2024/pdf/pdf2024_03_05.pdf

include: (i) "Measures for serious accidents" in preparation for natural disasters or terrorist attacks that exceed expectations such as the development of equipment used for measures in specified severe accidents¹⁷; (ii) "Earthquake and Tsunami Resistance Performance," a design standard, which stipulates the strengthening of active fault surveys or tsunami protection measures; and (iii) "Consideration for natural phenomena and fires," a design standard, which enhances safety measures for existing facilities. Simultaneously, the operation period has been extended to 40 years since its start of operation and the Operation Period Extension System was introduced, which allows the operation period extend up to 20 years only once in cases where the license is granted upon the expiration. In this system, in order to extend an operating period, the followings shall be obtained: (i) Approvals and licenses required to meet the new regulatory requirements with which all nuclear power plants shall comply; and (ii) Approval by the government by confirming there is no issue for a long-term operation through special inspections and aging technology evaluation based on the results hereof. Then, the "GX Decarbonized Power Supply Act¹⁸," a legislative bill to revise the related law was decided in the Cabinet in September 2023 and was determined to be enforced in June 2025 based on the "Basic Policy for the Realization of GX" so as to promote to introduce renewable energy in harmony with local communities to the maximum and to utilize nuclear power, giving a top priority to safety. The operation period of nuclear power plants is, in principle, 40 years and the extension period is 20 years as same as the new regulatory requirements enforced in 2013, and in cases where any power plant is intended to operate over 30 years from the start of its operation, it is stipulated that (i) A technology evaluation on an aging plant shall be conducted every 10 years or less; (ii) g-term facility management plan shall be prepared based on the results; (iii) Approval shall be obtained from the Nuclear Regulation Authority.

KEPCO has systematically maintained all facilities or equipment and has proactively renewed any devices or equipment replaceable, such as large devices or pipes with new ones to prevent accidents in accordance with the aforementioned system in operating nuclear power plants for a long period. The Company has undergone detailed inspections (special inspections) for "reactor vessels," "reactor containment vessels" and "concrete constructs" that are not easily replaceable in addition to normal maintenance to know the equipment in detail and then it has confirmed that there are no abnormalities in any equipment.

It is essential to gain the understanding of the local governments and residents where nuclear power plants are located for the continuous stable operations of nuclear power plants. KEPCO has been promoting activities to gain the understanding for the necessity of nuclear power or the implementation of safety measures with regard to operations in each nuclear power plant through presentation meetings for local residents or public relations activities utilizing various media in addition to providing tours, holding explanatory meetings in districts, having dialogues, via websites or in-house magazine. In consequence, KEPCO is gaining understanding of operations of nuclear power plants by surrounding municipalities and JCR has confirmed that KEPCO will carefully explain its initiatives to gain the understanding of local residents through

¹⁷ A facility with functions to prevent damage to containment vessels in cases where the system to cool nuclear reactors is dysfunctional, assuming the possibility of large commercial airliners colliding intentionally with reactor buildings or to protect against terrorism.

¹⁸ The formal name is "the Act of Partial Revision of the Act on the Rationalization etc. of Energy Use and Other Acts in Order to Establish Stable Energy Supply and Demand Structure (Draft)." The related laws include the Electricity Business Act, the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities ("Act on Renewable Energy Special Measures"), Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors and the Act on the Implementation of the Reprocessing of Spent Fuel in Nuclear Power Generation (the "Reprocessing Contribution Act").

continuous informal dialogue after making efforts for its issues, including the nuclear fuel cycle or high level radioactive waste final disposal in collaboration with the government.

(iii) Thermal power generation

The Group has recognized thermal power generation is an important power source to play the following significant roles: (i) Absorbs the output fluctuations in renewable energy whose generation varies depending upon natural environments, such as solar power or wind power; (ii) Mitigates adjustability that balances between supply and demand or fluctuations in frequency caused by sudden power outages and (iii) Maintain to stabilize grids (so-called securing inertial forces) and it will continuously utilize thermal power while aiming at zero-carbon emissions.

The Group will not map out any new plans for coal-fired power generation domestically and internationally except for equipment that has been aligned with the government policies concerned and has been contributable to zero carbon emissions. The Group will appropriately respond to existing coal-fired power generation in light of the government's policy trends and will examine to utilize zero carbon fuels or introduce CCUS technology¹⁹. The Maizuru Power Station is the only thermal power plant whose main fuel is coal as of evaluation of this Framework, and the Group is cooperating in demonstrations for CO₂ separation and recovery with solid sorbents and technology development/demonstration tests for CO₂ marine transport at the Maizuru Power Station. Co-fired woody biomass is also used at the Maizuru Power Station. The Group additionally plans to promote its efforts toward the realization of zero carbon emissions by 2050 in cooperation with business partners for projects to procure electric power from other companies or coal-fired power from overseas.

The Group has dealt with CO₂ emissions reduction in firing thermal power generation without coal as its main fuel. In particular, the Group has intended to reduce CO₂ emissions by introducing a combined cycle power generation system, which is a power generation system that combines a gas turbine with a steam turbine in Himeji No. 1 Power Station, Himeji No. 2 Power Station and Sakaiko Power Station, all of which have mainly used LNG as raw materials and by improving the thermal efficiency. KEPCO will examine to realize co-firing/mono-firing of zero carbon fuels such as hydrogen in LNG-fired power station in the future.

Figure 8: Comparison of Combined Cycle Power Generation System with Conventional Steam Power Generation System

Please refer the KPECO's website (Japanese)²⁰

(iv) Hydrogen business

Hydrogen is a zero-carbon fuel and can be produced from renewable energy or nuclear power and a variety of resources including fossil fuels, and its suppliers can be diversified. The Group, based on this recognition, has positioned "Seeking to create a hydrogen-based society" as one of the three initiatives in its Zero Carbon Vision 2050. The Group is preparing to build a hydrogen supply chain by currently participating in a wide range of business evaluation or demonstrations at all stages of "producing," "storing/transporting" and "using" hydrogen. As shown in the figure

¹⁹ A technology to capture CO₂ from exhaust gas and effectively use it or store it in the ground.

²⁰ Source: Kansai Electric Power Group's website (in Japanese)

https://www.kepcoco.jp/energy_supply/energy/thermal_power/ourapproach/environment.html

below, the Group has participated in various surveys or demonstrations so far, with the aim of achieving a 30 percent share of the national market by 2050 in terms of volume handled.

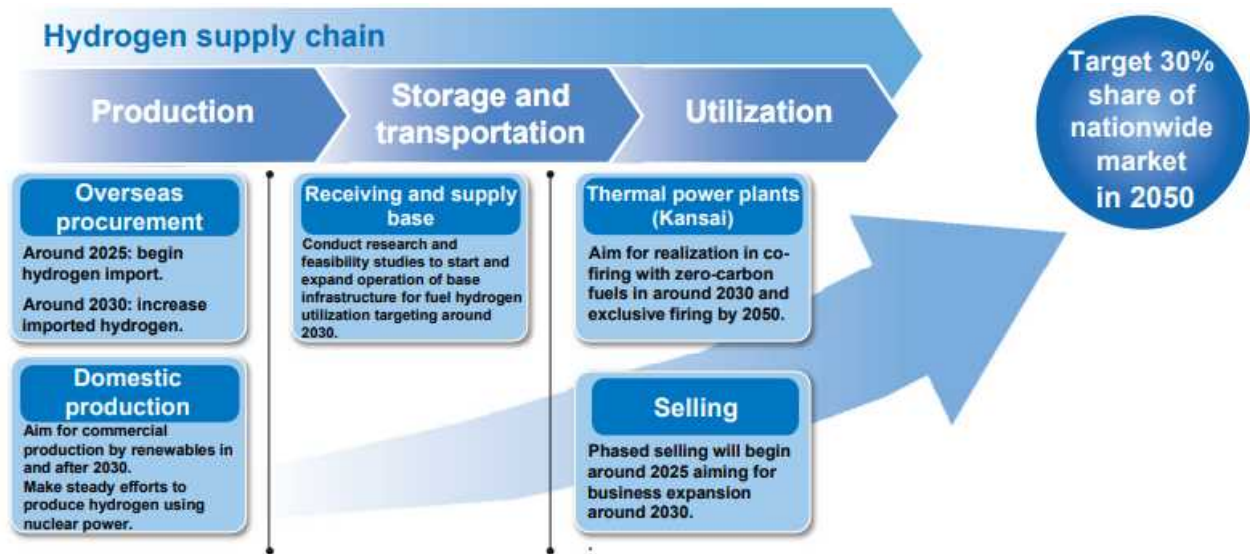


Figure 9: Initiatives in the Hydrogen Business²¹

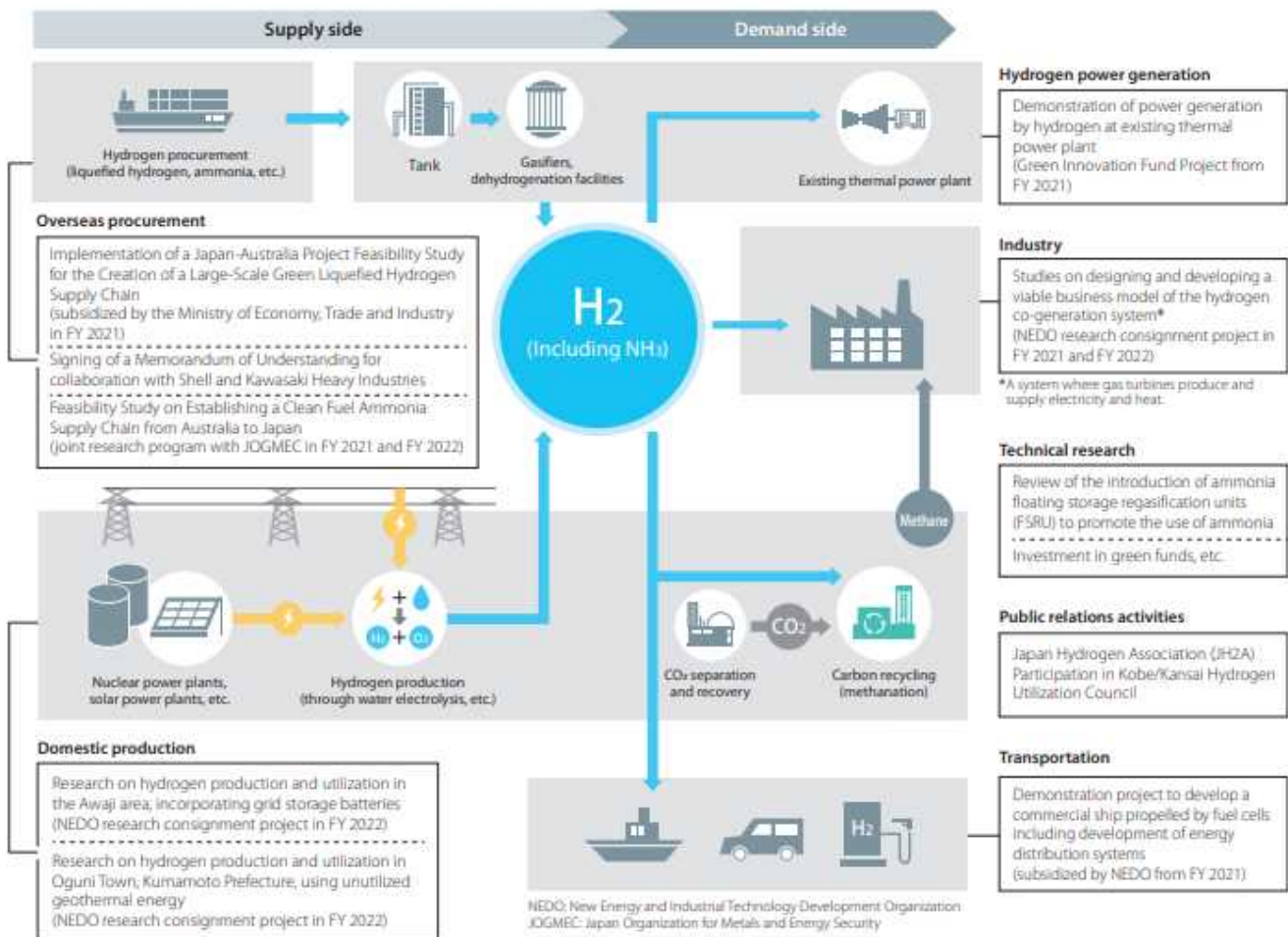


Figure 10: Overall Image of Hydrogen Utilization²²

²¹ Source: Kansai Electric Power Group Zero Carbon Map

²² Source: Kansai Electric Power Group Integrated Report 2023

In order to utilize hydrogen, the Group is required to establish power generation technologies, lower fuel production costs or build a supply network on transportation/storage of fuels, and it intends to implement and cooperate with research and development (hereinafter referred to as "R & D") proactively in collaboration with a variety of interested parties, such as business partners, national or local governments or research institutes. The Group, as its concrete initiatives, has begun a feasibility study (hereinafter referred to as "FS") assuming from manufacturing to utilizing hydrogen in Hyogo Prefecture and Kumamoto Prefecture, which are adopted as a subcontractor of New Energy and Industrial Technology Development Organization (hereinafter referred to as "NEDO"), respectively. The FS will advance to a demonstration test if it is determined as being feasible after a one-year examining period.

- NEDO project in Awaji Island, Hyogo Prefecture

The Group will study an operational model that utilizes abundant renewable electricity in Awaji Island, including solar or wind power to charge storage batteries and produce hydrogen by electrolyzing water. The storage battery capacity is expected to be roughly 10,000 to 20,000 kWh, and the hydrogen production capacity is anticipated to be approximately 150 to 400 Nm³/h. The hydrogen produced is expected to be utilized for fuel cell vehicles (hereinafter referred to as "FCV") or transportation equipment in commercial stores and agricultural machinery.

- NEDO project in Oguni-machi, Kumamoto Prefecture

The Group will examine to construct a model that produces green hydrogen derived from renewable energy through water electrolysis by utilizing unused geothermal resources around the "Waita Geothermal Power Plant" (maximum output: 1,995kW) in which it invested. The SOEC (solid oxide type water electrolysis cell) to be studied in this business has higher efficiency of hydrogen production than alkaline type- or polymer type- water electrolysis, a conventional water electrolysis method by utilizing heat, and therefore, the Group aims to build a first domestic production model to produce highly efficient hydrogen that supplies geothermal heat to water electrolyzers. The Group intends to gain high-efficiency to produce hydrogen by utilizing more geothermal energy in combining with the heat pump technology. The hydrogen produced is expected to be used in industries in its neighboring regions or provide power in case of a disaster.

The Group regards the hydrogen business as one of the strategic pillars to achieve its Zero Carbon Vision and established a specialized department, Hydrogen Business Strategy Division in May 2021. The Hydrogen Business Strategy Office has efficiently promoted the hydrogen business and has centrally handled the hydrogen business in the Group, including examining and planning business strategies or determining verification. In order to accelerate the efforts to realize a hydrogen society, the Group has been reinforcing its organization through increasing personnel including active mid-career recruitment.

(v) Transmission and Distribution Business

Grid networks are indispensable facilities to realize zero carbon emissions, which connect power plants to various grid users. The Group will strengthen the development of grid lines/bulk power systems and expand grid operations so as to make the most of renewable energy for use as a primary power source or increase resilience, and additionally it will promote decarbonization at every opportunity in the transmission and distribution business, with a priority given to stable

supply. At the same time, the Group plans to promote next-generation grid networks, such as building VPP with storage batteries or EV, enhancing services with electricity data, introducing distributed grids or utilizing data including cross-industrial data.

Kansai Transmission and Distribution, Inc., which is responsible for the transmission and distribution business in the Group has indicated its policy toward the realization of carbon neutrality in the outline of its business plan for the first regulatory period (FY 2023 – FY 2027) based on the aforementioned policy to achieve the Zero Carbon Vision 2050. Kansai Transmission and Distribution, Inc. has pledged its major initiatives from FY 2023 to FY 2027 as follows: (i) Augmentation of push-type²³ grids that correspond to future renewable energy power potential; and (ii) Advancement of grid operations (introduction of next-generation smart meters in FY 2025 and improvement of prediction accuracy for power generation.)

Figure 11: Kansai Transmission and Distribution, Inc. Efforts to Achieve Carbon Neutrality

Please refer the Kansai Transmission and Distribution, Inc.'s document p.27 (Japanese)²⁴

In order to build a zero-carbon society, the demand for electricity is expected to increase in many industries and households, and electricity needs to be stably supplied more than ever; therefore, power transmission and distribution networks that are resilient to aging and disasters are essential. In order for Kansai Transmission and Distribution, Inc. to increase the resilience, it will appropriately renew and expand facilities based on the guidelines or masterplans provided by Organization for Cross-regional Coordination of Transmission Operators and comprehensive evaluation results, such as internal failure risks or importance of facilities in a conventional fashion. Then, Kansai Transmission and Distribution, Inc. has indicated that it will energetically work on further increasing resilience; for instance, promptly responding to blackouts and strengthening cybersecurity in its business plan.

<Materiality>

In order for the Group to achieve its sustainable growth and contribute to sustainably developing society through resolution of global social issues such as the SDGs, the Group has identified the following 10 materialities (key issues) when it has formulated the Medium-term Management Plan after discussions held in the Board of Directors. The Group has referred to the GRI standard²⁵ (including aspects specific to power) as fundamental requirements that shall be considered in reviewing the materialities.

²³ The pull type refers to the conventional grid, which electric transmission companies correspond to requests made by power sources (i.e., power generation firms and consumers) in each case, and the push type means a grid system that transmission companies mainly and systematically respond to requests based on a master plan, taking power potential into consideration. The push type grid is deemed as effective in aiming to develop rational facilities, holistically looking ahead to power sources and transmission and distribution facilities. The master plan is a long-term policy for a wide range grid formulated by the Organization for Cross-regional Coordination of Transmission Operators, Japan so as to expand distributed power sources such as renewable energy or develop inter-regional grid lines.

²⁴ Source: Kansai Electric Power Transmission and Distribution Inc. *The Outline of business plan for the first regulatory period (FY2023-2027)* (in Japanese)

https://www.emsc.meti.go.jp/activity/emsc_electricity/pdf/0014_07_01.pdf

²⁵ A framework on ESG information disclosure, aiming for contributing to the sustainable development of the economy, society, and environment, formulated by the Global Reporting Initiative (GRI), an international non-profit organization.

ESG	Increase profitability by providing new value	8, 9, 12
E	Promote zero-carbon efforts	7, 12, 13
S	Strengthen resilient business infrastructure on the condition of ensuring safety	7, 9, 11
	Achieve business innovation and enhance information security utilizing digital technologies	8, 9
	Earn trust in our business areas and contribute to regional revitalization	11
	Promote diversity and build a safe and comfortable working environment	5, 8
	Appropriate risk management in supply chain	8, 12, 16
	Step up efforts to develop and secure human resources	8
	Deepen bilateral communication with stakeholders	12
	Firmly establish governance and observe strict compliance	16
G		

Figure 12: Materiality Identified and Associated SDGs²⁶

Of the aforementioned priority issues, "Promote zero-carbon efforts" has also led to "Reduce CO₂ emissions from power generation by 50 percent by FY 2025 (compared to FY 2013)" in the Zero Carbon Vision 2050 and Zero Carbon Roadmap; therefore, promoting the initiatives that contribute to mitigating climate change has been positioned at the core of KEPCO's environmental strategy.

<Kansai Electric Power Group Code of Conduct >

The Group has established a Charter of Conduct that concretely shows how its officers and employees shall act based on its Purpose & Values, which has been positioned as a base for making determination in business activities, assuming all internal regulations. The Charter of Conduct consists of 10 items including "7. Efforts aimed at creating a better environment" under which, the Group stipulated "at the Group, it recognizes the importance of working to respond to environmental issues ranging from climate change to the advancement of resource circulation and local environmental preservation. As a business with deep connections to the environment, the Group is striving to reduce the environmental impacts and risks that result from its business activities." The Group also states that it seeks the creation of a better environment and actively

²⁶Source: Kansai Electric Power Group Integrated Report 2023

contribute to the formation of a sustainable society by providing products and services with low environmental impacts.

<Kansai Electric Power Group Environmental Policy>

The Group established the following Kansai Electric Power Group Environmental Policy based on the above-cited Code of Conduct as its medium- to long-term environmental management direction. The Group has defined "Responding to climate change" in the Environmental Policy and obviously it has aggressively tackled with climate change. The Environmental Policy will be reviewed and examined by the Sustainability Promotion Boards as will be described later where appropriate, and the results of which will be disseminated throughout the Group.

● Kansai Electric Power Group Environmental Policy

1. **Adhering to environmental laws, regulations and related rules**
At the Kansai Electric Power Group, we adhere to laws, regulations and other rules related to the environment.
2. **Responding to climate change**
At the Kansai Electric Power Group, recognizing climate change as a key business challenge, we actively work to reduce greenhouse gas emissions. We pursue the goal of carbon neutrality throughout the entirety of our business activities and support our customers and society in achieving decarbonization by 2050. In addition, we also work to adapt in preparation for the harmful impacts of climate change.
3. **Promoting resource circulation**
At the Kansai Electric Power Group, recognizing that natural resources are limited, we advance efforts toward resource circulation in society as a whole. Our efforts include reducing natural resource consumption in our business activities, proactively promoting 3R (reduce, reuse, recycle) practices, and providing products and services that contribute to resource circulation.
4. **Protecting local community environments**
At the Kansai Electric Power Group, we seek to prevent environmental pollution while working to strictly manage and reduce toxic chemicals in our business activities in order to promote the environmental protection of local communities.
5. **Conserving biodiversity**
At the Kansai Electric Power Group, we recognize the importance of biodiversity. We properly assess, analyze and evaluate the impacts of our business activities and work to preserve biodiversity.
6. **Promoting environmental communication**
At the Kansai Electric Power Group, we work proactively to raise environmental awareness and disclose information related to the environment.
7. **Continuously improving our environmental management systems**
At the Kansai Electric Power Group, we seek to continuously improve our environmental management systems in order to increase our environmental performance.

Figure 13: Kansai Electric Power Group Environmental Policy²⁷

<KEPCO Sustainability Promotion System>

The Group has recognized climate change issues as key business challenges and has established the Sustainability Promotion Council, which is chaired by the President. The Council develops the Group's sustainability measures and monitors their development, focusing on climate change issues (strategies, materiality, risks or opportunities.) Office of Corporate Planning has assumed Management Office, and a regular meeting is held twice a year in the first half and second half of a year and in cases where an agenda irregularly arises, which is not discussed in a regular meeting, a meeting is held in each case. Issues of a specialized nature are sent to committees such as the Sustainability Promotion Board for deliberation.

An Internal Control Board has been established as a council to put risks under central management. Risks on climate change have been deliberated in the council as they have been positioned as important risks that have a significant impact on the business activities in the Group. The results of risk assessment have been reported to the Executive Meeting, and risk measures required have been reflected in the plans and policies in the entire Group.

²⁷ Source: Kansai Electric Power Group ESG Report 2023

A Zero Carbon Committee has been established as a council specialized in decarbonization. Chaired by the President, the Group formulated the Zero Carbon Roadmap to realize the Zero Carbon Vision 2050 and has shared its initiatives in respective departments related to zero carbon emissions and has confirmed the progress. Office of Energy and Environmental Planning has assumed Management Office.

Of the above-described councils, the Sustainability Promotion Council has the rights of voting. The Executive Meeting and the Board of Directors may pass a resolution depending upon the contents. Meanwhile, the Internal Control Board and the Zero Carbon Committee have no voting rights; therefore, the Board of Directors passes a resolution instead. The results of evaluation and management have been reported to the Board of Directors as appropriate and subsequently reflected in the Group's plans and policies in each council. The management of KEPCO and Kansai Transmission and Distribution, Inc. has participated in the Sustainability Promotion Council and the Internal Control Board. In addition to the management of KEPCO and Kansai Transmission and Distribution, Inc., the management in the Group, such as Kanden Energy Solution Co., Inc. (Kenes,) OPTAGE Inc. and Kanden Realty & Development Co., Ltd. has participated in the Internal Control Board and the Sustainability Promotion Council. The Group has strived to strengthen its governance system for climate change by linking its climate change targets and compensation for inside directors.

The Group has additionally and newly established "Hydrogen Business Strategy Division" in May 2021 so as to realize the Zero Carbon Vision 2050 in terms of the hydrogen business that plays an important role, and it has enforced its structure by newly establishing "International Group" as well as "Strategy Group" and "Technology Development Group" in July 2022.

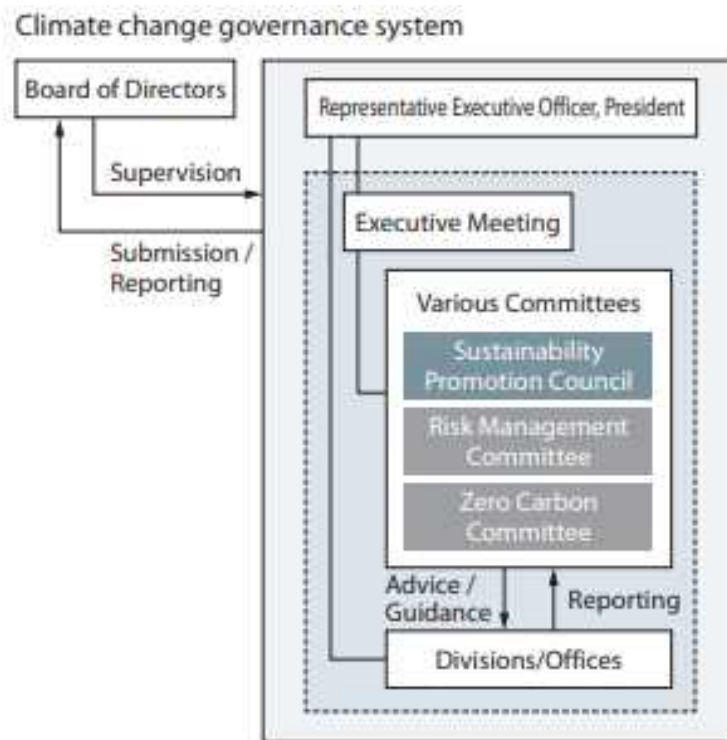


Figure 14: Governance Structure on Climate Change²⁸

²⁸Source: Kansai Electric Power Group Integrated Report 2023.

The Risk Management Committee is a predecessor of the Internal Control Board, which was disbanded in June 2023 and the Internal Control Board has been newly established since July 2023.

2-2. Alignment with Items Required in the Climate Transition Finance Handbook

Element 1. Issuer's climate transition strategy and governance

(1) Does the issuer who is financing proceeds have a transition strategy for climate change mitigation?

The Group has pleaded the Zero Carbon Vision 2050 and Zero Carbon Roadmap and has set the target to reduce the CO₂ emissions associated with its business operations to zero by the year 2050 and interim targets to achieve the 2050 target as follows:

Table 1: Targets in the Group's Zero Carbon Roadmap²⁹

FY 2025	· Reduce CO ₂ emissions from power generation by 50 percent by FY 2025 (compared to FY 2013)	The Kansai Electric Power Group's initiatives
FY 2030	· Maintain the industry-leading levels of the CO ₂ emission reduction rate through power generation after achieving the target for FY 2025	
	· Completely electrify over 5,000 vehicles owned by the Group (e.g. EV, PHV, FCV.)	
	· Decrease the CO ₂ emission factor of electricity sold to customers to industry-leading levels	Concerted efforts with customers and society
2040	· Provide services to help customers and society reduce CO ₂ emissions by over 7 million tons (equivalent to 30 percent of the estimated reduction in the Kansai area)	Making renewable energy a main power source
	· Through investment of a total of 1 trillion yen in domestic projects, the Group aims to develop 5 GW scale of new development and to achieve 9 GW scale of cumulative capacity.	
2050	· Zero CO ₂ emissions from business activities	

The Group has listed the followings as its specific own efforts to achieve the targets mentioned above: (i) Making the most of renewable energy for use as main power source; (ii) Maximizing the use of nuclear power; (iii) Zero-carbon thermal power generation system; and (iv) Contribution to constructing hydrogen supply chain. The Group also has advocated to address decarbonization throughout society by promoting electrification in addition to decarbonizing its own energy and will promote efforts for decarbonization not only in its own Company but also in its customers' and entire sales area. The Group has examined its roles in building a zero-carbon society through its initiatives and efforts throughout society from both the demand and supply sides.

Consequently, KEPCO has had a transition strategy on climate change mitigation as a whole group.

(2) Is the use of the "transition" label in financing intended to contribute to realizing a corporate strategy to transition to a business model that allows issuers to effectively address climate change-related risks and to contribute to achieving the goals of the Paris Agreement?

The Paris Agreement calls for the development of a strategy for GHG emissions reductions for a long-term. In "the Long-Term Strategy as a Growth Strategy Based on the Paris Agreement³⁰" approved by the Cabinet in October 2021 in response to the Paris Agreement, the responses to

²⁹Created by JCR based on materials published by Kansai Electric Power Group

³⁰ <https://www.env.go.jp/content/900440767.pdf>

renewal energy, nuclear power, hydrogen, ammonia, CCS and CCU/carbon recycling have been described as initiatives required for the Power Sector such as the Carbon Neutral by 2050. JCR has determined that the initiatives and goals described in this strategy have been aligned with the efforts and medium- to long-term goals set forth in the Group's Zero Carbon Vision 2050 and Zero Carbon Roadmap. The Group has an ambitious target, "Halve CO₂ emission through power generation by FY 2025 relative to FY 2013," which is ahead of the Japanese government's goal of achieving a 46 percent reduction in GHG in FY 2030 and its new challenge that continuously aims at an even higher level of a 50 percent reduction in GHG."

The Group has endorsed the recommendations of Task Force on Climate-related Financial Information Disclosure (hereinafter referred to as "TCFD"), has identified risks/opportunities on climate change for the medium to long term and has appropriately reflected the specific results in its strategy. The Group has analyzed risks for climate change in light of the scenarios provided by IEA³¹ and confirmed the probability that can manage various risks at an appropriate level in the efforts listed in the Zero Carbon Vision 2050 and Zero Carbon Roadmap. The Group has taken into consideration several scenarios that change the operations of nuclear powers and the introduction of zero carbon thermal technologies, in particular, in the scenario analysis that identifies opportunities and risks in climate change.

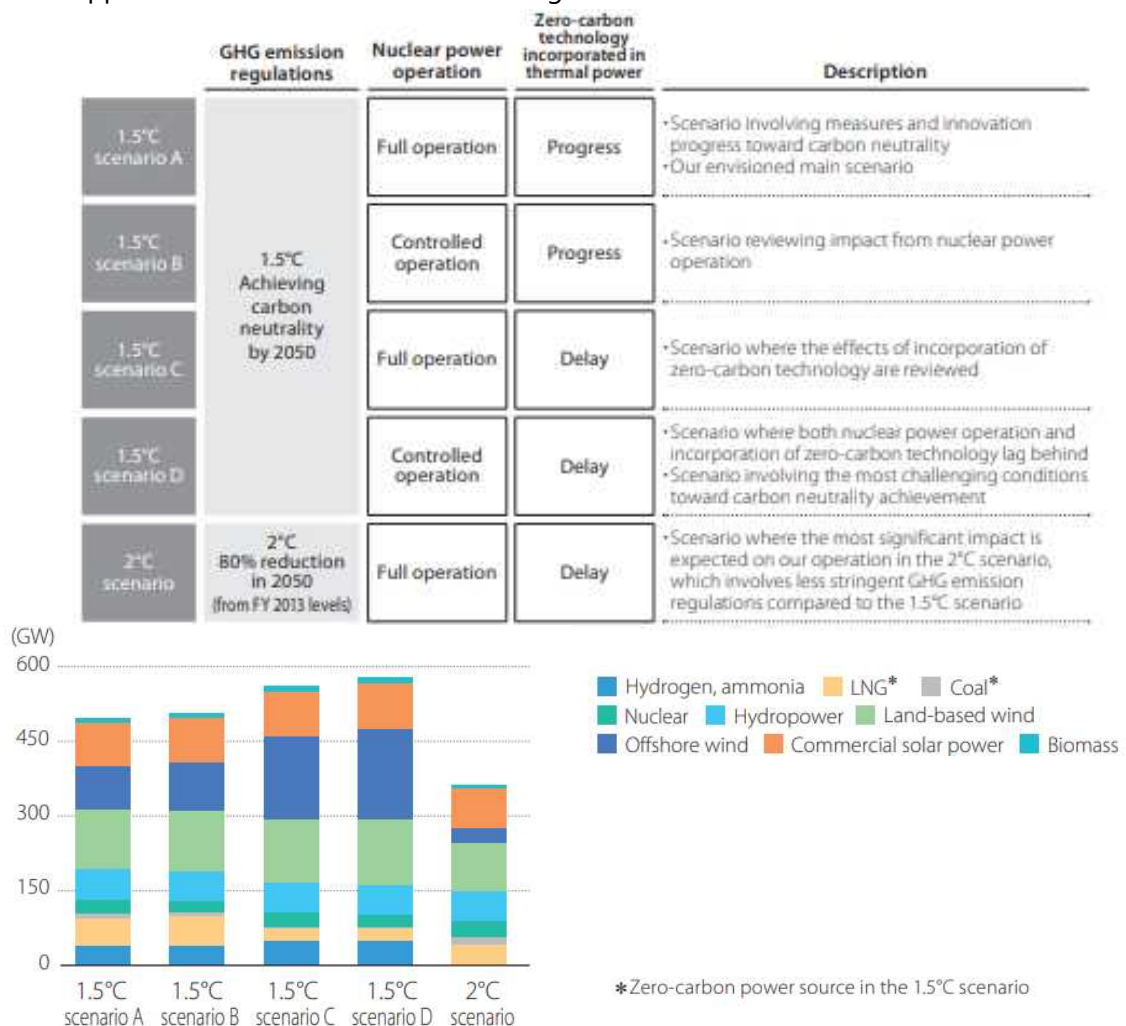


Figure 15: Expected Scenario in the Scenario Analysis (in the upper figure) and Domestic Capacity Installed by Power Supply in 2050 in Each Scenario (in the lower figure)³²

³¹ IEA: International Energy Agency

³² Source: Kansai Electric Power Integrated Report 2023

Accordingly, JCR has evaluated that the transition strategy in the Group has been aligned with the achievement of the goals of the Paris Agreement.

(3) Is a governance system established to ensure the effectiveness of the transition strategy?

The Group has established a sustainability promotion system as mentioned above and the Sustainability Promotion Council or the Zero Carbon Committee has managed to promote the initiatives listed in the Zero Carbon Vision 2050 and the Zero Carbon Roadmap.

Accordingly, JCR has evaluated that the Group has developed the system to steadily implement its transition strategy.

Element 2. Business model environmental materiality

Electricity is indispensable for people's life or economic life. Since the high economic growth in the 1960s in Japan, thermal power generation with fuels - coal, oil and LNG has accounted for 50 percent or more per power generation type, and the majority of domestic power generation has been thermal power generation after nuclear power plants were successively shut down due to the Great East Japan Earthquake in 2011. Indirect emissions from electricity accounted for 400.0 million t-CO₂ or 38 percent of the CO₂ emissions per final energy consumption in FY 2019³³ according to the Ministry of Economy, Trade and Industry (hereinafter referred to as "METI".) The CO₂ emission factor for electricity directly increases or decreases in CO₂ emissions in Scope 2 in industries that use power or the household sector; therefore, the ripple effect to other sectors is greater than that in other industries. A transition roadmap for carbon neutrality was presented by METI in February 2022 in terms of the initiatives to reduce CO₂ emissions in the power sector, and the efforts to reduce CO₂ emissions are expected to accelerate so as to realize carbon neutrality in 2050 in the future.

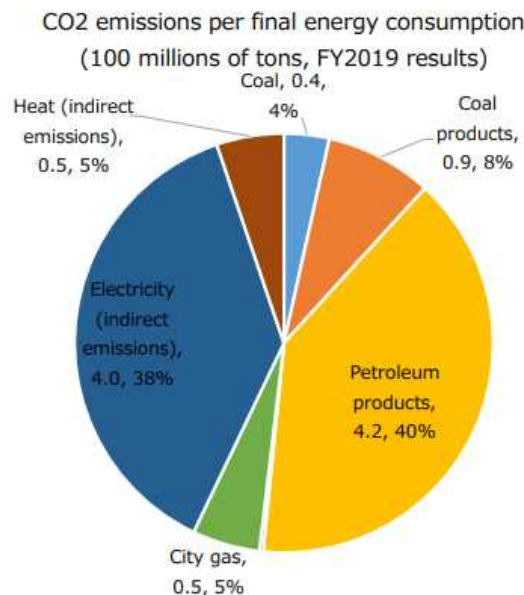


Figure 16: CO₂ Emissions per Final Energy Consumption³⁴

³³ Ministry of Economy, Trade and Industry, *Transition Roadmap for Power Sector* https://www.meti.go.jp/policy/energy_environment/global_warming/transition/transition_finance_technology_roadmap_power_eng.pdf

³⁴Source: Ministry of Economy, Trade and Industry, *Transition Roadmap for Power Sector*

JCR has evaluated that KEPCO has steadily reduced CO₂ emissions through its own power generation, based on which its contribution to reducing CO₂ emissions for customers or society as a whole has been significantly influential, considering that its domestic electricity sale is roughly 10 percent and accounts for a large share in the Kinki region as a former general electric utility.

As mentioned above, nuclear power accounts for approximately 30 percent of the KEPCO's composition of power sources (supply and demand records by source.) KEPCO, Shikoku Electric Power Company, Incorporated and Kyushu Electric Power Company, Incorporated - only three electric power companies - were domestically operating nuclear power plants as of January 31, 2024. Other companies have not operated their electric power plants for a long period; therefore, their practitioners cannot gain experience. Under such a circumstance, KEPCO is contributing to handing down technologies in cooperation with other companies that possess nuclear power plants. JCR, as mentioned above, has evaluated that KEPCO's initiatives have domestically supported safe operations in nuclear power generation and have been of significance under the recognition that power generation is essential in "S + 3E" in light of that nuclear power generation has been clearly positioned as a decarbonized power source in the Sixth Basic Energy Plan.

Accordingly, JCR has evaluated that carbon neutral efforts by KEPCO have been an important environmental issue in its business model.

Element 3. Climate transition strategy and targets to be science-based

Does the transition roadmap meet the followings?

(1) It is quantitatively measurable and the target covers Scope 1 and 2 (It is recommended that the target of Scope 3 be established to the extent feasible)

KEPCO has disclosed the figures for Scope 1 and Scope 2 of GHG emissions, which is guaranteed by an independent third party. The goals, "Halve CO₂ emissions through power generation by FY 2025 (compared to FY 2013)" and "Maintain industry-leading CO₂ emission reduction levels through power generation by FY 2030" are subject to Scope 1; however, the target, "Decrease the CO₂ emission factor of electricity supplied to customers to industry-leading levels (by FY 2030)" is covered in the zero carbon roadmap. The Group's roadmap does not include Scope 2. Of CO₂ emitted by KEPCO, the percentage of Scope 2 is trivial (approximately 0.01 percent³⁵) relative to Scope 1 and Scope 3. Accordingly, JCR has evaluated that the entire supply chain has been sufficiently covered by the goal setting in the present roadmap.

KEPCO, in terms of its interim targets, endorsed the GX League Basic Concept in March 2022 and set its GHG reduction targets (the total of annual direct (Scope 1) and indirect (Scope 2) emission targets for each fiscal year submitted to the GX League) and submitted them in September 2023 as follows:

- (1) 2023-2025 total: 70.66 million t-CO_{2eq}
- (2) FY 2025: 21.35 million t-CO_{2eq} (-55 percent from FY 2013 levels)
- (3) FY 2030: 14.00 million t-CO_{2eq} (-70 percent from FY 2013 levels)

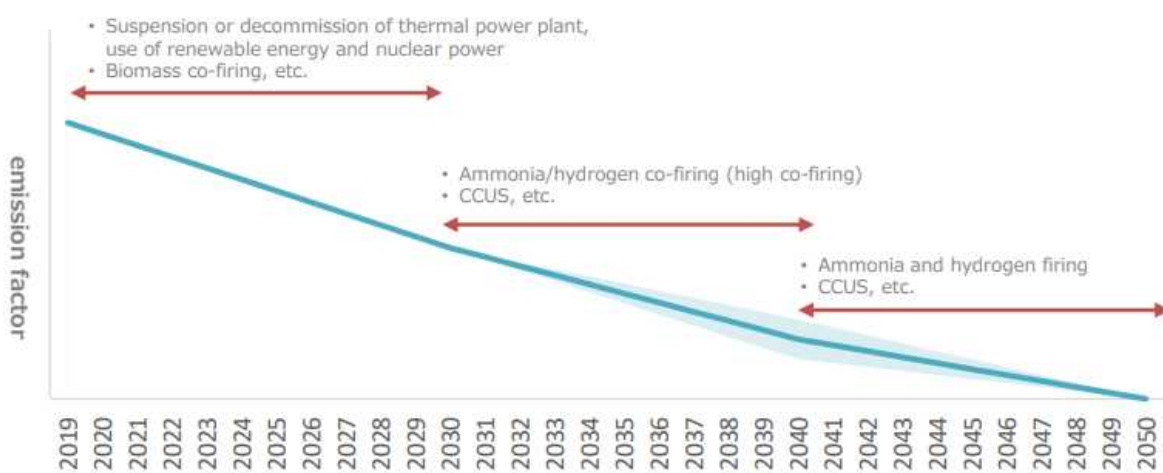
³⁵ Calculated by JCR based on performance data in FY2022 (data from ESG Report 2023 https://www.kepco.co.jp/english/corporate/list/esg/pdf/esg2023_e.pdf)
The Scope 2 accounts for roughly 0.25 percent in the entire Group.

Since the goals submitted to the GX League have not yet been reflected in the Zero Carbon Roadmap, the roadmap is expected to be updated in light of the above described goals hereafter.

(2) Alignment with generally recognized science-based target setting

The goals established by the Group in the Zero Carbon Vision 2050 and the Zero Carbon Roadmap exceeded the government's goal of "a 46 percent reduction in GHG emissions by 2030 compared to 2013" whose details have been aligned with the Sixth Basic Energy Plan formulated by the government in October 2021. JCR has evaluated that these goals and measures to achieve them have been aligned with the goals and measures in the "Transition Roadmap for Power Sector" formulated and published by METI in February 2022.

Assumed CO2 Reduction Pathway *



- 1 2020~2030**
In addition to expanding the use of renewable energy and nuclear power, which are decarbonized power sources that have already been put into practical use, efforts will be made to reduce carbon emissions by co-firing biomass into thermal power generation and suspending or decommissioning thermal power. In parallel, ammonia/hydrogen co-firing technology and CCUS technology will be developed and demonstrated.
- 2 2030~2040**
Expanding the introduction of the co-firing of ammonia/hydrogen and increasing the ratio of them to achieve higher co-firing.
- 3 2040~2050**
Achieved carbon neutrality by significantly reducing emissions through the commercialization and expansion of ammonia/hydrogen exclusive firing.

* It should be noted that this only illustrates the assumption of the overall Japanese power sector's decarbonization pathway. In reality, decarbonization will be achieved based on each company's long-term strategy and hence, will not necessarily be the reflection of this assumption.

Figure 17: Transition Roadmap for the Power Sector³⁶

The Group's targets have been aligned with "Contribution of Japanese electric utilities toward the realization of carbon neutrality in 2050," a long-term vision of the Electric Power Council for a Low Carbon Society (hereinafter referred to as "ELCS") announced in October 2019 and revised in October 2021. The ELCS long-term vision has been formulated in light of the Long-Term Strategy as a Growth Strategy Based on the Paris Agreement decided by the Cabinet in October 2021.

³⁶Source: Ministry of Economy, Trade and Industry, *Transition Roadmap for Power Sector*

"Contribution of domestic electric utilities toward the realization of carbon neutrality" by ELCS

ELCS is an organization established in February 2016 by volunteers of domestic electricity utilities, aiming to promote effective global warming measures throughout the electric power industry. ELCS is intended to move forward with the aforementioned efforts toward the realization of its targets in the Low-Carbon Society Implementation Plan. ELCS aims at a reduction of CO₂ emissions and Carbon Neutrality in 2050 by pursuing an optimal energy mix that realizes "S + 3E," giving a top priority to safety by low- and de-carbonizing electricity at the supply side and by reducing CO₂ emissions through promoting electrification at the demand side in "Contributions of Japan's electric utilities toward the realization of carbon neutrality in 2050," a long-term vision on global warming prevention measures. In this vision, the median of CO₂ emission intensities and electrification rates in power generation facilities were plotted in respective scenarios from Above 2°C to Below 1.5°C in the IPCC 1.5-Degree C Special Report compiled by IPCC³⁷ in October 2018, indicating that the low- and de-carbonization of electricity will promote electrification (increase in electrifications.³⁸)

The path on 1.5°C targets by sector in the Sixth Assessment Report (hereinafter referred to as "AR6"³⁹) provided by IPCC is shown in the blue line in the figure below. The Group's target for FY 2025 in the orange plot is lower than the path (the emission reduction range is larger than the path in the AR6.) Accordingly, JCR has evaluated that the Group's target has been more ambitious than the pathway to reduce CO₂ so as to achieve the 1.5°C target.

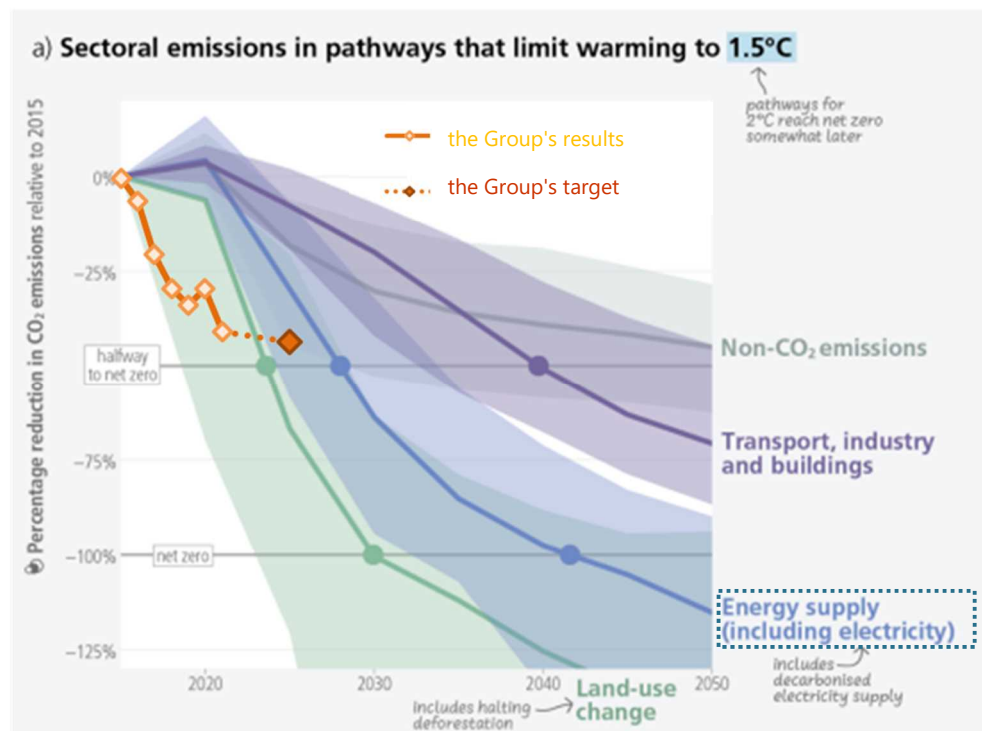


Figure 18: Relationship between the Path toward a 1.5°C Target by Sector in the IPCC AR6 and the Group's Results and Targets⁴⁰

³⁷ IPCC: Intergovernmental Panel on Climate Change. IPCC is an abbreviation that stands for Intergovernmental Panel on Climate Change, an intergovernmental organization established by the World Meteorological Organization (WMO) and the United Nations Environment Program (UNEP) in 1988, with 195 countries and regions participating in IPCC as of August 2021.

³⁸ ELCS, *Long-term vision on global warming measures, the Contribution of Japanese Electric Utilities to Achieve Carbon Neutrality in 2050*. https://e-lcs.jp/news/assets/211025_choukivision_honbun.pdf (Japanese)

³⁹ https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf

⁴⁰ Prepared by JCR based on IPCC AR6 and Kansai Electric Power Group Integrated Report 2022. Since the year of 2015 is deemed as its baseline in IPCC's AR6, the Group's results and the targets for FY 2025 are also shown with a reduction rate compared to actual results.

(3) It shall be Publicly disclosed (including Interim Targets)

The Zero Carbon Vision 2050 and the Zero Carbon Roadmap in the Group have been published on the KEPCO's website. Respective milestones for FY 2025 and FY 2030 have been indicated in the Roadmap (the target for CO₂ emissions in FY 2030 has been qualitative in the Roadmap.)

As mentioned in Element 3 (1,) KEPCO, in terms of its interim targets, endorsed the GX League Basic Concept in March 2022 and set its GHG reduction targets (the total of annual direct (Scope 1) and indirect (Scope 2) emission targets for each year submitted to the GX League) and submitted them in September 2023. These targets have been disclosed in its Integrated Report.

(4) It shall be Supported by Independent Assurance or Verification

The results of GHG emissions (Scope 1 and Scope 2) in the Group have been certified by an independent third party.

Accordingly, JCR has evaluated that the Group's Zero Carbon Roadmap is based on scientific evidence and meets the requirements in Element 3. Since the targets submitted to the GX League including the quantitative targets for FY 2030 have not yet been reflected in the Zero Carbon Roadmap, the Roadmap is expected to be updated in light of the aforementioned targets.

Element 4. Implementation transparency

The Group published a plan to invest 1.05 trillion yen in the Energy Transformation (EX): Seeking to achieve zero-carbo emissions for five years from FY 2021 to FY 2025 in its Medium-term Management Plan. The Group also announced that of the 1.05 trillion yen, 340 billion yen will be invested in renewable energy projects, such as new development centered on offshore wind plants and renewal of existing hydropower plants. The Group additionally released investment plans for a single year to achieve its Medium-term Management Plan.

Concept of cash distribution

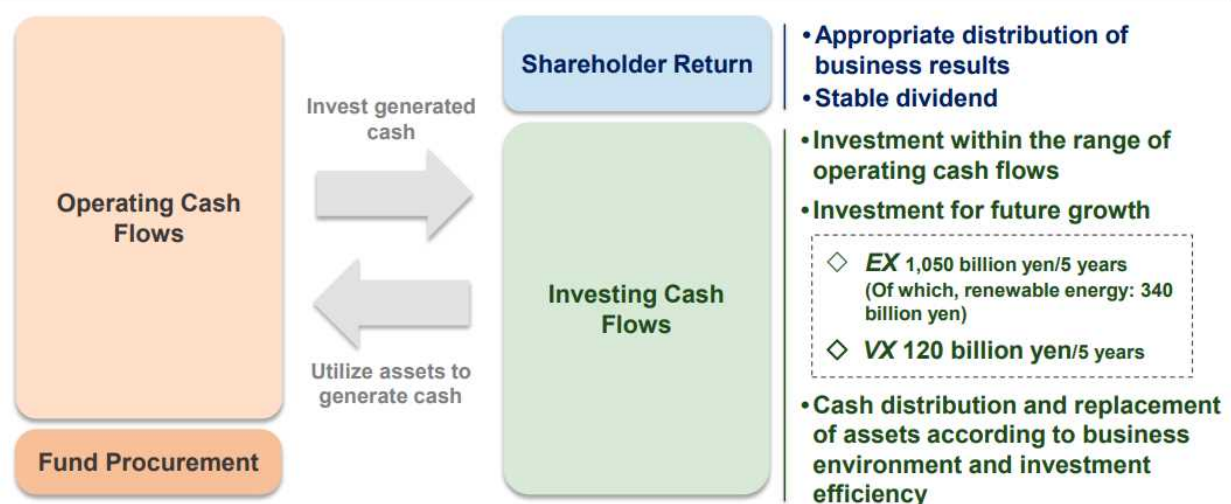


Figure 19: Kansai Electric Power Group Medium-Term Management Plan (2021-2025), Concept of Cash Allocation⁴¹

⁴¹Source: Kansai Electric Power Group Medium-Term Management Plan (FY 2021-FY 2025)

The Group's investment in EX from FY 2021 to FY 2022 was 456 billion yen, of which roughly 40 percent was invested in safety improvement measures in nuclear power plants. Takahama Nuclear Power Station Units 1 and 2, which require a large amount of investment expenses for safety improvement measures have resumed operations since August and October 2023, respectively; therefore, the investment expense for safety improvement measures is expected to have a lower proportion of the investment amount in EX in and after FY 2023. JCR has confirmed that the Group has planned for future investments in EX including: (i) Various studies or demonstrations, such as expanding the introduction of renewable energy or zero carbonization of thermal power generation; production, transportation and supply of hydrogen; or fuels for power generation; and (ii) Next generation grid networks such as enhancement of power infrastructure. Kansai Transmission and Distribution, Inc. announced a capital expenditure plan for power distribution for the first regulatory period by 2027 and has expected to make a capital investment of 238.5 billion yen on average for five years.

This investment plan includes: (i) The facility maintenance plan to appropriately renew aging facilities that will increase in the future; (ii) The next-generation investment plan in the "realization of carbon neutrality" containing efforts, such as reinforcement of push-type power grids that correspond to future renewable energy power potential or advancement of grid operations (e.g., introducing the next generation smart meters or improving predicting energy output); and (iii) An investment plan in the "greater resilience" including construction of disaster-resistant facilities, promotion of cooperation in case of a disaster, enhancement of information dissemination during a disaster and well-prepared cyber security measures.

Accordingly, JCR has evaluated that the Group has provided high transparency as it set the Zero-Carbon Vision 2050 and Medium- to Long-term Targets based on the GHG reduction targets defined by the Japanese government, and that it has also disclosed specific investment plans to the extent possible to achieve these goals.

Along with the implementation of the Group's transition strategy, there will be no negative impact on the environment and society such as the impact on employment. The Group has expected the impact on employment will not unconditionally shrink but shift to thermal power with zero-carbon fuels as a coordinator for the supply/demand balance even in the thermal power generation business, which emits a large amount of CO₂. The Group has expected to have no impact in other businesses as the skills of thermal power generation workers are utilizable.

The Group has been committed to complying with environmental laws and regulations and conserving the global environment and biodiversity in the environmental policy. The Group has published its initiatives to contribute to a resource-recycling society by not only responding to climate change but also recycling all coal ash from coal-firing thermal power plants as raw materials for cement or paving material for roads. The Group has additionally and certainly taken local environmental conservation measures, such as prevention of air pollution or water pollution, asbestos problems or biodiversity conservation and has strictly managed chemical substances.

The possibility of a lock-in to fossil fuels has been assessed as small with the followings:

- The Group has a zero carbon strategy for 2050.
- The Group possesses only one coal-firing thermal power plant at the time of preparing this evaluation report and has started biomass co-firing in the said power plant and will be examining ammonia co-firing in the future.
- The Group has studied to multilaterally shift to zero carbon fuels, including hydrogen and CO₂ capture by CCUS in other thermal power generation.

- The Group aims to use renewable energy as a primary power source as the energy composition throughout the Group.

The Group has recognized that the most important is to gain understanding of its businesses by having repeated dialogues with residents in the target areas, assuming that environmental assessments are conducted for developing renewable energy. Furthermore, it is presently unthinkable that the investment plan on transitions in the Framework will cause significant harm to other projects with environmental benefits (so-called Do No Significant Harm,) and the above-described investment will have no impact on a just transition for the present moment.

JCR has confirmed that the Group has promoted risk communication - initiatives to share risk perceptions on nuclear power and reflect the opinions received in business operations - in terms of nuclear power plants, and that it has bi-directionally communicated especially with local residents by facing their questions and anxiety and by thinking those side by side. The government has indicated its approach for back-end issues in the Sixth Basic Energy Plan. For instance, the government will take the lead to address the final disposal of specified radioactive waste based on the "Basic policy on the final disposal of designated radioactive wastes" and it has already making proactive efforts, such as publishing the "Map of Scientific Features" in 2017 and investigating documents in Hokkaido in 2020. KEPCO will steadily address these back-end challenges in accordance with the governmental policies. KEPCO formulated its latest roadmap for measures for spent fuel in October 2023 as its guideline to supplement the plan to promote measures for spent fuel.

Accordingly, JCR has evaluated that this Framework satisfies the four elements required in the Climate Transition Finance Handbook.

Chapter 3: Alignment with Green Bond Principles

Evaluation Phase 1: Green and Transition Evaluation

gt1(F)

I. The Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR first confirms whether the proceeds set out in the Framework is used for green/transition projects that have clear environmental improvement effects. Then, in cases where the use of proceeds is expected to have a negative impact on the environment and society, JCR confirms whether the impact is fully examined by an internal specialist department or an external third party and whether necessary measures have been taken for its workaround and mitigation. Finally, JCR confirms the consistency with the Sustainable Development Goals (SDGs.)

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

All of the eligible criteria and projects for which KEPCO will use proceeds in this Framework are initiatives to realize the Group's "Zero Carbon Vision 2050" and are expected to have environmental benefits.

The Framework for Use of Proceeds

3-1. Use of Proceeds

The proceeds financed through green/transition finance will be allocated to new investments in and refinancing to the following eligible businesses. Eligible projects for refinancing are limited to businesses that have started their operations or to which proceeds have been allocated within 36 months prior to the execution of finance.

<Green/Transition Eligible Projects>

Zero Carbon Roadmap Items	Eligible Business	Use of Proceeds
The Group's Initiatives	Renewable energy	<ul style="list-style-type: none"> Development, construction, operation and renovation of hydroelectric-, wind-, solar- geothermal- and biomass- power generation businesses (*)
	Nuclear power	<ul style="list-style-type: none"> Further improvement of safety, continuation of safe and stable operations, resume operations Installation, expansion and replacement (next-generation light-water reactors, SMR or high-temperature gas-cooled reactors) Hydrogen production survey, R & D, demonstration and capital investments
	Zero carbon thermal power	<ul style="list-style-type: none"> Survey, R & D, demonstration, capital investments for co-firing with zero-carbon fuels for thermal power generation (hydrogen, ammonia, biomass) Efficiency of LNG-fired thermal power Survey, R & D, demonstration and capital investments of CCS/CCUS
	Hydrogen	<ul style="list-style-type: none"> Survey, R & D, demonstration, capital investments for hydrogen production, transportation, supply and fuel for power generation (*)
	Transmission and Distribution	<ul style="list-style-type: none"> Making the most of renewable energy for use as main power source to realize zero-carbon; or expansion/renewal of facilities to increase resilience; equipment enhancement of bulk power systems /grid lines; widening of grid operations
Concerted efforts		

with customers and society		<ul style="list-style-type: none"> Survey, R & D, demonstration and capital investments to realize to create VPP utilizing storage batteries or EV, utilize power data, apply distributed grids, advanced grid operations that maximize the use of renewable energy
	Electrification	<ul style="list-style-type: none"> Electric bus/truck package services (excluding hybrids) (*) EV (excluding hybrid) and charger/discharger leasing service (*)
	Energy creation (Energy saving)	<ul style="list-style-type: none"> Solar power generation systems on the demand side (*) Storage batteries on the demand side (electricity created by renewable energy) (*)
	Zero Carbon Town	<p><Green Building></p> <ul style="list-style-type: none"> Development, construction, renovation, acquisition of properties that meet any of the following criteria (*) <ul style="list-style-type: none"> A level of energy efficient that is the ZEH (ZEH-M) Oriented standard or above in residential apartments/houses A level of energy efficient that is the ZEB Oriented standard or above in office buildings (ZEB Ready standard for logistics facilities) Development, construction, renovation, acquisition of properties that acquires (will acquire) or renew (will renew) any of the following certifications (*) <ul style="list-style-type: none"> S rank or B plus rank, A rank under CASBEE for Construction (new construction/existing/renovation) or CASBEE for Real Estate (including CASBEE for Local Government edition) 5 stars or 4 stars, 3 stars in BELS (2016 standard) "Platinum" or "Gold," "Silver" in LEED certification 5 stars or 4 stars, 3 stars in DBJ Green Building <p><Data Center></p> <ul style="list-style-type: none"> Construction, renovation, acquisition of data centers or green data centers with design Power Usage Effectiveness (hereinafter referred to as "PUE") of less than 1.4 (*)

* It may fall under a green eligible business and may be used as green finance.

* 1 Will confirm the following consideration for environmental and social risks for all eligible businesses.

- Compliance with environmental laws and regulations required by the national government/local governments in which businesses have been operated and implementation of environmental impact surveys where appropriate
- Providing thorough explanations to local residents in implementing businesses

*2 Will confirm that the biomass power generation business uses fuels that meet the sustainability standards required by the Japanese government and that contribute to CO₂ reduction throughout the life cycle.

*3 Will confirm that the geothermal power generation business is limited to those that contribute to CO₂ reduction throughout the life cycle.

*4 In cases where there are any change in the related system for green buildings, the contents of the use of proceeds will be reviewed in conformity with the change in consultation with a third party institution.

JCR's Evaluation for the Framework

1. Environmental improvement effects of the project

(1) Use of proceeds 1: Renewable energy

Use of proceeds 1 refers to projects for renewable energy with hydroelectric power, wind power, solar power, geothermal power and biomass. This project falls under "Renewable energy" in the Green Bond Principles and the Green Loan Principles, and "Projects for renewable energy" in the Green Bond Guidelines and the Green Loan Guidelines.

Power generation with hydroelectric power, wind power and solar power is clean energy with a GHG reduction effect by replacing fossil fuels and using hydroelectric power, wind power and solar power as energy sources, respectively, and does not depend upon finite resources such as fossil fuels. Therefore, the aforementioned power generation is expected to play an important role in the Sixth Strategic Energy Plan (hereinafter referred to as "the Energy Plan") approved by the Cabinet in October 2021. According to the Energy Plan, the government will make sure to use renewable energy as main power sources, prioritize to make efforts on renewable energy and promote its introduction to the maximum extent possible while minimizing the burdens on citizens and coexisting with communities, giving a top priority to stable supply or reducing energy costs (e.g., "S+3E") in the renewable energy sector, aiming at the Carbon Neutral Declaration in 2050, a 46 percent reduction in CO₂ emissions in 2030 and a new challenge that continuously aims at an even higher level of 50 percent reduction in CO₂ emissions.

Biomass power generation is expected to play an important role by setting the second largest percentage for use after solar power generation among renewable energy sources in the Energy Plan. Biomass power generation is a power generation method that can achieve carbon neutrality, which virtually does not emit CO₂ as wood used as a fuel absorbs CO₂ during its growth, and it is not nature-dependent unlike solar power generation or wind power generation.

In the Energy Plan, renewable energy is positioned as the main power source in FY 2030 and JCR has evaluated that increasing renewable energy is indispensable for the government to achieve its goal of reducing CO₂ emissions by 46 percent in FY 2030 compared to 2013 and its long-term target of realizing carbon neutrality in 2050. Accordingly, JCR has determined that this use of proceeds will greatly contribute to not only the Group but also the government's transition strategy toward carbon neutrality in 2050 and will have high environmental benefits.

		(FY2019 ⇒ previous energy mix)	Energy mix in FY2030 (ambitious outlook)
Energy efficiency improvement		(16.55 million kl ⇒ 50.30 million kl)	62 million kl
Final energy consumption (without energy conservation)		(350 million kl ⇒ 377 million kl)	350 million kl
Power generation mix	Renewable energy	(18% ⇒ 22-24%)	36-38%
Electricity generated: 1,065 TWh	Hydrogen/Ammonia	(0% ⇒ 0%)	<small>※If progress is made in utilization and implementation of R&D of renewable energy currently underway, 38% or higher will be aimed at.</small>
⇒ Approx. 934 TWh	Nuclear	(6% ⇒ 20-22%)	
	LNG	(37% ⇒ 27%)	1%
	Coal	(32% ⇒ 26%)	20-22%
	Oil, etc.	(7% ⇒ 3%)	20%
			19%
			2%
(+ non-energy related gases/sinks)			
GHG reduction rate		(14% ⇒ 26%)	46%
			Continuing strenuous efforts in its challenge to meet the lofty goal of cutting its emission by 50%

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Figure 20: Overview of the Sixth Strategic Energy Plan⁴²

⁴² Source: Agency for Natural Resources and Energy (2021) *Outline of Strategic Energy Plan*

(2) Use of proceeds 2: Nuclear power

Use of proceeds 2 covers restarting nuclear power plants, further improving safety, continuing safe and stable operations and producing hydrogen through cutting-edge technologies and nuclear power generation. Specifically, the Use of proceeds 2 includes costs on capital investments or demonstration related to further improvement of safety, continuous safe and stable operations; expenses on resuming operations, installation and expansion/replacement (next-generation light-water reactors, SMR and high-temperature gas-cooled reactors;); costs on survey, R & D, demonstration and capital investments for hydrogen production.

The "Basic Policy for the Realization of GX" enacted in February 2023 stated that the government will utilize nuclear power, which does not emit CO₂ during power generation and has stable output and high autonomy with safety as a top priority so as to achieve both stable supply and carbon neutrality, and the government has shown its recognition that the utilization of nuclear power is essential for realizing carbon neutrality.

KEPCO has established operation at the seven nuclear reactors through restarting Takahama Nuclear Power Station Units 1 and 2 in August and October 2023, respectively; therefore, it has recognized that expenses on further improvement of safety and reliability such as costs for regular inspections will be required hereafter although large-scale capital investments were completed for resuming the power plant operations; for instance, construction work to ensure safety including special facilities to deal with designated severe accidents. Gaining the understanding of local residents at each nuclear power plant are as described above.

In R & D on cutting-edge technologies, KEPCO has expected to use the proceeds to conduct R & D and demonstration tests or make investments in reactors for industrial demonstration for next-generation light water reactors and new types of reactors (SMR or high-temperature gas-cooled reactors) where future technologies will be developed. JCR has evaluated that this use of proceeds will significantly contribute not only to the Group but also the government's transition strategy toward the 2050 carbon neutrality as this use of proceeds for nuclear power generation has been aligned with the Transition Roadmap for Power Sector presented by METI.

(3) Use of proceeds 3: Zero-carbon Thermal Power

Use of proceeds 3 refers to efforts for zero-carbon emissions in thermal power plants and covers, in particular, costs on survey, R & D, demonstrations and capital investments for co-firing with zero-carbon fuels for thermal power generation (hydrogen, ammonia and biomass,) expenses on efficiency of LNG-fired thermal power and costs on survey, R & D, demonstrations and capital expenditure of CCS/CCUS.

In the Group's zero-carbon roadmap, the Group has listed as its own initiatives: (i) Achieving co-firing with zero-carbon fuels in LNG-fired thermal power around 2030 and exclusive firing by 2050; and (ii) Realizing co-firing with zero-carbon fuels in coal-firing thermal power around 2030 and acceleration and future introduction of CCUS technical assessment. This use of proceeds in this Framework is efforts themselves listed in these roadmaps. These initiatives have been aligned with the Transition Roadmap for Power Sector provided by METI. Accordingly, JCR has evaluated that the use of these proceeds will greatly contribute not only to the Group but also the government's transition strategy toward the 2050 carbon neutrality.

(4) Use of proceeds 4: Hydrogen

Use of proceeds 4 is expenses on survey, R & D, demonstrations and capital investments for hydrogen production, transportation, supply and fuels for power generation. In case of green hydrogen derived from renewable energy, this project falls under "Renewable energy" in the Green Bond Principles and the Green Loan Principles, and "Projects concerning production technologies and processes and environmentally friendly products for the circular economy (Projects for the research, development, and introduction of technology and products that contribute to reducing the amount of greenhouse gas)" in the Green Bond Guidelines and the Green Loan Guidelines. JCR has confirmed through interview with KEPCO that it may raise proceeds as green finance in case of green hydrogen, and that it will finance proceeds as transition finance during the transition until green hydrogen is available.

The Group has set forth its efforts to build a hydrogen supply chain through its own initiatives in its Zero Carbon Roadmap. The use of proceeds in this Framework has been aligned with the details of these roadmaps. JCR has evaluated that the use of these proceeds will contribute to realizing KEPCO's target for carbon neutrality and that the use of these proceeds will contribute to achieving a hydrogen society and possibly even carbon neutrality in Japan as it has been aligned with the details defined in the Basic Hydrogen Strategy.

(5) Use of proceeds 5: Transmission and Distribution

Use of proceeds 5 refers to the transmission and distribution business with two types of use of proceeds, and Kansai Transmission and Distribution, Inc. that has engaged in the transmission and distribution business in the Group will carry out eligible businesses with the proceeds concerned.

The first use of proceeds is to strengthen and improve the power network that contributes to making the most of renewable energy for use as a primary power source or increasing resilience (e.g., enhancing and renewing network facilities or expanding grid operations,) which includes strengthening the maintenance of grid lines/bulk power systems to leverage renewable energy whose suitable areas are unevenly distributed. In order to build a zero-carbon society, the demand for electricity is expected to increase in many industries and households, and power needs to be stably supplied more than ever; therefore, power transmission and distribution networks, which are resilient to aging and disasters, need to be developed. The investment to increase resilience is included in this use of proceeds.

The second use of proceeds refers to expenses on survey, R & D, demonstrations and capital expenditure to realize to create VPP utilizing storage batteries or EV, utilize power data, apply distributed grids and advanced grid operations that maximize the use of renewable energy. In cases where the Group aims to introduce a large amount of renewable energy in the future, it is required to introduce facilities that absorb fluctuations in power storage/energy storage or construct a power system, which highly adjusts supply and demand and is based on feasibility suitable for the operation as power supply will be decentralized and the fluctuations in demand and supply will be greater than at present due to changing renewable energy or demand with more electrification, and therefore power may not stably supplied or integration costs may increase.⁴³The use of proceeds set forth by KEPCO is efforts that contribute to zero-carbon emissions in society.

⁴³ The Japan Electrical Manufacturers' Association, The 2050 Image of Distributed Grids to Solve Social Issues
<https://www.jema-net.or.jp/Japanese/info/download/220331.pdf>

Accordingly, JCR has evaluated that this use of proceeds will contribute to making renewable energy a main power source and zero-carbon society in Japan.

(6) Use of proceeds 6: Electrification

Use of proceeds 6 is aims to achieve zero carbon emissions in the transportation sector. This project falls under "Clean transportation" in the Green Bond Principles and the Green Loan Principles, and "Projects for clean transportation" in the Green Bond Guidelines and the Green Loan Guidelines.

The Group has already developed EV bus/truck package services and EV charger/discharger leasing services listed in this use of proceeds and has provided Hankyu Bus Co., Ltd., Keihan Bus Co., Ltd., Kintetsu Bus Co., Ltd. and Seibu Bus Co., Ltd. with these services. JCR has evaluated that this use of proceeds will contribute to decarbonization in transportation, and that the Group has already provided several companies with the services and therefore it is highly effective.

(7) Use of proceeds 7: Energy Creation (Energy Storage)

Use of proceeds 7 is to aim to realize zero-carbon emissions in the business/industrial sectors and the household sector. This project falls under "Renewable energy," "Circular economy adapted products, production technologies and processes and/or certified eco-efficient products" in the Green Bond Principles and the Green Loan Principles, and "Projects for renewable energy," "Projects concerning production technologies and processes and environmentally friendly products for the circular economy" in the Green Bond Guidelines and the Green Loan Guidelines.

Use of proceeds 7, unlike Use of proceeds 1 and 5, refers to the expenses at the demand side, that is, the costs on the support for customers to install solar power generation facilities or storage batteries. For example, the proceeds cover installation or maintenance expenses when installing self-consumption solar power generation equipment on the plant premises possessed by customers.

JCR has determined that this use of proceeds will contribute to increasing the use of renewable energy by customers and will have environmental benefits.

(8) Use of proceeds 8: Zero carbon town

Use of proceeds 8 is related to zero-carbon towns and is broadly divided into a project on green buildings and a project on data centers.

(i) Green Buildings

In this Framework, of the buildings that KEPCO will develop, construct, renovate and acquire, the use of proceeds covers: (i) Buildings with energy-saving performance of ZEH (ZEH-M) Oriented standard or higher or ZEB Oriented standard/ZEB Ready standard or higher; or (ii) buildings that have obtained/updated or will obtain/update any of the three highest ranks under CASBEE for Construction, BELS certification, LEED certification and DBJ Green Building certification. This project falls under "Green buildings" in the Green Bond Principles and the Green Loan Principles, and "Projects for green buildings" in the Green Bond Guidelines and the Green Loan Guidelines.

As details of respective certification are described below, all individual certification has been locally, nationally or internationally recognized environmental certification. Accordingly, JCR has

evaluated that projects with any rank suitable for eligibility criteria have had environmental benefits.

ZEH (ZEH-M)

ZEH stands for Net Zero Energy House, and it is "housing aiming to increase energy self-sufficiency as much as possible and to make a balance of annual primary energy consumption zero by introducing renewable energy after realizing significant energy efficiency while maintaining qualities of indoor environments and by actively utilizing natural energy through controlling energy loads with advanced architectural designs or adopting passive technologies and through introducing systems in high-efficiency facilities."

ZEH has 4 stages as follows: (i) "ZEH" (reduce primary energy consumption by 100 percent or more from standard primary energy consumption by adding renewable energy); (ii) "Nearly ZEH" (reduce primary energy consumption by 75 percent or more and less than 100 percent from standard primary energy consumption by adding renewable energy); (iii) "ZEH Ready" (reduce primary energy consumption by 50 percent or more and less than 75 percent from standard primary energy consumption by adding renewable energy) and (iv) "ZEH Oriented" (reduce primary energy consumption by 20 percent or more from standard primary energy consumption by excluding renewable energy.)

ZEH-M (Net Zero Energy House Mansion) has 4 stages as follows: (i) "ZEH-M" (reduce primary energy consumption by 100 percent or more from standard primary energy consumption by adding renewable energy), (ii) "Nearly ZEH-M" (reduce primary energy consumption by 75 percent or more and less than 100 percent from standard primary energy consumption by adding renewable energy), (iii) "ZEH-M Ready" (reduce primary energy consumption by 50 percent or more and less than 75 percent from standard primary energy consumption by adding renewable energy) and (iv) "ZEH-M Oriented" (reduce primary energy consumption by 20 percent or more from standard primary energy consumption by adding renewable energy.)

Housing with ZEH or ZEH-M certification (the aforementioned 4 stages from (i) to (iv)) targeted by Kansai Electric Power requires to reduce 50 percent or more from standard primary energy consumption; therefore, JCR believes that the housing has BEI with 5-star or more in BELS and use of proceeds is appropriate.

Net Zero Energy Building (ZEB)

ZEB is a building aiming to reduce primary energy consumed in buildings by improving energy efficiency in buildings and facilities, utilizing area energy networks, renewable energy on-site, etc., and to reduce it to zero (net.) ZEB is categorized under four stages: 1. ZEB (buildings with energy efficiency (50 percent or more) and energy creation that reduces primary energy consumption by 100 percent or more; 2. Nearly ZEB (buildings with energy efficiency (50 percent or more) and energy creation that reduces primary energy consumption by 75 percent or more); 3. ZEB Ready (buildings with energy efficiency that reduces primary energy consumption by 50 percent or more); and 4. ZEB Oriented (buildings with a total area of 10,000 m² that reduce primary energy consumption by 40 percent or more for offices, schools, factories, etc. and by 30 percent or more for hotels, hospitals, department stores, restaurants, meeting places, etc.) All of the energy efficiency at these stages falls under BELS' five stars described below.

JCR evaluates that buildings, including ZEB, Nearly ZEB, ZEB ready, and ZEB Oriented under the ZEB certificates set as eligible criteria by Kansai Electric Power have environmental benefits since their environmental qualities are clearly superior to environmental burdens.

Figure 21 : Definitions of ZEB

Please refer the website of Ministry of Economy, Trade and Industry, Agency for Natural Resources and Energy⁴⁴ (Japanese)

Comprehensive Assessment System for Built Environment Efficiency (CASBEE)

CASBEE stands for Comprehensive Assessment System for Built Environment Efficiency, which is a system to evaluate and rate buildings in terms of their environmental performance. In April 2001, under the auspices of the Housing Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, a research committee (aka. the Japan Sustainable Building Consortium or JSBC) was established as a project where industries, the government and academia joined forces. Ever since then, the system has been developed and reviewed. Its valuation tools include CASBEE for Real Estate developed to straightforwardly show environmental performance and to cater to the real estate market as well as CASBEE for Buildings and CASBEE for Cities.

The evaluation results are shown at five levels: S rank (excellent), A rank (very good), B + rank (good), B-rank (fairly poor) and C rank (poor). CASBEE for Real Estate also has four levels: S rank (excellent), A rank (very good), B + rank (good) and B rank (satisfying the essential items). As to CASBEE for Buildings, the environmental performance (BEE: Built Environmental Efficiency) of a building is calculated by dividing the environmental quality (Quality) by the environmental load (Load). Under CASBEE for Buildings, buildings with BEE of 1.0 or more, i.e. properties having environmental quality exceeding the environmental load they have, are rated B+ or more.

Buildings rated B or more based on Kansai Electric Power's eligibility criteria must have BEE of 1.0 or more and clearly outperform the environmental load. Although CASBEE for Real Estate does not apply BEE as a measurement standard, such buildings are B rank-equivalent properties based on conventional CASBEE for Buildings, etc. For this reason, JCR has assessed that they are environmentally beneficial.

Building-Housing Energy-efficiency Labeling System (BELS)

BELS stands for Building-Housing Energy-efficiency Labeling System, which is the system, where the third-party evaluation organization evaluates and accredits energy-saving performance of new and existing buildings. To acquire higher ratings under the system, buildings need to have excellent energy-saving performance, which hinges on their skin performance and primary energy consumption. Building Energy Index (BEI) ranks buildings by the number of stars: one through five stars. BEI measures energy-saving performance relative to the standard value, which is calculated by dividing design primary energy consumption by standard primary energy consumption. One-star buildings meet the energy conservation standards for existing buildings, and two-star buildings meet the energy conservation standards for newly built ones.

⁴⁴ Source: Ministry of Economy, Trade and Industry's website (ZEB PORTAL)
<https://www.env.go.jp/earth/zeb/about/05.html>

JCR believes that the use of the proceeds is proper because buildings with three stars or more under BELS, which Kansai Electric Power has determined to be eligible, have energy-saving performance (non-residential: BEI of 0.8 or less).

LEED (Leadership in Energy and Environment Design)

LEED is an environmental performance assessment system for the environment of buildings and cities developed and operated by the U.S. Green Building Council (USGBC), a not-for-profit organization. LEED stands for Leadership in Energy and Environmental Design, and a draft of the system was published in 1996 and has been updated once in several years.

There are six types of certifications: BD + C (building design and construction), ID + C (interior design and construction), O + M (building operations and maintenance), ND (neighborhood development), Homes and Cities.

The sum of the points acquired in the respective categories show the levels: Platinum (80+ points earned), Gold (60-79 points earned), Silver (50-59 points earned) and Certified (standard, 40-49 points earned). Receiving higher scores or achieving the goals of the energy-saving category is often the precondition of the evaluation. In order to acquire higher levels of the certification, it may be necessary to attain a high energy-efficiency score. Accordingly, Silver or more, which Kansai Electric Power defines as the eligible level, is considered to be the level that buildings with high-energy-efficiency can receive, and thus JCR has assessed that buildings with that level of the certificate are environmentally beneficial.

DBJ Green Building Certification

DBJ Green Building Certification is a certification system provided by the Development Bank of Japan (DBJ) for assessing buildings in terms of consideration for environment and society. They are rated by the number of stars, and the point of evaluation is "whether the building is built with consideration for environment and society." The system evaluates them based on five major categories: "Energy and Resources (environmental performance of buildings)," "Amenity (comfort of tenant users)," "Resilience (responsiveness to crises)," "Community and Diversity (consideration for diversity and living environments) and Partnership (cooperation with stakeholders)." Each of them is rated by five (properties with the best class environmental & social awareness), four stars (properties with exceptionally high environmental & social awareness), three stars (properties with excellent environmental & social awareness), two stars (properties with high environmental & social awareness) and one star (properties with satisfactory environmental & social awareness). Although it is not a system focusing on environmental performance, the system is highly recognized in Japan and has a certain set of categories to evaluate environmental performance. Therefore, JCR has assessed that the certification corresponds to "standards or certifications recognized regionally, nationally, or internationally" in the green project category defined in the Green Bond Principles. Since the certification is not environmental performance-specific, however, receiving an environment performance rating from another system may be recommendable.

DBJ Green Building Certification comprehensively evaluates buildings in terms not only of environmental performance but also the comfort of tenant users, risk management such as crime/fire prevention, consideration for living environment and community and cooperation with stakeholders. Its scoring system is designed by compiling the data of specific "best practices" beneficial for environment and society, and there are many in the real estate market

that fall short of the levels needed for evaluation. To obtain a higher rating, the building needs to be built with proper consideration for all its stakeholders as well as environment.

The level needed for acquiring DBJ Green Building Certification is assumed to be the top 20 percent or somewhere of all domestic income-producing properties in terms of consideration for environment and society.⁵ The top three stars are assigned to the groups of such properties in the following percentages: five stars, the top 10 percent, four stars, the top 30 percent, and three stars, the top 60 percent. Accordingly, JCR has assessed that, in investing the proceeds, Kansai Electric Power focuses on properties with high environmental performance among those to acquire the certification.

(ii) Data Center

In this Framework, the proceeds will be used for data centers with PUE of less than 1.4 or green data centers among the data centers that will be constructed, renovated and acquired by KEPCO. This project falls under "Energy efficiency" in the Green Bond Principles and the Green Loan Principles, and "Projects for energy efficiency" in the Green Bond Guidelines and the Green Loan Guidelines.

KEPCO does not possess IT equipment such as servers as its data center business and is expected to start a housing business that lends its function (server space in data centers) to customers in this Framework. KEPCO therefore will not select IT equipment to be installed in data centers.

"Power Usage Effectiveness of less than 1.4" has been stipulated as one of the eligibility criteria for data centers. PUE is indicated as "energy consumption throughout the data center ÷ energy consumption of IT equipment." In cases where inefficient IT equipment is installed, PUE gets lower; however, the power consumption may increase throughout the data centers. JCR has confirmed that power consumption will not increase even with a low PUE value as mentioned above as KEPCO will set an upper limit of power consumption in an agreement with customers who install IT equipment.

METI has examined a threshold value of PUE of less than 1.4 as a benchmark⁴⁵ index for housing business operators in its Working Group on Criteria for Plants with the following reasons.

- According to a questionnaire conducted by METI, the PUE mode for general data centers is around 1.6 to 1.8, and PUE 1.4 falls under the top 15 percent of the respondents.
- PUE 1.4 is categorized into a Good Level for the Best Practice Guide for Energy-Efficient Data Center Design in the U.S.
- PUE 1.35 to 1.5 is classified as a Platinum, the highest level in the Green Mark Standard in Singapore (* it will change depending upon the ratio of electrical load. The electrical load ratio is 75 percent in case of PUE 1.4.)

Accordingly, JCR has evaluated that the eligibility criteria concerned have been adequate as KEPCO has placed a limit on the power consumption of IT equipment, a standard for PUE, in the Agreement and has adopted a threshold value of less than PUE 1.4, which is recognized as a high level both domestically and internationally.

KEPCO has defined "Construction, renovation and acquisition of green data centers" as another eligible criterion. A green data center refers to a data center that uses only renewable energy as

⁴⁵ Ministry of Economy, Trade and Industry, *Interim Report provided by Working Group on Criteria for Plants, General Resources and Energy Research Committee, Energy Efficiency and New Energy Subcommittee, Energy Efficiency Subcommittee* https://www.meti.go.jp/shingikai/enecho/shoene_shinene/sho_energy/kojo_handan/pdf/20220324_1.pdf

power to be supplied. As aforementioned in (1) Use of Proceeds: Renewable Energy, renewable energy refers to clean energy with GHG reduction effects. Accordingly, JCR has determined that this use of proceeds is efforts that contribute to realizing the Group's Zero Carbon Vision 2050.

2. Negative Impacts on the Environment and Society

KEPCO has stipulated that the negative environmental and social impacts of projects for which the proceeds will be used shall be confirmed in the Framework as follows:

- Compliance with environmental laws and regulations required by the national government/local governments in which businesses have been operated and environmental impacts have been surveyed where appropriate
- Providing thorough explanations to local residents in implementing businesses

The environmental impact as mentioned above will be assessed as needed, and plans will be mapped out if there are any environmental consideration for constructing or remodeling power plants. The Company, in terms of equipment, plans to properly carry out procedures based on various applicable laws and regulations such as the Electricity Business Act, and perform construction work after clarifying technical standards. The biomass fuel to be used in the eligible projects will be confirmed whether it satisfies the sustainability standards required by the Japanese government and exclusively contributes to reducing CO₂ throughout the life cycle. As mentioned above, KEPCO will steadily address the back-end issues of nuclear power generation in accordance with the governmental policies. KEPCO formulated a roadmap for measures for spent fuel in October 2023 as its latest guideline to supplement the plan to promote measures for spent fuel.

JCR has evaluated the aforementioned procedures established by KEPCO is a process that has been carried out for businesses in the eligibility criteria, and they have been effective.

As detailed in Chapter 2, JCR has confirmed through interview that KEPCO will take adequate measures for the possibility of having negative impacts on society excluding employment or climate change, in particular, along with implementation of projects on transition strategies by leveraging the skills of workers engaged in thermal power generation in other sectors or by promoting risk communication in the nuclear power generation business and that the possibility of lock-in to fossil fuels is small.

Additionally, it is not expected to have significant harm to other green projects through the finance made in this Framework (so-called Do No Significant Harm Assessment.)

Consequently, JCR has evaluated that KEPCO has appropriately identified negative impacts on the environment and society and has taken proper measures against them.

JCR has also evaluated that all eligible projects take into account the negative impacts on the environment and society, and that adequate measures have been taken.

3. Consistency with SDGs

JCR evaluated the use of proceeds set out in the Framework contributes to the following SDGs' goals and targets in reference to ICMA's SDGs mapping.



Goal 7: Affordable and clean energy

Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix



Goal 8: Decent work and economic growth

Target 8.4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead



Goal 9: Industry, Innovation and Infrastructure

Target 9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Target 9.4. By 2030, to upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



Goal 11: Sustainable cities and communities

Target 11.2. By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons



Goal 12: Responsible Consumption and Production

Target 12.4. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment



Goal 13: Climate Action

Target 13.1. To strengthen resilience and adaptive capacity to climate-related disasters and natural disasters in all countries.

I. Selection Standards and Processes for Use of Proceeds

JCR's Key Consideration on This Factor

In this section, JCR confirms that the objectives to be achieved through green/transition financing, the appropriateness of green project selection standards and processes, and whether or not a series of processes are properly disclosed to investors/lenders and others.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has determined that departments with specialized knowledge and the management have been appropriately involved in the goals, selection criteria for green/transition projects and processes in this framework and that transparency has been also provided.

1. Goals

Kansai Electric Power Group "Zero Carbon Vision 2050" (Excerpt)

Commitments Toward 2050

In an effort to create a sustainable society, the Group, as a leading company of zero-carbon energy, is aiming for carbon neutrality throughout the entirety of its business operations including power generation by 2050 in order to combat global warming, while striving to increase energy independence to secure energy supply, with a priority given to safety.

In addition, our group will mobilize its resources to support decarbonization not only in the economic activities of our customers, but also across society as a whole.

These efforts will be made through active cooperation with various parties, such as customers, business partners, the government, municipalities and research institutes.

The Group, as previously described, has made a declaration for 2050 in its Zero Carbon Vision 2050, and not only KEPCO but also its respective companies in the Group have been working toward carbon neutrality. JCR has evaluated that the use of proceeds set forth in this Framework contributes to the goal of reducing CO₂ emissions from business operations to zero by 2050, which is the goal of the aforementioned declaration for 2050 or to help customers and society realize zero-carbon emissions.

2. Selection criteria

The eligibility criteria for this Framework are described in Evaluation Phase 1 of this report. JCR assesses that the selection criteria for the project are appropriate.

3. Processes

The Framework for Processes

3-2. Project evaluation and selection process

KEPCO's Finance Group, Office of Accounting and Finance will identify target candidates for the proceeds financed through green/transition finance based on the alignment with the eligible business defined in 3-1. "Use of Proceeds." Finance Group, Office of Accounting and Finance, companies in the Group and internal relevant departments will discuss eligible projects and finalize them.

The target business shall be in conformity with the Kansai Electric Power Group Environmental Policy that set out the direction of environmental management for which the Company aims for the medium to long term.

JCR's Evaluation for the Framework

Finance Group, Office of Accounting and Finance will select projects for which proceeds raised through green/transition finance will be used. Manager of Financing and Accounting Division is to give approval to submit the amended shelf registration statement and supplementary documents to the shelf registration statement in which the use of proceeds is stated, respectively and the loan agreement.

Office of Accounting and Finance has formulated this Framework based on the Medium-term Management Plan approved in the Board of Directors or the Zero Carbon Vision 2050. The President is to give approval when executing green/transition finance based on this Framework, that is, when issuing corporate bonds or making loans⁴⁶. In addition, the execution of finance has been reported to the Executive Meeting.

Accordingly, JCR has evaluated that the management has been appropriately involved in the project selection process specified in this Framework.

KEPCO's targets on green/transition finance, selection criteria and processes will be disclosed in this evaluation report and this Framework. KEPCO plans to make disclosure on the target projects in the amended shelf registration statement or the loan agreement when executing green/transition finance. Consequently, KEPCO has provided transparency to investors.

⁴⁶ The Board of Directors has resolved annual borrowing facilities, and General Manager of Office of Accounting and Finance has given approval for execution of borrowing only within the facilities.

II. Management of the Proceeds

JCR's Key Consideration on This Factor

It is usually assumed that the management of the proceeds varies widely depending on issuers/borrowers. JCR confirms whether the proceeds are surely appropriated to the green project and whether a mechanism and internal system are in place to make tracking easy.

JCR also focuses on whether the proceeds are scheduled to be used for green projects at an early stage and the management and operation methods for unallocated proceeds.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has evaluated that a proceeds management system has been properly established in KEPCO, and that how to manage proceeds financed will be disclosed in this evaluation report; therefore, the Company has provided high transparency.

The Framework for Management of the Proceeds

3-3. Management of Proceeds Financed

All proceeds financed will be allocated to eligible businesses. Finance Group, Office of Accounting and Finance will quarterly track and manage the proceeds financed and actual expenditures via the Company's internal management system. Of the proceeds financed by the Company, KEPCO will make a loan to an eligible business whose implementing entity is its subsidiary through making a loan by KEPCO to its subsidiary, an implementing entity of projects.

Unallocated proceeds will be managed in cash or cash equivalents until the proceeds financed are fully allocated to eligible businesses.

JCR's Evaluation for the Framework

The proceeds financed through green/transition finance will be tracked and managed by Finance Group, Office of Accounting and Finance, and Finance Group Chief Manager (GCM) will quarterly approve the proceeds allocation. In cases where a subsidiary implements a qualified project, a loan is made and then the approval record with items stated is reported to the Executive Meeting.

As noted above, unallocated proceeds will be managed in cash or cash equivalents until the proceeds finance are fully allocated to eligible businesses.

The management of proceeds financed is subject to internal audit and external audit by an audit firm. The books on management of proceeds financed will be stored so long as the corporate bonds are outstanding or the borrowing is repaid at minimum.

Accordingly, JCR has evaluated that the proceeds management system in KEPCO has been properly established, and that it has provided high transparency as how to manage proceeds finance will be disclosed in this evaluation report.

III. Reporting

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the disclosure system for investors/lenders before and after financing based on the Framework, is planned in detail and in an effective manner.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has evaluated that KEPCO has planned to properly disclose both the appropriation of proceeds and environmental benefits to investors.

The Framework for Reporting

3-4. Reporting

KEPCO will annually disclose the proceeds allocation and environmental benefits for any or all of the following items within the scope of confidentiality and within the realm of possibility in its integrated report or on its homepage (or to lenders in case of loans) until all proceeds financed through green/transition finance are fully appropriated.

In cases where there is any significant change in circumstances until the full amount of proceeds financed is appropriated, that effect is disclosed in a timely manner.

<Allocation Reporting>

- An amount allocated
- A balance of unallocated net proceeds
- An approximate amount (or percentage) of the portion allocated to refinancing of the proceeds appropriated

Impact Reporting

KEPCO plans to disclose any or all of the contents illustrated below for impact reporting; however, they may be changed depending upon the project to which the proceeds are allocated.

Although the Company aims to disclose the environmental benefits as quantitatively as possible, in cases where it is difficult to make quantitative disclosure due to the situations or characteristics of projects, KEPCO may qualitatively disclose the environmental benefits only.

Eligible Business	Business Overview	Reporting/Example
Renewable energy	Development, construction, operation and renovation of hydroelectric-, wind-, solar-geothermal- and biomass-power generation businesses	<ul style="list-style-type: none"> • Capacity of facilities (MW) • CO₂ emission reduction (t-CO₂/year)
Nuclear power	<ul style="list-style-type: none"> • Further improvement of safety, ongoing safe and stable operation, resume operations • Installation, expansion and replacement (next- 	<Capital investments> <ul style="list-style-type: none"> • Capacity of facilities (MW) • CO₂ emission reduction (t-CO₂/year) • Hydrogen production (t/year) <R&D/demonstrations>

	<p>generation light-water reactors, SMR or high-temperature gas-cooled reactors)</p> <ul style="list-style-type: none"> Hydrogen production survey, R & D, demonstrations and capital expenditures 	<ul style="list-style-type: none"> The Purpose, outline and progress of R & D and demonstrations
Zero carbon thermal power	<ul style="list-style-type: none"> Survey, R & D, demonstrations, capital investments for co-firing with zero-carbon fuels for thermal power generation (hydrogen, ammonia, biomass) Efficiency of LNG-fired thermal power Survey, R & D, demonstrations and capital expenditures of CCS/CCUS 	<p><R & D/demonstrations></p> <ul style="list-style-type: none"> The Purpose, outline and progress of R & D and demonstrations <p><Capital expenditures></p> <ul style="list-style-type: none"> Capacity of facilities (MW) CO₂ emission reduction (t-CO₂/year) Co-firing rate
Hydrogen	<ul style="list-style-type: none"> Hydrogen-related survey or R & D, demonstrations and capital investments such as hydrogen production, transportation, supply and use as fuels for power generation (*) 	<p><R & D/demonstrations></p> <ul style="list-style-type: none"> The purpose, outline, progress of R & D and demonstrations and the outline and progress of R & D plans/demonstrations Effects aimed (the purpose of use expected or hydrogen production volume estimated) <p><Capital investments></p> <ul style="list-style-type: none"> Hydrogen production (t/year)
Transmission and Distribution	<ul style="list-style-type: none"> Facility expansion/renewal and equipment reinforcement of bulk power systems/grid lines and widening of grid operations to make the most of renewable energy for use as main power source or increase resilience toward the realization of zero-carbon emissions Survey, R & D, demonstrations and capital investments to realize to create VPP utilizing storage batteries or EV, utilize power data, apply distributed grids, and achieve advanced grid operations that maximize the use of renewable energy 	<ul style="list-style-type: none"> Overview of capital expenditures The purpose, outline and progress of R & D and demonstrations
Electrification	<ul style="list-style-type: none"> Electric bus/truck package services (excluding hybrid vehicles) (*) EV (excluding hybrid cars) and charger/discharger leasing service (*) 	<ul style="list-style-type: none"> The outline of eligible businesses CO₂ emission reduction (t-CO₂/year) The amount of introduction
Energy creation (Energy storage)	<ul style="list-style-type: none"> Solar power generation systems on the demand side (*) Storage batteries on the demand side (electricity 	<ul style="list-style-type: none"> The outline of eligible businesses CO₂ emission reduction (t-CO₂/year) Capacity of facilities

	created by renewable energy) (*)	
Zero carbon town	<ul style="list-style-type: none"> · Development, construction, renovation and acquisition of properties with energy-saving performance · Development, construction, renovation and acquisition of properties that will obtain green building certification · Construction, renovation, and acquisition of a data center or green data center with a design PUE of less than 1.4 	<p><Green Building></p> <ul style="list-style-type: none"> · The names of properties · The types and ranks of green building certification (In case of obtaining certification) <p><Data Center></p> <ul style="list-style-type: none"> · The overview of data centers · Design PUE · Renewable energy power consumption (kWh/year)

JCR's Evaluation for the Framework

JCR has evaluated that the aforementioned reporting will be adequately disclosed both the appropriation of proceeds and the environmental benefits to investors.

Reporting on the allocation status of the proceeds

KEPCO plans to disclose the use of proceeds with an amended shelf registration statement in case of financing through bonds and it with a loan agreement correction with lenders in case of borrowings. The Company will annually disclose the contents stipulated in this Framework with regard to the allocation of proceeds financed through green/transition finance in the integrated report or on its website. KEPCO will disclose the details stipulated in this Framework with the above-described method in cases where it publishes a borrowing as a green/transition loan; however, if the Company does not announce the borrowing as a green/transition loan, the disclosure will be made to the lenders only.

In cases where there is any significant change in the financial situation after the full amount of the proceeds financed has been appropriated, KEPCO will timely disclose that effect on its website.

Reporting on environmental improvement effects

KEPCO will annually disclose the contents defined in this Framework as reporting on the environmental benefits of eligible businesses in its integrated report or on its website, or disclose it to the lenders (only in case of a loan.) JCR has evaluated that these disclosure items include outcomes through projects, such as power generation and CO₂ reduction as indicators in each eligible criterion or the overview of R & D for which proceeds will be used, and that the indicators noted above have been adequate.

Accordingly, JCR has evaluated that KEPCO has appropriate reporting system.

IV. Organization's Sustainability Initiatives

JCR's Key Consideration on This Factor

In this section, JCR evaluates whether the management of the issuer/borrower positions sustainability issues as a high priority for management and whether the sustainability policy, process and selection criteria for green projects are clearly positioned through the establishment of a department specializing in environmental issues or in collaboration with external organizations.

▶▶▶ Current Status of Evaluation Targets and JCR's Evaluation

JCR has evaluated that KEPCO has positioned sustainability issues such as carbon neutrality as important management challenges, has had a council on sustainability issues, has made efforts from the practical and management perspectives, and has promoted the initiatives listed in this Framework while taking in the knowledge of internal departments in charge of practical work or external experts.

As noted in Chapter 2, the Group aims to achieve sustainable growth and contribute to the sustainable development of society through the resolution of global social issues such as SDGs, and then it has identified the following 10 materialities (i.e., key challenges) in conformity with the establishment of the Medium-term Management Plan (2021 to 2025.) The following priority issues have been created based on the opinions of internal and external stakeholders and not only internal but also external opinions have been incorporated.

E S G	Increase profitability by providing new value	8	9	12
	Promote zero-carbon efforts	7	12	13
S	Strengthen resilient business infrastructure on the condition of ensuring safety	7	9	11
	Achieve business innovation and enhance information security utilizing digital technologies	8	9	
	Earn trust in our business areas and contribute to regional revitalization	11		
	Promote diversity and build a safe and comfortable working environment	5	8	
	Appropriate risk management in supply chain	8	12	16
	Step up efforts to develop and secure human resources	8		
	Deepen bilateral communication with stakeholders	12		
	Firmly establish governance and observe strict compliance	16		
G				

Figure 12: KEPCO Materialities Identified and Associated SDGs (Repost)

As for E (environment,) as detailed above, KEPCO announced the Zero Carbon Vision 2050 as the Group in February 2021 and declared it in response to the declaration of carbon neutrality by then-Prime Minister Kan in October 2020. The Company mapped out the Zero Carbon Roadmap 2050 in March 2022 to realize the Zero Carbon Vision 2050. KEPCO announced the goals of reducing CO₂ emissions or decreasing the CO₂ emission factor of electricity to industry-leading levels in the Zero Carbon Roadmap.

KEPCO has developed its structure toward carbon neutrality by 2050 as described in Chapter 2 while promoting its efforts to achieve the carbon neutrality by 2050. The Company has been examining the zero carbon emissions by embracing knowledge of external experts such as external consultants in TCFD scenario analyses and disclosures or by utilizing outside insight in respective initiatives to realize zero carbon emissions for which the proceeds will be used in this Framework.

With regard to S (society,) KEPCO aims to accelerate digitalization or innovation and work style reforms, build a robust corporate constitution and continuously provide its customers or society with a new value. Specifically, KEPCO has defined policies to be observed as the entire Group, including Kansai Electric Power Group Diversity and Inclusion Promotion Policy in "Promote diversity and build a safe and comfortable working environment" and the Kansai Electric Power Group Basic Procurement Policy in "Appropriate risk management in supply chain." The Company has made efforts to contribute to the region unique to electric utilities such as inspecting electrical facilities: for instance, cultural properties, in "Earn trust in its business areas and contribute to regional revitalization." KEPCO has stated that it will make efforts concertedly with customers or society as well as through the Group's initiatives in the Zero Carbon Roadmap, implicating that it has been dealing with zero-carbon emissions in light of issues such as invigorating local economies.

Sustainability initiatives in S (society) will also be discussed in the Sustainability Promotion Council as same as E (environment.) KEPCO has confirmed the appropriateness and transparency of construction orders or contract processes, procedures for contribution on donations or cooperation funds in the Procurement Review Committee.

In terms of G (governance,) it was discovered in October 2019 that then-executives or others illegally received money and goods from the former deputy mayor of Takahama-cho, Fukui Prefecture where the nuclear power plant is located. Then, KEPCO's approach or policies were confirmed that the Company had continuously struggled with renewing the management, reviewing the organizational structure with enhanced control functions, strengthening corporate governance or reforming its employees' consciousness, and KEPCO has accomplished certain results for its efforts to restore trust; however, some governance-related issues were still revealed one after another. In April 2023, a business improvement order was issued by the Fair Trade Commission because customer information excluding that of KEPCO was fraudulently made viewable in the system shared with Kansai Transmission and Distribution, Inc. In July 2023, a business improvement order was issued again as the Company restrained competition in collusion with other power companies. KEPCO submitted its business improvement plans for the series of improprieties and has taken measures to prevent recurrence including changing its information system in response to the unrightfully view and developing its internal leniency system in reaction to the restraint of competition. KEPCO announced to work on undertaking thorough measures to prevent recurrence and fostering a sound organizational climate that emphasizes compliance by enforcing its monitoring functions.

JCR must severely evaluate the aforementioned cases as KEPCO and Kansai Transmission and Distribution, Inc. showed their vulnerabilities to then-compliance system. JCR, however, has evaluated that this Framework will not lose its effectiveness, assuming that: (i) The measures to

prevent recurrence involving far-reaching changes of the previous corporate climate will be adopted and implemented based on the Business Improvement Plan and (ii) The above-cited measures to prevent recurrence will be surely taken and new efforts will be disseminated while it is essential to carefully monitor whether the recurrence prevention measures are effective or not for the present moment.

Accordingly, JCR has determined that KEPCO has positioned ESG issues as significant management challenges, has a council on sustainability issues and has worked from the practical and management perspectives. JCR also has evaluated that the Company has incorporated the insight of outside experts in its sustainability initiatives including the projects in this Framework.

Evaluation phase 3: Evaluation result(Conclusion)

Green 1(T)(F)

Based on its JCR Green Finance Evaluation Methodology, JCR assigned "gt1(F)" for the "Green and Transition Evaluation (Uses of Proceeds)" and "m1(F)" for the "Management, Operation and Transparency Evaluation." As a result, JCR assigned "Green 1(T)(F)" for the "JCR Climate Transition Finance Framework Evaluation." The Framework meets the standards for the items required in the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines, the Green Loan Guidelines and CTFH so forth.

		Management, Operation, and Transparency Evaluation				
		m1(F)	m2(F)	m3(F)	m4(F)	m5(F)
Green and Transition Evaluation	gt1(F)	Green 1(T)(F)	Green 2(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)
	gt2(F)	Green 2(T)(F)	Green 2(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)
	gt3(F)	Green 3(T)(F)	Green 3(T)(F)	Green 4(T)(F)	Green 5(T)(F)	Not qualified
	gt4(F)	Green 4(T)(F)	Green 4(T)(F)	Green 5(T)(F)	Not qualified	Not qualified
	gt5(F)	Green 5(T)(F)	Green 5(T)(F)	Not qualified	Not qualified	Not qualified

(Responsible analysts for this evaluation) Atsuko Kajiwara and Haruna Goto

Important explanations of this Evaluation

1. Assumptions, Significance and Limitations of JCR Climate Transition Finance Framework Evaluation

JCR Climate Transition Finance Framework Evaluation, which is determined and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Climate Transition Finance Framework, and expresses JCR's comprehensive opinion at this time regarding the appropriateness of the Green/Transition Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, JCR Climate Transition Finance Framework Evaluation is not intended to evaluate the effects of specific environmental improvements and the management, operation and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event an individual bond or individual borrowing based on this Framework is subject to a green/transition finance evaluation, a separate evaluation is needed. JCR Climate Transition Finance Framework Evaluation does not prove the environmental improvement effects of individual bonds or borrowings implemented under this Framework, and does not assume responsibility for their environmental improvement effects. JCR confirms the environmental improvement effects of funds procured under the Climate Transition Finance Framework measured quantitatively and qualitatively by the issuer/borrower or by a third party nominated by the issuer/borrower, but in principle it does not directly measure such effects.

2. Method used to conduct this evaluation

The methodologies used in this assessment are described in "JCR Green Finance Evaluation" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en>).

3. Relationship with Acts Concerning Credit Rating Business

JCR Climate Transition Finance Framework Evaluation is determined and provided by JCR as a related business, which is different from its activities related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation is different from the Credit Rating and does not assure to provide or browse a predetermined credit rating.

5. Third-Party Evaluation of JCR Climate Transition Finance Framework Evaluation

There are no capital and/or personnel relationships that may result in a conflict of interests between the subject of this evaluation and JCR.

■Matters of Attention

The information contained in this document was obtained by JCR from the issuer/borrower and from accurate and reliable sources; however, such information may be mistaken for human and/mechanical errors or other reasons. Therefore, JCR makes no representation or warranty, whether express or implied, as to the accuracy, result, appropriateness, timeliness, completeness, marketability or fittingness for any particular purpose of such information, and assumes no responsibility for any errors, omissions or consequences of using such information. JCR shall not be liable for any loss of opportunity and extraordinary, indirect, incidental or consequential damages of any kind, including any loss of money, which may result from any use of such information under any circumstances, whether contractual liability, tort liability, negligence or other causes of liability, and whether or not such damages are foreseeable or unforeseeable. JCR Climate Transition Finance Framework Evaluation does not express any opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) related to green/transition finance based on the transition finance framework, which is the target of the evaluation. Furthermore, it is an expression of JCR's opinion at the present time and does not represent facts nor does it make any recommendation regarding risk assessment or decisions on the purchase, sale or holding of individual bonds, commercial paper, etc. JCR Climate Transition Finance Framework Evaluation may be modified, suspended or withdrawn due to changes in information, lack of information or other reasons. All rights pertaining to this document, including data from JCR Climate Transition Finance Framework Evaluation, are held by JCR. All or part of this document, including data from JCR Climate Transition Finance Framework Evaluation, is prohibited from being reproduced, modified or otherwise altered without the permission of JCR.

■ Glossary

JCR Climate Transition Finance Framework Evaluation: This evaluates the extent to which the funds procured through Green/Transition Finance are appropriated for green/transition projects as defined by JCR and the degree to which the management, operation and transparency of the Green/Transition Finance are ensured. Evaluations based on a 5-point scale are given from top to bottom using the Green 1(T)(F), Green 2(T)(F), Green 3(T)(F), Green 4(T)(F), and Green 5(T)(F) symbols.

■ Status of Registration as an External Evaluator of Sustainability Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registered as an observer with the Institute of International Capital Markets)

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the U.S. Securities and Exchange Commission's Nationally Recognized Statistical Rating Organization (NRSRO): (1) financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations and (4) governments and municipalities. If the disclosure is subject to Section 17g-7 (a) of the Securities and Exchange Commission Rule, such disclosures are attached to the news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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<Reference>

Check Sheet for Consistency with Basic Guidelines on Climate Transition Finance

March 8, 2024

Japan Credit Rating Agency, Ltd.

Companies to be evaluated: Kansai Electric Power Company, Incorporated.

The following are the check results of the consistency of the Finance with respect to the items recommended in the Basic Guidelines on Climate Transition Finance (the "Guidelines") published by the Financial Services Agency, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment.

The Guidelines use three expressions: "should," "recommended," and "be considered/possible." These expressions are used in the following context:

- Items described with the word "should" are basic elements that financial instruments labeled as transition finance are expected to have.
- Items described with the word "recommended" are elements that financial instruments labeled as transition finance are optimally recommended to have under the Guidelines although instruments which do not have these items can also be labeled as transition finance.
- Items described with the word "be considered" or "possible" are elements that they are not considered problematic even if financial instruments labeled as transition finance do not have them.

Element 1: Fundraiser's Climate Transition Strategy and Governance

a) Financing through transition finance **should** aim to implement or incentivize the achievement of transition strategies. Such strategies **should** incorporate a long-term target to align with the goals of the Paris Agreement, relevant interim targets on the trajectory towards the long-term goal, disclosure on the levers towards decarbonization, and fundraiser's strategic planning.

Consistency: ✓

In February 2021, Kansai Electric Power Group (hereinafter referred to as "the Group") formulated "Zero Carbon Vision 2050" and announced to reduce the CO₂ emissions associated with its business operations to zero by the year 2050 including the power generation business to prevent global warming by striving to improve the energy self-sufficiency rate so as to stably provide energy with a priority given to safety as a "leading company with zero carbon energy" toward the realization of a sustainable society. In the Medium-term Management Plan (2021-2025) announced in March, 2021, the Group published its goal of halving CO₂ emissions through power generation in FY 2025 (relative to FY 2013,) which is the top spot for the amount of zero-carbon power generation in Japan with "Seeking to Achieve Zero-carbon Emissions: Energy Transformation (EX)" as one of the key

initiatives.

In March 2022, the Group established "Zero Carbon Roadmap" as a path toward the achievement of the Zero Carbon Vision 2050. The Group published a target to decrease the CO₂ emission factor of electricity to industry-leading levels or a 2040 goal for new development of renewable energy in addition to the aforementioned quantitative targets. The Group has listed its efforts to realize these goals as follows: (i) Making the most of renewable energy for use as a main power source; (ii) Maximizing the use of nuclear power; (iii) Zero-carbon thermal power generation; or (iv) Contribution to the construction of a hydrogen supply chain.

The use of proceeds in this Framework has contributed to the medium- to long-term goals of the Group's Zero Carbon Vision 2050 and Zero Carbon Roadmap and has been aligned with the transition strategy of Kansai Electric Power Company, Incorporated (hereinafter referred to as "KEPCO" or "the Company".)

The initiatives and goals set forth in the Group's Zero Carbon Roadmap have been aligned with: (i) "Long-Term Strategy as a Growth Strategy Based on the Paris Agreement" and (ii) "Contribution of Japanese Electric Utilities to Achieve Carbon Neutrality in 2050," a long-term vision of the Electric Power Council for a Low Carbon Society (hereinafter referred to as "ELCS") that was formulated in light of (1) noted above. The goal of halving CO₂ emissions through power generation in 2025 compared to 2013 has been aligned with the Long-Term Strategy as a Growth Strategy Based on the Paris Agreement, the Sixth Basic Energy Plan and the Transition Roadmap for Power Sector. JCR has evaluated that the Group has had an ambitious target, "Halve CO₂ emission through power generation by FY 2025 relative to FY 2013," which is ahead of the Japanese government's goal of achieving a 46 percent reduction in GHG in FY 2030 and its new challenge that continuously aims at an even higher level of a 50 percent reduction in GHG. The Group's target has been more ambitious than the pathway to reduce CO₂ so as to achieve the 1.5°C target in the IPCC 1.5-Degree C Special Report.

b) A transition strategy **should** serve to explicitly communicate the implementation of an issuer's strategy to transform the business model in a way which effectively addresses climate-related risks and contributes to achieving the goals of the Paris Agreement. Transformation of a business model is not limited to initiatives as an extension of existing businesses but **can** also be transformation based on various other perspectives. It includes fuel conversion that achieves significant carbon and GHG reduction benefits, introduction of innovative technologies, improvement of / changes in manufacturing processes and products, and development and provision of products and services in new fields.

Consistency: ✓

The Group has endorsed the recommendations of Task Force on Climate-related Financial

Information Disclosure (hereinafter referred to as "TCFD"), has identified risks/opportunities on climate change for the medium to long term and has appropriately reflected the specific results in its strategy. The Group has analyzed risks in climate change based on the scenarios provided by IEA and confirmed the probability that can manage various risks at an appropriate level in the efforts listed in the Zero Carbon Vision 2050 and Zero Carbon Roadmap.

The Group has listed its initiatives in the Zero Carbon Vision 2050 and Zero Carbon Roadmap as follows: (i) Making the most of renewable energy for use as a main power source; (ii) Maximizing the use of nuclear power; (iii) Zero-carbon thermal power generation; or (iv) Contribution to the construction of a hydrogen supply chain. The Group also has advocated to address decarbonization throughout society by promoting electrification in addition to decarbonizing its own energy and will promote efforts for decarbonization not only in its own Company but also in its customers' and entire sales area. The Group has examined its roles in building a zero-carbon society through its initiatives and throughout society from both the demand and supply sides.

c) The implementation of a transition strategy assumes cases where it affects society and environment other than climate change, such as employment or stable provision of products and services, through transformation of a business model. In such cases, it is **recommended** that the fundraiser also takes into consideration the impact of business innovations to society and environment other than climate change.

Consistency: ✓

Along with the implementation of the Group's transition strategy, there will be no negative impact on the environment and society such as the impact on employment. The Group has expected that the impact on employment will not unconditionally shrink but shift to thermal power with zero-carbon fuels as a coordinator for the supply/demand balance even in the thermal power generation business, which emits a large amount of CO₂. The Group has expected to have no impact in other businesses as the skills of thermal power generation workers are utilizable.

The Group has been committed to complying with environmental laws and regulations and conserving the global environment and biodiversity in the environmental policy. The Group has conducted its initiatives toward the contribution to a resource-recycling society; prevented air pollution or water pollution; certainly taken local environmental conservation measures and strictly managed chemical substances.

The possibility of a lock-in to fossil fuels has been assessed as small with the followings:

- The Group has a zero carbon strategy for 2050.
- The Group possesses only one coal-firing thermal power plant at the time of preparing this evaluation report and has started biomass co-firing in the said power plant and will be examining ammonia co-firing in the future.

- The Group has studied to multilaterally shift to zero carbon fuels, including hydrogen and CO₂ capture by CCUS in other thermal power generation.
- The Group aims to use renewable energy as a primary power source as the energy composition throughout the Group.

The Group has recognized that the most important is to gain understanding of its businesses by having repeated dialogues with residents in the target areas, assuming that environmental assessments are conducted for developing renewable energy. Furthermore, it is presently unthinkable that the investment plan on transitions in the Framework will cause significant harm to other projects with environmental benefits (so-called Do No Significant Harm,) and the above-described investment will have no impact on a just transition for the present moment.

JCR has confirmed that the Group has promoted risk communication - initiatives to share risk perceptions on nuclear power and reflect the opinions received in business operations - in terms of nuclear power plants, and that it has bi-directionally communicated especially with local residents by facing their questions and anxiety and by thinking those side by side. Back-end issues will be steadily addressed in accordance with the governmental policies.

- d) Climate change-related scenarios¹¹ **should** be referenced in developing transition strategies. The pathway to transition **should** be planned for respective sector and regions of individual fundraiser, who may generally be placed in a different starting point and pathway to transition.

Consistency: ✓

The Group has identified the climate risks and opportunities expected. The Group has recognized opportunities and risks in the 1.5°C scenario and the 2°C scenario by referring to the data published by the IEA in the information disclosure based on the TCFD recommendations and has confirmed the probability that can manage various risks at an appropriate level in the efforts listed in the Zero Carbon Vision 2050 and the Zero Carbon Roadmap.

- e) Transition strategies and plans must be highly credible in terms of their effectiveness. Therefore, it is **recommended** that a transition strategy and plan are linked to management strategy and business plan, including Medium-term Business Plans.

Consistency: ✓

The Group published its quantitative goal of halving CO₂ emissions through power generation in FY 2025, which is the top spot for the amount of zero-carbon power generation in Japan with "Seeking to Achieve Zero-carbon Emissions: Energy Transformation (EX)" as one of the key initiatives in the Medium-term Management Plan. Specific initiatives involve: (i) "Zero-carbon power sources" including zero-carbon thermal power in addition to nuclear power/renewable energy in the energy business; (ii) Policies to work on examination/demonstrations toward a

hydrogen society; (iii) Promoting the energy business that contributes to zero-carbon emissions in respective overseas regions; (iv) Developing next generation grid networks, a foundation for zero-carbon emissions in the transmission and distribution business; and (v) Creation of new solutions in the information and communications business. These have been linked to the Group's transition strategy: the Zero Carbon Vision 2050 and Zero Carbon Roadmap.

f) However, because such strategies and plans run for a long period of time, it is **possible** that the content may be modified or adjusted in the event of a major change in the assumed external environment and so on.

Consistency: ✓

The Group announced its Zero Carbon Vision 2050, keeping the government's goal, "Carbon Neutral 2050" in mind and has been flexibly shifting its strategy depending upon changes in the external environment; for instance, establishing its Zero Carbon Roadmap.

g) In the initial phase of developing a transition strategy by the fundraiser, it is **considered** as an option for the fundraiser to indicate a plan for future implementation of items described with the words "recommended" and "be considered/possible" in these Guidelines.

Consistency: ✓

All matters that are considered "should" in the Basic Guidelines satisfy their requirements. In addition, almost all items identified as "desirable" and "considered/possible" have met their requirements or are expected to be implemented in the future.

h) In order to secure the effectiveness of the transition strategy, the fundraiser **should** establish an organizational structure for the board of directors and/or other such committee to oversee the activities addressing climate change and for management to play a role in assessing and managing such climate-related activities.

Consistency: ✓

The Group has recognized climate change issues as key business challenges and has established the Sustainability Promotion Council, which is chaired by the President. Issues of a specialized nature are sent to committees such as the Sustainability Promotion Board for deliberation. An Internal Control Board has been established as a council to put risks under central management including risks on climate changes. A Zero Carbon Committee has been established as a council specialized in decarbonization. Chaired by the President, the Group formulated the Zero Carbon Roadmap to realize the Zero Carbon Vision 2050 and has shared its initiatives in respective departments related to zero carbon emissions and has confirmed the progress. Office of Energy and Environmental Planning has assumed Management Office.

The Group additionally and newly established "Hydrogen Business Strategy Division" in May 2021 so as to realize the Zero Carbon Vision 2050 in terms of the hydrogen business that plays an important role, and it has enforced its structure by newly establishing "International Group" as well as "Strategy Group" and "Technology Development Group" in July 2022.

i) While a transition strategy shall be basically developed by a company in need of finance, it is **possible** for entities to utilize the strategy of companies that are wholly or partially responsible for the initiatives to establish or explain their own strategy, given that the finance supports GHG emissions reduction initiatives of not just a single company but its supply chain.

Consistency: ✓

The Group announced to support not only its own efforts toward carbon neutrality but also its customers' initiatives toward decarbonization through its business in the Group's Zero Carbon Vision 2050 and Zero Carbon Roadmap.

j) Transition strategies **should** be disclosed in advance in a company's integrated report, sustainability report, statutory documents and other materials for investors (including such disclosures on the website). This also applies to the other three elements.

Consistency: ✓

The Group's Zero Carbon Vision 2050 and Zero Carbon Roadmap have been released on its website or in its Integrated Report.

k) It is **possible** to disclose transition strategies and elements concerning the governance guaranteeing that the execution of transition strategies is in alignment with the reporting frameworks such as the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD; Final Report).

Consistency: ✓

The impacts caused by climate change issues have been analyzed, and the followings have been disclosed.

- Endorsement of the TCFD recommendations
- Information disclosure in line with the TCFD recommendations (e.g., scenario analysis)

l) If the implementation of a transition strategy assumes impacts on society and environment other than climate change, it is **recommended** that the fundraiser explain the view underlying its approach¹⁴, etc. to address such impacts and disclose how the strategy on the whole contributes to achieving the Sustainable Development Goals (SDGs) so that the effects can be appropriately evaluated by the financier.

Consistency: ✓

The Group has identified 10 materialities and has made efforts with the aim of accelerating digitalization or innovation and work style reforms, build a robust corporate constitution and continuously provide its customers or society with a new value in addition to climate change mitigation.

m) Considering the length of application and other factors, there may be instances when a transition strategy and plan will need to be modified due to major changes in the external environment and relevant conditions that were assumed at a planning phase. In this case, the contents of the modification **should** be disclosed together with the underlying reason in a timely manner.

Consistency: ✓

The Group has set forth the Zero Carbon Vision 2050 in response to the government's declaration of the Carbon Neutral 2050 in October 2020 and has expected to shift its strategy depending upon changes in the external environment.

n) In terms of governance, it is **recommended** that disclosures include an organizational structure for overseeing the implementation of a transition strategy and for assessing and managing related initiatives. It is also **recommended** that disclosures include the specific roles of the constituent organizations and the management and the process by which the content of deliberations is reflected in management.

Consistency: ✓

The Group has recognized climate change issues as key business challenges and has established the Sustainability Promotion Council, which is chaired by the President. Issues of a specialized nature are sent to committees such as the Sustainability Promotion Board for deliberation. An Internal Control Board has been established as a council to put risks under central management including risks on climate changes. A Zero Carbon Committee has been established as a council specialized in decarbonization. Chaired by the President, the Group formulated the Zero Carbon Roadmap to realize the Zero Carbon Vision 2050 and has shared its initiatives in respective departments related to zero carbon emissions and has confirmed the progress.

Of the aforementioned councils, the Sustainability Promotion Council has the rights of voting. The Executive Meeting and the Board of Directors may pass a resolution depending upon the contents. Meanwhile, the Internal Control Board and the Zero Carbon Committee have no voting rights; therefore, the Board of Directors passes a resolution instead. The results of evaluation and management have been reported to the Board of Directors as appropriate and subsequently reflected in the Group's plans and policies in each council.

o) In cases where the fundraiser determines the need for an objective assessment regarding the transition strategy, it is recommended that a review, assurance and verification by an external organization for its transition strategy.
Consistency: ✓ Review by Japan Credit Rating Agency, Ltd. (JCR) is assumed.

p) It is recognized useful to obtain a review particularly concerning the following in connection with the transition strategy: - Alignment of short-term, mid-term and long-term targets (for targets, refer to Element 3) with the overall scenario - Credibility of the fundraiser’s strategy to reach the targets - Appropriateness of the management process and governance for the transition strategy
Consistency: ✓ JCR confirmed the above three items and provides this evaluation report.

Element 2: Environmental Materiality (Priority) in Business Models

a) Initiatives for achieving the transition strategy should be such that contribute to transforming core business activities that are environmentally material parts today and in the future.
Consistency: ✓ Electricity is indispensable for people's life or economic life. The CO ₂ emission factor for electricity directly increases or decreases in CO ₂ emissions in Scope 2 in industries that use power or the household sector; therefore, the ripple effect to other sectors is greater than that in other industries. A transition roadmap for carbon neutrality was presented by Ministry of Economy, Trade and Industry (hereinafter referred to as "METI") in February 2022 in terms of the initiatives to reduce CO ₂ emissions in the power sector, and the efforts to reduce CO ₂ emissions are expected to accelerate so as to realize carbon neutrality in 2050 in the future. JCR has evaluated that KEPCO has steadily reduced CO ₂ emissions through its own power generation, based on which its contribution to reducing CO ₂ emissions for customers or society as a whole has been significantly influential, considering that its domestic electricity sale is roughly 10 percent and accounts for a large share in the Kinki region as a former general electric utility. The Company is also contributing to handing down technologies on nuclear power plants to other companies. JCR has evaluated that KEPCO's initiatives have domestically supported safe operations in nuclear power generation and have been of significance under the recognition that power generation is essential in "S + 3E" in light of that nuclear power generation has been clearly positioned as a decarbonized power source in the Sixth Basic Energy Plan.

b) When identifying business activities that are environmentally material parts, it is **recommended** that the fundraiser consider multiple climate change-related scenarios that may possibly impact its judgment on the identification.

Consistency: ✓

The Group has identified the climate risks and opportunities expected. The Group has recognized opportunities and risks in the 1.5°C scenario and the 2°C scenario by referring to the data published by the IEA in the information disclosure based on the TCFD recommendations and has confirmed the probability that can manage various risks at an appropriate level in the efforts listed in the Zero Carbon Vision 2050 and the Zero Carbon Roadmap.

c) In terms of considering materiality, it is **possible** to apply existing guidance provided by an organization that creates standard criteria concerning sustainability reporting.

Consistency: ✓

The Group referred to the GRI standard (including aspects specific to power) as fundamental requirements that shall be considered in reviewing the materialities.

d) The fundraiser **should** indicate that climate change is an environmentally material part of business activities.

Consistency: ✓

The Group has listed "Promote zero-carbon efforts" as one of the 10 materialities identified.

e) It is **recommended** that disclosures include the contents of climate change-related scenarios used in identifying business activities that are environmentally material parts along with the underlying reasons (e.g., regional and industrial characteristics) for selecting such scenarios.

Consistency: ✓

The Group has identified the climate risks and opportunities expected. The Group has recognized opportunities and risks in the 1.5°C scenario and the 2°C scenario by referring to the data published by the IEA in the information disclosure based on the TCFD recommendations and has confirmed the probability that can manage various risks at an appropriate level in the efforts listed in the Zero Carbon Vision 2050 and the Zero Carbon Roadmap.

Element 3: Scientifically Rationalized Climate Transition Strategies (Including Targets and Channels)

a) The fundraiser **should** reference science-based targets in developing its transition strategies.

Consistency: ✓

The initiatives and goals set forth in the Group's Zero Carbon Roadmap have been aligned with: (i)

"Long-Term Strategy as a Growth Strategy Based on the Paris Agreement" and (ii) "Contribution of Japanese Electric Utilities to Achieve Carbon Neutrality in 2050," a long-term vision of the ELCS that was formulated in light of (1) noted above. The goal of halving CO₂ emissions through power generation in 2025 compared to 2013 has been aligned with the Long-Term Strategy as a Growth Strategy Based on the Paris Agreement, the Sixth Basic Energy Plan and the Transition Roadmap for Power Sector. JCR has evaluated that the Group has had an ambitious target, "Halve CO₂ emission through power generation by FY 2025 relative to FY 2013," which is ahead of the Japanese government's goal of achieving a 46 percent reduction in GHG in FY 2030 and its new challenge that continuously aims at an even higher level of a 50 percent reduction in GHG. The Group's target has been more ambitious than the pathway to reduce CO₂ so as to achieve the 1.5°C target in the IPCC 1.5-Degree C Special Report.

b) This **should** include mid-term targets (short- to mid-term targets) in addition to long-term targets for 2050 and be quantitatively measurable based on a measurement methodology which is consistent over a long period of time.

Consistency: ✓

The Group has listed the Zero-Carbon Roadmap and has set an interim target of halving CO₂ emissions from power generation in FY 2025 (relative to FY 2013.) These numerical targets are quantitative and measurable.

c) In addition, it is recommended that GHG reduction targets, which could be formulated either in intensity and absolute terms, **should** consider environmental materiality and cover Scopes 1 through 3 of GHG Protocol, the international standard on supply-chain emissions.

It is **recommended** that targets covering Scope 3 be set using a practical calculation method when it could be subject to significant reduction in the fundraiser's business model.

It is also **possible** to disclose the avoided emissions as necessary.

Consistency: ✓

The Group's medium targets, "Halve CO₂ emissions through power generation by FY 2025 (compared to FY 2013)" and "Maintain industry-leading CO₂ emission reduction levels by FY 2030" are subject to Scope1; however, the target, "Decrease the CO₂ emission factor of electricity supplied to customers to industry-leading levels" is included in the Scope1 and Scope3 in the Zero Carbon Roadmap. The Group's roadmap does not include Scope 2. Of CO₂ emitted by KEPCO, the percentage of Scope 2 is trivial (approximately 0.01 percent) relative to Scope 1 and Scope 3; therefore, JCR has evaluated that the entire supply chain has been sufficiently covered by the present goal setting. KEPCO, in terms of its medium targets, endorsed the GX League Basic Concept in March 2022 and set its GHG reduction targets (the total of annual direct (Scope 1) and indirect

(Scope 2) emission targets for each fiscal year submitted to the GX League) and submitted them in September 2023. Since the goals presented to the GX League have not yet been reflected in the Zero Carbon Roadmap, the Roadmap is expected to be updated in light of the above described goals hereafter.

d) Science-based targets are GHG reduction targets required for achieving the goals of the Paris Agreement and **should** be set while taking into account differences in regional characteristics and industries. In so doing, it is **possible** to refer to the following trajectories.

- Scenarios widely recognized in the international community (Examples include the Sustainable Development Scenario (SDS) outlined by the International Energy Agency (IEA))
- Objectives verified under the Science Based Targets Initiative (SBTi) and such like
- Nationally Determined Contributions (NDC) of countries aligned with the goals of the Paris Agreement, roadmaps by industry sector, industries set out plans that are science-based achieving the Paris Agreement and so on.

Consistency: ✓

The Group has identified the climate risks and opportunities expected. The Group has recognized opportunities and risks in the 1.5°C scenario and the 2°C scenario by referring to the data published by the IEA in the information disclosure based on the TCFD recommendations and has confirmed the probability that can manage various risks at an appropriate level in the efforts listed in the Zero Carbon Vision 2050 and the Zero Carbon Roadmap.

The initiatives and goals set forth in the Group's Zero Carbon Roadmap have been aligned with: (i) "Long-Term Strategy as a Growth Strategy Based on the Paris Agreement" and (ii) "Contribution of Japanese Electric Utilities to Achieve Carbon Neutrality in 2050," a long-term vision of the ELCS that was formulated in light of (1) noted above. The goal of halving CO₂ emissions through power generation in 2025 compared to 2013 has been aligned with the Long-Term Strategy as a Growth Strategy Based on the Paris Agreement, the Sixth Basic Energy Plan and the Transition Roadmap for Power Sector. JCR has evaluated that the Group has had an ambitious target, "Halve CO₂ emission through power generation by FY 2025 relative to FY 2013," which is ahead of the Japanese government's goal of achieving a 46 percent reduction in GHG in FY 2030 and its new challenge that continuously aims at an even higher level of a 50 percent reduction in GHG. The Group's target has been more ambitious than the pathway to reduce CO₂ so as to achieve the 1.5°C target in the IPCC 1.5-Degree C Special Report.

e) Short- to mid-term targets (with a term of three to fifteen years) **should** be set by referencing the aforesaid trajectories or on the pathway toward the long-term targets planned as benchmarks.

Consistency: ✓

The Group has set forth the Zero Carbon Vision 2050 and Zero Carbon Roadmap and has listed a goal of halving CO₂ emissions through power generation in FY 2025 relative to FY 2013.

f) In doing so, since short- to mid-term targets will likely be set in consideration of various factors (including the starting point and track records of the issuer, timing of capital investments, economic rationality, cost-benefit analysis, and availability of technology necessary to achieve the targets), it is **possible** that the pathway may not necessarily be linear with the same slope at all times but may be nonlinear.

Consistency: ✓

A roadmap has been formulated in light of technologies that will be commercially available in each era toward zero-carbon emissions in 2050 in the specific initiatives listed in the Group's Zero Carbon Roadmap. Since respective technologies will be commercially available at different times, it is possible that the pathway to reduce CO₂ emissions may not necessarily be linear with the same slope at all times but may be nonlinear.

g) The fundraiser **should** disclose the short- to mid-term and long-term targets they have set, including the base years etc.

Consistency: ✓

FY 2013 is defined as a benchmark year for the short- and medium-term target of reducing CO₂ emissions by 50 percent through power generation in FY 2025.

h) In order to show that long-term targets are science-based, disclosures **should** explain the methodology or trajectory used to define target, including the underlying reasons (e.g., characteristics specific to a region or industry). In particular, when reference is made to plans and industry roadmaps established by an industry, etc., the explanation **should** include that they are grounded in scientific basis.

Consistency: ✓

It has been aligned with the national government's policy or the Paris Agreement, the Long-term vision of ELCS and the Transition Roadmap for Power Sector established by METI.

i) It is **possible** that disclosures explain the pathway toward a long-term target and the alignment between the short- to mid-term targets on the pathway and the transition strategy, based on the investment plan (refer to Element 4) and other plans.

Consistency: ✓

The Group published a plan to invest 1.05 trillion yen in the Energy Transformation (EX): Seeking to achieve zero-carbo emissions for five years from FY 2021 to FY 2025 in its Medium-term

Management Plan. The Group also announced that of the 1.05 trillion yen, 340 billion yen will be invested in renewable energy projects, such as new development centered on offshore wind plants and renewal of existing hydropower plants. The Group additionally released investment plans for a single year to achieve its Medium-term Management Plan.

j) Concerning targets and trajectories, obtaining expert reviews on the following is **considered** to be particularly useful:

- Whether the long-term target is aligned with science-based targets
 - > Whether the disclosed information explains the alignment with the Paris Agreement
- Whether the short- to mid-term targets are determined using a GHG emissions forecast calculated based on a climate change scenario analysis
 - > Whether scenarios, etc. widely recognized in the international community are used or referenced
- Whether the actual values of the indicators used for the targets are quantitatively measured using consistent measurement methods
 - > Whether a specific GHG emissions reduction measure has been developed to achieve short- to mid-term targets aligned with long-term goals

Consistency: ✓

JCR has confirmed that all of the above items have been met in this Report.

Element 4: Transparency of Implementation

a) In implementing transition strategies, the fundraiser **should** provide transparency of the basic investment plan to the extent practicable.

Consistency: ✓

The Group published a plan to invest 1.05 trillion yen in the Energy Transformation (EX): Seeking to achieve zero-carbo emissions for five years from FY 2021 to FY 2025 in its Medium-term Management Plan. The Group also announced that of the 1.05 trillion yen, 340 billion yen will be invested in renewable energy projects, such as new development centered on offshore wind plants and renewal of existing hydropower plants. The Group additionally released investment plans for a single year to achieve its Medium-term Management Plan.

b) The investment plan includes not only capital expenditure (Capex) but also capital and operational expenditure (Opex). Therefore, costs related to research and development, M&A, and dismantling and removal of facilities are also subject to the investment plan. In other words, it is **recommended** that the investment plan incorporate, to the extent possible, expenditure and investment necessary for implementing the transition strategy.

Consistency: ✓

The investment plans include investments on execution of the transition strategy.

c) It is **recommended** that the investment plan outline the assumed climate-related outcomes and impacts in a quantitative fashion where possible, along with the calculation methods and prerequisites. If quantification is difficult, the use of external certification systems **can** be considered as a substitute for qualitative assessment.

Consistency: ✓

KEPCO's CO₂ emissions data have been verified by a third-party institution every year and the numerical figures verified will be annually reported on its website.

d) In particular, when outlining the assumed climate-related outcomes and impacts, it is **recommended** that the disclosure include not only GHG emission reduction and other initiatives to ease climate change but also report how consideration of a "just transition" is incorporated into the transition strategy.

Consistency: ✓

Along with the implementation of the Group's transition strategy, there will be no negative impact on the environment and society such as the impact on employment. The Group has expected that the impact on employment will not unconditionally shrink but shift to thermal power with zero-carbon fuels as a coordinator for the supply/demand balance even in the thermal power generation business, which emits a large amount of CO₂. The Group has expected to have no impact in other businesses as the skills of thermal power generation workers are utilizable.

The Group has been committed to complying with environmental laws and regulations and conserving the global environment and biodiversity in the environmental policy. The Group has conducted its initiatives toward the contribution to a resource-recycling society; prevented air pollution or water pollution; certainly taken local environmental conservation measures and strictly managed chemical substances.

The possibility of a lock-in to fossil fuels has been assessed as small with the followings:

- The Group has a zero carbon strategy for 2050.
- The Group possesses only one coal-firing thermal power plant at the time of preparing this evaluation report and has started biomass co-firing in the said power plant and will be examining ammonia co-firing in the future.
- The Group has studied to multilaterally shift to zero carbon fuels, including hydrogen and CO₂ capture by CCUS in other thermal power generation.
- The Group aims to use renewable energy as a primary power source as the energy composition throughout the Group.

The Group has recognized that the most important is to gain understanding of its businesses by having repeated dialogues with residents in the target areas, assuming that environmental assessments are conducted for developing renewable energy. Furthermore, it is presently unthinkable that the investment plan on transitions in the Framework will cause significant harm to other projects with environmental benefits (so-called Do No Significant Harm,) and the above-described investment will have no impact on a just transition for the present moment.

JCR has confirmed that the Group has promoted risk communication - initiatives to share risk perceptions on nuclear power and reflect the opinions received in business operations - in terms of nuclear power plants, and that it has bi-directionally communicated especially with local residents by facing their questions and anxiety and by thinking those side by side. Back-end issues will be steadily addressed in accordance with the governmental policies.

e) If implementing the transition strategy has the potential of having a negative impact on employment or the environment and communities other than climate change, it is **recommended** that any expenditures to mitigate such negative impacts be added to the plan.

Consistency: ✓

As described in d), along with the implementation of the Group's transition strategy, there will be no negative impact on the environment and society such as the impact on employment.

f) Moreover, the outcomes arising from investments included in the investment plan **should** align with the targets.

Consistency: ✓

The Group published a plan to invest 1.05 trillion yen in the Energy Transformation (EX): Seeking to achieve zero-carbo emissions for five years from FY 2021 to FY 2025 in its Medium-term Management Plan. The Group also announced that of the 1.05 trillion yen, 340 billion yen will be invested in renewable energy projects, such as new development centered on offshore wind plants and renewal of existing hydropower plants. The Group additionally released investment plans for a single year to achieve its Medium-term Management Plan.

Kansai Transmission and Distribution, Inc. announced its investment plans, including improving network facilities to expand the introduction of renewable energy or increasing resilience in response to deal with increasing power demand, both of which are initiatives listed in the Group's Zero Carbon Roadmap.

g) Transition finance is a means to financially support the implementation of a transition strategy, and it is **recommended** that financing be provided for new initiatives. However, in the case of transition finance in the format of Use of Proceeds instruments, refinancing for a reasonably

set lookback period (the period during which refinancing is to be applied for projects that have already started) is **considered** to be eligible.

Consistency: ✓

It covers new investments and investments made within 36 months prior to the execution of finance. JCR has evaluated that investments are generally made for a long period in the electric power business; therefore, it has been adequately stipulated.

h) It is **recommended** that investment plans be disclosed by linking the outcomes and impacts with the expenditures to the extent practicable.

Consistency:

The amounts invested in renewal energy and the transmission and distribution business are revealed in the investment plan toward EX in the Group; however, other breakdowns are undisclosed from a competitive standpoint. Individually linking outcomes to impacts are presently undisclosed except for the amount of renewable energy newly introduced. Meanwhile, investment results per fiscal year and initiatives for the fiscal year concerned will be qualitatively announced.

i) It is **recommended** that the fundraiser, after securing financing, reports any deviations between the initial plan and the actual expenditure, outcomes and impacts. For any deviations, it is **recommended** that the underlying reasons be explained.

Consistency: ✓

The Group has stipulated to adequately disclose both the appropriation of proceeds and the environmental benefits to investors in the Framework. The Group also will annually release reporting on the progress of CO₂ emission reduction in its integrated report or on its webpage. Additionally, the Group will properly disclose its initiative hereafter in its Integrated Report, which includes the Zero Carbon Vision 2050 and the Zero Carbon Roadmap

j) In cases where the Use of Proceeds bonds include refinancing, the fundraiser **should** provide an explanation on the lookback period set under the framework or other relevant methods along with the underlying reasons and factors.

Consistency: ✓

It covers new investments and investments made within 36 months prior to the execution of finance. JCR has evaluated that investments are generally made for a long period in the electric power business; therefore, it has been adequately stipulated.

k) While there are differences in business practices, such as the fact that loans are traditionally made based on the bilateral relationship between a borrower and a lender, it is **recommended**

that disclosure on the above be made to the extent possible in order to ensure transparency and credibility of transition finance. However, if it is difficult to disclose such information to the public from the standpoint of confidentiality and competition, it is **possible** to report such information only to lenders or external evaluation organizations without disclosing it to the public.

Consistency: ✓

In cases where KEPCO announces a loan as a green/transition loan, it will publish the reporting specified in the Framework.

l) Similarly, in cases where the fundraiser is a small-to-medium-sized enterprise and it is difficult to disclose to the public the same content as that reported to the financier or an external evaluation institution, it is **possible** for the fundraiser to simplify the content of disclosure, for example, by limiting disclosure to a summary of h) to j) of this section.

Consistency: Not applicable

Not applicable to small and medium size enterprises.