

# Corporate Governance

## Summary

<p><b>Why the topic is material</b></p>	<p>For its business activities, the motto of the Daigas Group is to place the highest priority on creating value for customers, and the Group aims to expand it to creating value for society, for shareholders, and for employees. We believe that our social responsibility is fulfilled by creating the four types of value for all these stakeholders through fair and transparent business activities. To appropriately respond to the exercise of shareholder rights and improve our own value, we believe that it is important to have a system for appropriately operating and developing the business based on relationships of trust between its stakeholders and the Group through dialogue and collaboration.</p> <p>The Daigas Group Code of Business Conduct was established as a specific code of conduct to be followed by our officers and employees. We follow the code, viewing it as widely governing common sense corporate behavior based on sound ethics as well as laws and regulations. The Group's officers and employees act appropriately in accordance with the code when performing their duties.</p>					
<p><b>Corporate governance</b></p>	<p><b>Items to be addressed</b></p> <ul style="list-style-type: none"> <li>• Separation of business execution from supervision</li> <li>• Ensuring diversity (The percentage of women among executives/directors has been adopted as KPIs based on materiality. For detailed information, please see P.21-23.)</li> <li>• Remuneration linked with sustainable growth</li> <li>• Internal control</li> </ul>	<p><b>Specific initiatives</b></p> <p><b>Policy and promotion system</b></p> <p>Based on corporate principles, we will respond appropriately to the exercise of shareholder rights and strive to maintain and improve trust of stakeholders through dialogue and collaboration with them. We are continually working to enhance and strengthen our corporate governance to respond quickly and accurately to changes in the business environment, make transparent, fair, and decisive decisions, and execute business operations efficiently and appropriately.</p> <hr/> <p><b>Initiatives undertaken in FY2023.3</b></p> <ul style="list-style-type: none"> <li>• Percentage of women among executives/directors: 13.3%/10.0% (Results after the Annual Meeting of Shareholders held in June 2023: Percentage of women among executives/directors: 26.7%/20.0%)</li> </ul>				
<p><b>Compliance</b></p>	<ul style="list-style-type: none"> <li>• Predictive data monitoring</li> <li>• Improving compliance awareness</li> <li>• Proper operation of the whistleblowing system</li> <li>• Promoting anti-corruption initiatives</li> </ul> <p><b>Materiality Compliance</b></p>	<p><b>Policy and promotion system</b></p> <p>With a good understanding of the Code of Business Conduct, we act in accordance with the internal rules and regulations. We have established the Compliance/Risk Management Subcommittees under the ESG Committee to improve compliance through efforts such as development of measures and information sharing in a cross-organizational manner.</p> <hr/> <table border="1" data-bbox="931 959 2045 1054"> <tr> <td data-bbox="931 959 1272 995"><b>KPIs based on materiality</b></td> <td data-bbox="1279 959 2045 995"><b>FY2023.3 results</b></td> </tr> <tr> <td data-bbox="931 1000 1272 1054">Number of serious violations of laws and regulations</td> <td data-bbox="1279 1000 2045 1054">There were no serious violations of laws and regulations in our group.</td> </tr> </table> <hr/> <p><b>Initiatives undertaken in FY2023.3</b></p> <ul style="list-style-type: none"> <li>• Implementation of monitoring</li> <li>• Provision of compliance training</li> <li>• Proper operation of the whistleblowing system</li> <li>• Promoting anti-corruption initiatives</li> </ul>	<b>KPIs based on materiality</b>	<b>FY2023.3 results</b>	Number of serious violations of laws and regulations	There were no serious violations of laws and regulations in our group.
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<p><b>Information security/ Protection of personal information</b></p>	<ul style="list-style-type: none"> <li>• Establishment and revision of the Information Security Guidelines</li> <li>• Investigations of and measures for information security at group companies</li> <li>• Strengthening risk management related to information security and protection of personal information</li> </ul>	<p><b>Policy and promotion system</b></p> <p>As a business operator responsible for social infrastructure, we recognize the importance of managing customer information and other data. In line with a relevant set of guidelines, we implement information security measures.</p> <p>As an information security promotion system, we have established an Information Security Subcommittee under the Cyber Security Committee, a corporate committee, to implement group-wide measures.</p> <p>We are striving to properly manage and prevent leakage of personal information by establishing a personal information protection system, which comprises managers appointed at each organization and affiliate under the direction of the Chief Privacy Officer.</p> <hr/> <p><b>Initiatives undertaken in FY2023.3</b></p> <ul style="list-style-type: none"> <li>• Maintained and operated the Information Security Guidelines, etc.</li> <li>• Investigations of and measures for information security at group companies</li> <li>• Provision of training on information security and protection of personal information</li> </ul>				

# Corporate Governance

## Basic Views on Corporate Governance

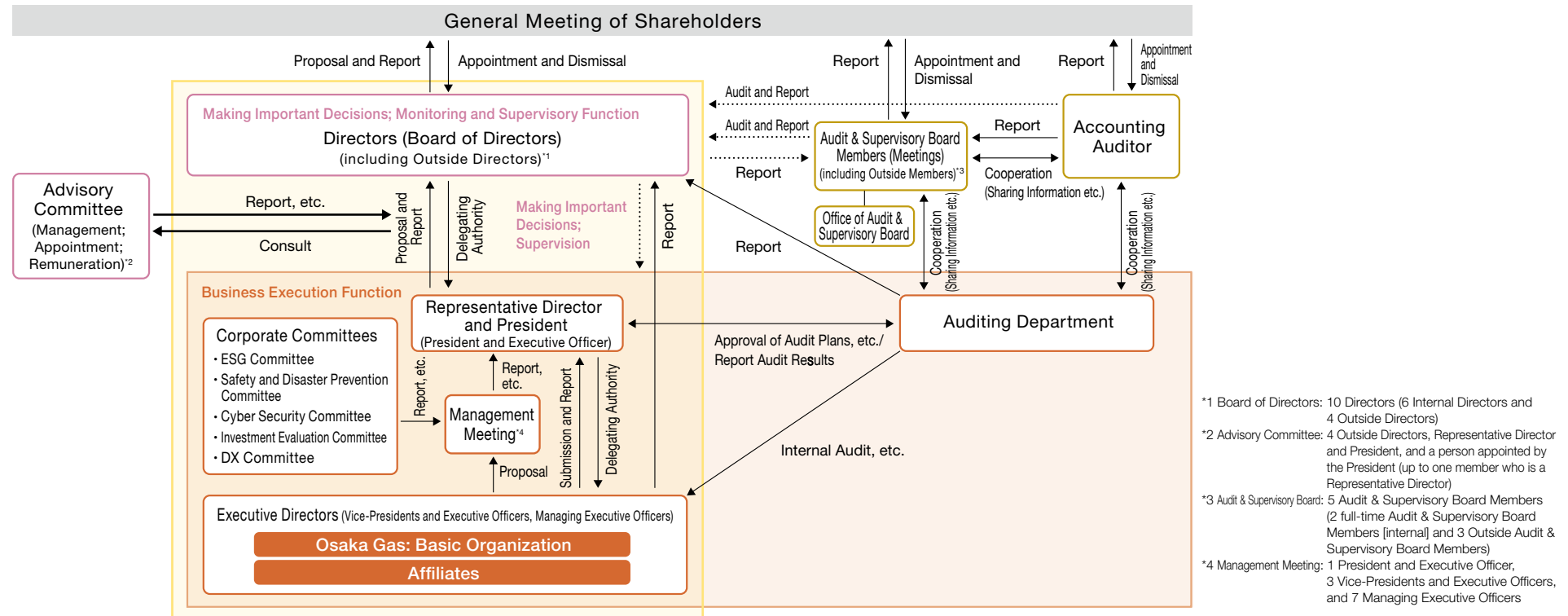
As a corporate group that powers “continuous advancement” in consumer life and business, our Corporate Principles aim to create four types of value: “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to not only the energy business, including natural gas, electricity, and LPG, but also its peripheral services and non-energy businesses, such as urban development, materials and information businesses.

Under these Corporate Principles, the Company and its affiliates (the “Group”) will respond appropriately to the exercising of shareholder rights, and work toward maintaining and increasing a sense of trust by dialogue and cooperation with its stakeholders. In addition, the Group will continue to enhance and strengthen corporate governance in order to respond quickly and appropriately to changes in the business environment surrounding the Group, make transparent, fair, and decisive decisions, and execute business efficiently and appropriately.

## Corporate Governance System

Osaka Gas has selected to be a company with Audit & Supervisory Board and conducted the introduction of an executive officer system, appointment of multiple Outside Directors, and establishment of voluntary advisory committees on management, appointment of Directors and Audit & Supervisory Board Members and Director remuneration. The Company considers its current governance system best suited for the decision-making and business execution described above.

### ■ Corporate Governance System (as of June 23, 2023)



## Overview of Corporate Governance System

### Board of Directors, Directors of the Company

The Board of Directors consists of 10 Directors (including four Outside Directors). Its mission is to formulate the “Regulations of the Board of Directors” and the “Standards for Voting on Resolutions in the Board of Directors”, make swift and appropriate decisions about important matters that affect the whole Group including subsidiaries, and enhance supervisory capabilities. The Articles of Incorporation stipulate that there shall be no more than 15 Directors. They also direct that the appointment of Directors is to take place with a quorum of shareholders possessing at least one-third of shareholder voting rights and by a majority of voting rights held by shareholders present, and that no cumulative voting may be used for appointing Directors.

In FY2023.3, the Board of Directors held 13 meetings, with 100% attendance by all Directors. Meetings discussed the Group’s management plans, the establishment of important organizations, important human resources matters, execution of important investments and agreements greater than a certain amount, and operational status reports from executive Directors, etc.

### Executive Officers

The Company has adopted an executive officer system (Executive Officers consist of President and Executive Officer, Vice-President and Executive Officers, Managing Executive Officers, and Executive Officers), which enables the Directors of the Company to focus on making business decisions and monitoring and supervisory functions, and worked toward strengthening the business efficiency and the supervisory functions by vitalizing the Board of Directors. Executive Officers perform duties determined by the Board of Directors, and some Representative Directors and Directors concurrently serve as Executive Officers to make management decision-making more accurate and efficient.

### Management Meeting

The Company examines basic management policies and important management issues at the Management Meeting and fully deliberates the foregoing before decision-making. In accordance with internal regulations, the Management Meeting consists of President and Executive Officer, Vice-President and Executive Officers, and Managing Executive Officers. In principle, the Management Meeting is held three times per year as the “ESG Council,” which deliberates on activity plans and reports on activities related to the promotion of ESG management.

### Audit & Supervisory Board, Audit & Supervisory Board Members

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, of whom three are Outside Audit & Supervisory Board Members and each Audit & Supervisory Board Member monitors the execution of work duties by the Directors.

### Auditing Department

The Company has established the Auditing Department as an internal audit division. Based on a yearly auditing plan, it audits, from independent and neutral viewpoints, the status of execution of business activities. Audit results are reported regularly at the Management Meeting and other meetings. In the event that an internal audit identifies a matter that may have a significant impact on management, it is reported to the Board of Directors (dual reporting). The Auditing Department evaluates internal control over financial reporting based on the Financial Instruments and Exchange Act. The Head of the Auditing Department regularly exchanges opinions with Audit & Supervisory Board Members, the accounting auditor, and outside officers (Outside Audit & Supervisory Board Members and Outside Directors).

### Advisory Committee

The Advisory Committee consists of all the Outside Directors (four), the President, and, if necessary, a person appointed by the President (the President may appoint up to one person from among the other Representative Directors). From the perspective of corporate value enhancement, ensuring objectivity and transparency in the decision-making process, the Advisory Committee deliberates on matters related to key issues such as medium- to long-term corporate strategy and sustainability, matters related to the election of candidates for Directors and Audit & Supervisory Board Members, matters related to the selection and dismissal of Representative Directors and other Executive Directors, and matters related to the remuneration of Directors. All committees are chaired by Outside Directors (Advisory Committee on Management, Advisory Committee on Appointment, and Advisory Committee on Remuneration).

### ESG Committee

The Company has established the ESG Committee to promote activities relating to the Group’s sustainability, including the environment, compliance, social contribution, respect for human rights, and risk management. (Chairman: Head of ESG Promotion/Representative Director and Vice-President)

### Safety and Disaster Prevention Committee

In order to take all possible measures to ensure safety, disaster prevention, and gas supply stability after the legal spin-off of the gas pipeline service business, the Company established the Safety and Disaster Prevention Committee to unify the management of events related to safety, disaster prevention, and gas supply stability, and to promote measures against them within the Group. (Chairman: Head of Safety/Managing Executive Officer)

### Cyber Security Committee

The Company has established the Cyber Security Committee to reinforce the cyber security measures of the Group. (Chairman: Head of Technology/Representative Director and Vice-President)

### Investment Evaluation Committee

The Company has established the Investment Evaluation Committee to examine risk and return and assess investments in excess of a certain amount, and report findings to the Management Meeting to help make appropriate investment decisions. (Chairman: President of the Corporate Planning HQ/ Representative Director and Vice-President)

### DX Committee

The Company has established the DX Committee to promote DX for the entire group while coordinating the alignment with business, IT, and financial strategies across the organization. (Chairman: President of the Corporate Planning HQ/ Representative Director and Vice-President)

## Views on the Composition of the Board of Directors

From the perspective of contributing to its sustainable growth and improvement of the medium- to long-term corporate value of the Daigas Group, Osaka Gas has adopted a basic policy of appointing diverse talent as Directors and Audit & Supervisory Board Members in full consideration of their knowledge, experiences, ability, personality, etc. regardless of gender, nationality, career, or age, etc. The Group positions the advancement of women as a first step for diversity promotion and has set a target of 20% or more in both the ratio of female officers and female directors by FY2031.3. As of June 2023, the ratio of female officers and directors was 26.7% and 20.0%, respectively.

Moreover, based on medium- and long-term management plans, we have defined the basic qualifications for Internal Directors as having experience and expertise, etc. in corporate management, marketing, technology/R&D, DX, global management, ESG, finance/accounting, legal/risk management, human resources development of the Group including the energy business, and those for Outside Directors as having not only independence that enables objective judgment but also extensive knowledge, wealth of experience, great expertise in their specified field, etc. As such, the Board of Directors as a whole has a well-balanced composition.

In addition, we have long since defined the term of Director as one year in order to respond flexibly to changes in our business environment and clarify management responsibility.

Based on the above-mentioned policy, decisions on the selection of candidates for Directors and Audit & Supervisory Board Members and the appointment and dismissal of Representative Directors and other Executive Directors are made based on deliberations by a voluntarily appointed Advisory Committee made up of a majority of Outside Directors in order to ensure objectivity and transparency in decision-making.

The following is a list of the expertise and experience that the Board of Directors should possess as identified in light of the medium- to long-term management plan as well as the significant expertise and experience of each Director and Audit & Supervisory Board Member.

■ Skills Matrix (as of June 23, 2023)

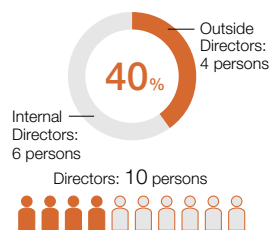
Name	Position	Age	Years in office	Internal/Outside	Independence	Attendance at Board of Directors Meetings	Fields of Significant Expertise and Experience								
							Corporate Management	Marketing	Technology /R&D	DX	Global Management	ESG	Finance/Accounting	Legal/Risk Management	Human Resources Development
Takehiro Honjo	Chairman and Director	69	14	Internal	—	100%	●	●				●	●	●	●
Masataka Fujiwara	Representative Director and President	65	7	Internal	—	100%	●	●	●	●	●	●			
Tadashi Miyagawa	Representative Director	64	7	Internal	—	100%	●		●	●	●	●		●	
Takeshi Matsui	Representative Director	62	6	Internal	—	100%	●			●	●	●	●		●
Takayuki Tasaka	Representative Director	60	5	Internal	—	100%	●	●					●	●	
Fumitoshi Takeguchi	Director	61	2	Internal	—	100%						●	●	●	●
Kazutoshi Muraio	Director	70	4	Outside	○	100%	●			●		●		●	●
Tatsuo Kijima	Director	68	3	Outside	○	100%	●					●		●	●
Yumiko Sato	Director	71	2	Outside	○	100%						●		●	●
Mikiyo Niizeki	Director	55	—	Outside	○	—	●	●					●		●
Hisaichi Yoneyama	Audit & Supervisory Board Member	62	3	Internal	—	100%	●		●		●			●	●
Ichiro Hazama	Audit & Supervisory Board Member	57	—	Internal	—	—		●						●	●
Shigemi Sasaki	Audit & Supervisory Board Member	75	7	Outside	○	100%	●							●	●
Eriko Nashioka	Audit & Supervisory Board Member	56	1	Outside	○	100%	●					●	●		●
Chieko Minami	Audit & Supervisory Board Member	62	—	Outside	○	—	●	●		●					●

■ Independence of Directors

Percentage of Non-executive Directors



Percentage of Independent Outside Directors

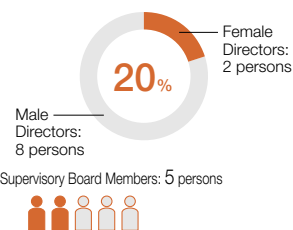


■ Diversity of Directors and Audit & Supervisory Board Members

Percentage of Female Executives



Percentage of Female Directors



■ Corporate Governance Initiatives

		2019	2020	2021	2022	2023
Separation of business execution and supervision	Chairperson of the Board	From 2015: Representative Director and Chairman of the Board		From 2021: Director and Chairman of the Board		
	Execution system	From 2009: adoption of an executive officer system				
	Outside Directors	From 2016: 3 persons		From 2021: 4 persons		
	Outside Audit & Supervisory Board Members	From 2020: percentage of Outside Directors: 1/3 or more				
	Voluntary advisory committee	In 2013: established (appointment and remuneration)			In 2022: expanded (management, appointment, and remuneration)	
Diversity	Female officers	From 2014: one person (one Audit & Supervisory Board Member)		From 2021: 2 persons (one Director and one Audit & Supervisory Board Member)		From 2023: 4 persons (2 Directors and 2 Audit & Supervisory Board Members)
	Skills matrix				Since 2021: disclosed	
Linkage between sustainable growth and remuneration	Remuneration system	In 2013: established performance-linked remuneration system			Since 2022: linked remuneration to ESG indicators achievement	
Internal Control	Corporate committee*1	From 2003: Investment Evaluation Committee				
		From 2006: CSR Committee*3	From 2020: ESG Committee			
		From 2019: Cyber Security Committee				
		From 2021: DX Committee				
	From 1996: Executive Safety Council			From 2022: Safety and Disaster Prevention Committee		
	Strengthening risk management (operation of G-RIMS*2)	From 2017: targeting Osaka Gas, domestic and overseas affiliates				
Cross-shareholdings	In 2013: established policies regarding cross-shareholdings*4					

\*1 Established for the purpose of coordinating and promoting matters (important issues for the entire Group) across multiple basic organization

\*2 Systematized self-assessment of risk management practices (Gas Group Risk Management System)

\*3 The new "CSR Committee" was established to coordinate and promote the activities of the committees (Compliance Committee and Energy & Global Environment Committee), which had been operating separately by field, as well as community and social contribution, human rights, employment, and other activities promoted by the organizations in charge, on a cross-organizational basis.

\*4 Rules on the purchase and management of third-party stocks were established. The Board of Directors examines the significance of each individual stock holding. If the significance of holding an issue has waned, we sell it sequentially.

With respect to the exercise of voting rights, a standard for exercising voting rights was established (in 2016). We examine the content of proposals through various methods, including dialogue with investees, and decide whether to approve or disapprove.

## Advisory Committee

The Advisory Committee consists of all the Outside Directors (four), the President and, if necessary, a person appointed by the President (the President may appoint up to one person from among the other Representative Directors). From the perspective of corporate value enhancement, ensuring objectivity and transparency in the decision-making process, the Advisory Committee deliberates on matters related to key issues such as medium- to long-term corporate strategy and sustainability, matters related to the election of candidates for Directors and Audit & Supervisory Board Members, matters related to the selection and dismissal of Representative Directors and other Executive Directors, and matters related to the remuneration of Directors. All committees are chaired by Outside Directors.

### FY2023.3 Results

Name	Composition of each advisory committee and percentage of Outside Directors	Agenda	Issues discussed	Name	Position	Attendance	Attendance rate	Number of the meetings held in FY2023.3	
Advisory Committee on Management	(Management) 67% 	Key issues such as medium- to long-term corporate strategy and sustainability	Prospects and challenges for achieving carbon neutrality, trends in human capital and the Company's personnel measures, etc.	Tatsuo Kijima	Chairperson	Outside Director	2 out of 2 meetings	100%	2 meetings
				Hideo Miyahara*1		Outside Director	2 out of 2 meetings	100%	
				Kazutoshi Muraio		Outside Director	2 out of 2 meetings	100%	
				Yumiko Sato		Outside Director	2 out of 2 meetings	100%	
				Masataka Fujiwara		Representative Director, President and Executive Officer	2 out of 2 meetings	100%	
				Takeshi Matsui		Representative Director, Vice-President and Executive Officer	2 out of 2 meetings	100%	
Advisory Committee on Appointment	(Appointment) 80% 	Matters related to the election of candidates for Directors and Audit & Supervisory Board Members, the selection and dismissal of Representative Directors and other Executive Directors, skills matrix, and succession plan, etc.	Matters to be considered in the selection of candidates for Directors, the election of candidates for Directors, selection and dismissal of Representative Directors and other Executive Directors, skills matrix, etc.	Kazutoshi Muraio	Chairperson	Outside Director	3 out of 3 meetings	100%	3 meetings
				Hideo Miyahara*1		Outside Director	3 out of 3 meetings	100%	
				Tatsuo Kijima		Outside Director	3 out of 3 meetings	100%	
				Yumiko Sato		Outside Director	3 out of 3 meetings	100%	
				Masataka Fujiwara		Representative Director, President and Executive Officer	3 out of 3 meetings	100%	
Advisory Committee on Remuneration	(Remuneration) 67% 	Policy on determining remuneration of Directors, calculation method for the portion linked to business performance of the remuneration, payment coefficient, appropriateness of the remuneration levels, etc.	Policy on determining remuneration of Directors, appropriateness of the remuneration levels, calculation method for the portion linked to business performance, payment coefficient for the portion linked to business performance, etc.	Yumiko Sato	Chairperson	Outside Director	3 out of 3 meetings	100%	3 meetings
				Kazutoshi Muraio		Outside Director	3 out of 3 meetings	100%	
				Hideo Miyahara*1		Outside Director	3 out of 3 meetings	100%	
				Tatsuo Kijima		Outside Director	3 out of 3 meetings	100%	
				Masataka Fujiwara		Representative Director, President and Executive Officer	3 out of 3 meetings	100%	
				Takayuki Tasaka		Representative Director, Vice-President and Executive Officer	1 out of 1 meeting*2	100%	

\*1 Retired as of the close of the Company's Annual Meeting of Shareholders held in June 2023.

\*2 Deliberations on Directors' remuneration levels, etc. are not subject to attendance.

Outside Directors Internal Directors

## Training Policy for Directors and Audit & Supervisory Board Members, and Succession Plan

When appointed, the Company provides internal officers an opportunity to acquire knowledge regarding their roles, legal duties to be complied with, and responsibilities expected of a Director or Audit & Supervisory Board Member. Subsequently, the Company regularly provides opportunities internally or externally for Officers to receive training regarding legal affairs, risk management, compliance, and other matters to continue to acquire the knowledge necessary for the comprehension of legal revisions and other latest world trends. Further, as part of the succession plan for top management, human resources to oversee the Company's management are fostered through such means as the systematic rotation of the areas of responsibility of internal Directors and Executive Officers.

As for Outside Officers, the Company provides opportunities for them to deepen their understanding upon appointment, such as by explaining the nature of the Group's businesses, so that they can put to practice their expertise and experience in each of their fields for supervising and auditing the Company's business. Later, the Company also offers opportunities as necessary in which the business environment and business trends are explained accurately in a timely manner so that Outside Officers can gain an understanding.

## Directors and Audit & Supervisory Board Members Remuneration

Remuneration for Directors shall be provided in a remuneration system designed to raise motivation for Directors to achieve sustainable growth and mid- to long-term increase in corporate value. Remuneration for Directors other than Outside Directors shall consist of basic remuneration as fixed remuneration, performance-linked remuneration and stock-based remuneration, and remuneration for Outside Directors shall only consist of basic remuneration as fixed remuneration, as they have a standpoint independent of business execution.

Remuneration for Directors shall be determined within the total amount of remuneration\*1 approved at the Annual Meeting of Shareholders, after deliberation at a voluntarily appointed Advisory Committee on remuneration made up of a majority of the Outside Directors, from the perspective of ensuring objectivity and seeking transparency in the decision-making process.\*2

The Company has established a policy on determining the remuneration of Directors as prescribed by the resolution of the Board of Directors after deliberation at a voluntarily appointed Advisory Committee made up of a majority of Outside Directors. This policy is summarized as follows.

The system of paying retirement benefits to Directors was abolished in June 2004.

\*1 At the 203rd Annual Meeting of Shareholders held on June 25, 2021, it was resolved that the monetary remuneration quota would be up to 57 million yen per month, the stock remuneration quota would be within 72 million yen per year, and the maximum number of shares would be within 48,000 shares per year. The number of Directors at the end of said Annual Meeting of Shareholders was ten.

\*2 The content of monetary remuneration may be determined by the Representative Director and President based on delegation of authority by the resolution of the Board of Directors.

### Outline of Remuneration

Remuneration items	Fixed/variable	Standard composition*3		Type of remuneration	Outline
		Internal Directors	Outside Directors		
Basic remuneration	Fixed	50%	100%	Monetary remuneration	<ul style="list-style-type: none"> <li>• Monetary remuneration paid on a monthly basis</li> <li>• The amount shall be determined in accordance with the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director’s position and responsibilities, public standards, and other factors.</li> </ul>
Performance-linked remuneration	Variable (short-term incentive)	40%	—	Monetary remuneration	<ul style="list-style-type: none"> <li>• Monetary remuneration paid on a monthly basis</li> <li>• The amount shall be determined using the profit attributable to owners of parent for the past three years and the coefficient of ESG indicators achievement in the previous year as the main indicators</li> </ul> <div style="border: 1px solid black; padding: 5px; margin-top: 10px; display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; padding: 2px 5px;">Base amount by position</div> <span style="margin: 0 5px;">×</span> <div style="border: 1px solid black; padding: 2px 5px;">Payment coefficient of performance-linked remuneration (indicator: profit attributable to owners of parent)</div> <span style="margin: 0 5px;">×</span> <div style="border: 1px solid black; padding: 2px 5px;">ESG indicators achievement (indicator: internal ESG indicators achievement)</div> <span style="margin: 0 5px;">=</span> <div style="border: 1px solid black; padding: 2px 5px;">Performance-linked remuneration</div> </div>
Stock-based remuneration	Variable (mid- to long-term incentive)	10%	—	Stocks	<ul style="list-style-type: none"> <li>• Restricted stock shall be granted at a certain time every year for the purpose of strengthening the linkage between remuneration and mid- to long-term increase in corporate value and further promoting sharing of value with the shareholders.</li> <li>• The number of shares to be granted shall be determined with consideration for the positions and responsibilities of each Director and stock prices, etc.</li> <li>• A Director shall not transfer, establish a security interest on, or otherwise dispose of the allotted shares during the period from the date of the allotment of shares to the date of his/her retirement from office.</li> <li>• Transfer restrictions shall be lifted on the condition that the resignation of a Director is due to reasons deemed justifiable by the Company or due to the death of the Director.</li> <li>• In the event that a Director commits an act of misconduct or falls under other certain events stipulated in the restricted stock allotment agreement, the Company will naturally acquire all or part of the allotted shares without remuneration (malus and clawback provisions).</li> </ul>

\*3 When performance-linked remuneration targets are fully achieved.

### Officer Remuneration System Taking into Account ESG Indicators Achievement

At the Board of Directors meeting held on December 23, 2021, Osaka Gas resolved to reflect the coefficient of ESG indicators achievement in the previous year in officer remuneration to contribute to short-term and mid- to long-term increases in corporate value.

The coefficient of ESG indicators achievement includes the achievement of the following items.

This has been applied from July 2023 onward, when remuneration is paid based on FY2023.3 results.

#### ■ Main ESG Indicators Please see P.20-21 for FY2023.3 results.

Charter of Business Conduct	Materiality	Value for a sustainable future	Indicators
I Creating value for customers	Maintain and expand customer base	Establishing lifestyles and businesses adjusted to the new normal	Number of customer accounts
	Improvement of customer satisfaction and quality of services		Customer satisfaction rate
	Customer health and safety	Enhancing resilience of customers and society	Number of serious accidents
	Stable supply of services		Build resilient energy supply facilities
II Contributing to the sustainability of the environment and society	Climate change	Achieving a low-carbon/carbon-neutral society	CO <sub>2</sub> emissions of Daigas Group
			Percentage of renewables in our power generation portfolio in Japan
			Contribution to developing renewables capacity on a global basis
			Avoided emissions (Baseline: FY2017.3)
III Engaging with and contributing to society	Coexistence with local community	Building foundations that support the realization of value for a sustainable future	Number of our participations in local governments' activities (i.e. community development planning)
IV Respecting human rights	Supply chain management		Number of joint efforts with local communities
	V Complying with laws and regulations		Compliance
VI Providing work environment that supports employees' personal growth			Employee engagement
	Development of employee skills		Employee attitude survey (Loyalty Score)
	Diversity and Inclusion		Annual average hours of training per employee
			Percentage of female officers/percentage of female Directors
Percentage of women in members newly promoted to middle management positions			
Percentage of women in new recruits for career-track positions			

#### ■ Profit Attributable to Owners of Parent (Consolidated Profit) for the Last Three Years

Term		202nd	203rd	204th
Fiscal year ended		March 31, 2020	March 31, 2021	March 31, 2022
Profit attributable to owners of parent	million yen			
	Plan	55,000	73,000	70,500
	Result	41,788	80,857	130,421

#### ■ Total Amount of Remuneration by Officer Classification and by Type of Remuneration, and Number of Eligible Officers (Fiscal year ended March 31, 2023)

Classification	Total amount of remuneration (million yen)	Total amount of remuneration by type of remuneration (million yen)			Number of payees
		Fixed	Performance-linked	Non-monetary remuneration, etc.	
Directors (excluding Outside Directors)	417	183	187	46	6
Audit & Supervisory Board Members (excluding Outside Members)	69	69	—	—	2
Outside Directors	48	48	—	—	4
Outside Audit & Supervisory Board Members	36	36	—	—	4

Note: The number of persons and amounts include one Outside Audit & Supervisory Board Member who retired as of the close of the Company's 204th Annual Meeting of Shareholders held on June 28, 2022.

\* The total amount of remuneration for each officer is not stated as there is no officer with a total amount of consolidated remuneration of 100 million yen or more.

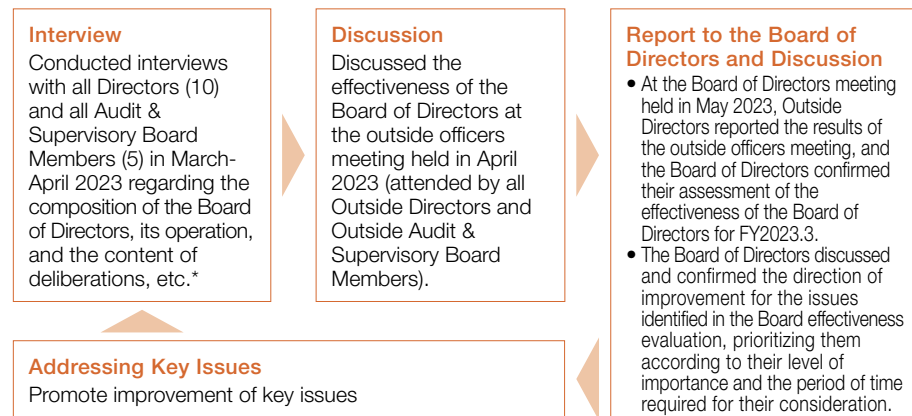
\* There are no employees concurrently serving as officers.



## Evaluation and Analysis of Effectiveness of the Board of Directors as a Whole

The Board of Directors analyzes and evaluates the effectiveness of the Board of Directors and the Advisory Committee each fiscal year based on the results of interviews conducted by the Board of Directors Secretariat with each Director and Audit & Supervisory Board Member. The methods and results of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2023 are summarized below.

### 1. Method



\* Based on the evaluation by an external specialist institution, we have established the interview items for the fiscal year ended March 31, 2023.

### 2. Interview Items

- ① Initiatives in response to last year's issues
  - Establishment of medium- to long-term themes to examine the direction of the company as a whole
  - Further enhancement of information to judge candidates for Directors
  - Devising ways to deepen discussions at the Board of Directors meetings
- ② Composition of the Board of Directors
  - The ideal structure and composition of the Board of Directors to realize the long-term management vision and medium-term management plan
  - Ensuring diversity (gender, expertise, experience, ability, etc.), etc.
- ③ Operation of the Board of Directors meetings
  - Frequency and time, proceedings, materials
  - Development of appropriate management strategies and plans, the status of response to key issues such as climate change risks and DX, etc.
- ④ Advisory Committee
  - Frequency of meetings, content of deliberations, method of operation, topics to be discussed, etc.
- ⑤ Outside officers' meetings and others
  - Theme, exchanging opinions for the purpose of developing management, etc.
- ⑥ Free opinion

### 3. Evaluation Results

<Major issues>

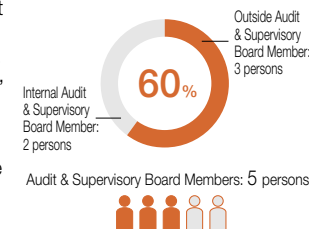
- Board operations that devote more time to discussion
- Expansion of Advisory Committee on Management
- Expansion of opportunities to exchange views with internal officers
- Cultivate internal officer candidates from a medium- to long-term perspective (especially women and highly specialized personnel)

## Audit & Supervisory Board, Audit & Supervisory Board Members

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, of whom three are Outside Audit & Supervisory Board Members. The Company has established the Office of Audit & Supervisory Board, which is composed of full-time staff operating outside the Executive Directors' chain of command. The Office is designed to support Audit & Supervisory Board Members' auditing work and thus enhance their auditing function.

Audit & Supervisory Board Members monitor the execution of duties of the Directors from an independent viewpoint and strive to raise the effectiveness and quality of auditing by exchanging information as necessary on such occasions as regular meetings about annual audit plans and audit reports. Further, they exchange opinions on the status of internal controls and risk management with the internal audit division and the accounting auditor. Full-time Audit & Supervisory Board Members conduct auditing activities on a daily basis and share their findings with Outside Audit & Supervisory Board Members in a timely manner. Their main activities are as follows.

### Percentage of Outside Audit & Supervisory Board Members



### Main Activities of Audit & Supervisory Board Members

(a) Business audit	<ul style="list-style-type: none"> <li>• Attend important meetings such as Management Meeting and read important documents</li> <li>• Conduct visiting audits at Head Office, major offices, and affiliates</li> <li>• Listen to reports from each organization and affiliate</li> <li>• Exchange opinions with Directors (including Outside Directors)</li> <li>• Cooperate with the internal audit division and Audit &amp; Supervisory Board Members of affiliates</li> </ul>
(b) Accounting audit	<ul style="list-style-type: none"> <li>• Confirm the independence of the accounting auditor and proper conduct of audits</li> <li>• Confirm accounting audit plans and audit results, etc.</li> </ul>

The Audit & Supervisory Board reports on the implementation status of the audit, shares information, and conducts necessary deliberations and resolutions. 14 Audit & Supervisory Board meetings were held in FY2023.3. The main resolutions of the Audit & Supervisory Board meetings are as follows.

### Main Resolutions at the Audit & Supervisory Board Meetings

<ul style="list-style-type: none"> <li>• Audit plans by Audit &amp; Supervisory Board Members</li> <li>• Report on audits by the Audit &amp; Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of proposal for election of Audit &amp; Supervisory Board Members</li> <li>• Selection of full-time Audit &amp; Supervisory Board Members</li> </ul>	<ul style="list-style-type: none"> <li>• Assignment of duties of each Audit &amp; Supervisory Board Member</li> <li>• Evaluation and reappointment/non-reappointment of the accounting auditor</li> <li>• Approval of remuneration for the accounting auditor</li> </ul>
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The amount of remuneration for Audit & Supervisory Board Members was approved at the 176th Annual Meeting of Shareholders held on June 29, 1994, to be up to 14 million yen per month. The number of Audit & Supervisory Board Members at the end of said Annual Meeting of Shareholders was five. The amount of remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within this amount, and consisting only of fixed remuneration because they are assigned the role of auditing the execution of duties by Directors from a standpoint independent of the performance of the Company's businesses, and taking into consideration the position, etc. of each Audit & Supervisory Board Member. The system of paying retirement benefits to Audit & Supervisory Board Members was abolished in June 2004.

## Risk Management

### Basic Approach and Policy

As the social and economic environment is changing drastically, with the increasingly unstable international situation, exchange rate fluctuations and inflation, the importance of energy security is rapidly growing, along with the further acceleration of decarbonization. In such an environment, the Daigas Group, which operates a various types of businesses in various regions, recognizes that risks listed on P.118 may have an impact on its business performance and financial position. We are working on each measure under the risk management promotion system, and the ESG Committee, the Safety and Disaster Prevention Committee, and other corporate committees are implementing plans and following up on progress.

Matters concerning the future as stated are based on the Group’s judgment and assumptions as of the end of FY2023.3.

### Promotion System

Organizational heads of the Company and presidents of the affiliates promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliate identifies risk items, checks the status of management concerning the risk items, and conducts follow-ups or other measures by using such means as the “G-RIMS (Gas Group Risk Management System),” which systematizes the self-assessment of risk management practices.

### Periodic Reviews and Monitoring

#### Operating our own self-assessment system G-RIMS

The Group introduced the “G-RIMS,” a system for risk management in routine business operations, in 2006. The manager of each organization and affiliated company checks if preventive measures have been implemented or if an early-detection system is in place as required, using a checklist comprising about 50 risk items. G-RIMS is also designed to evaluate the magnitude of risks and identify risks to be addressed, before PDCA (plan-do-check-act) is operated for improvement.

#### ■ G-RIMS (Gas Group Risk Management System) Checklist

<p><b>1. Management environment</b></p> <ul style="list-style-type: none"> <li>Dissemination of corporate principles</li> <li>Decision-making and follow-up process</li> <li>Poor maintenance of regulations</li> <li>Failure to report business information that should be reported</li> <li>Effectiveness of self-audits</li> </ul> <p><b>2. Human rights, harassment</b></p> <ul style="list-style-type: none"> <li>Violation of human rights (workers, local residents, consumers, etc.)</li> <li>Harassment (sexual harassment, maternity harassment, power harassment)</li> </ul> <p><b>3. Personnel affairs, labor affairs</b></p> <ul style="list-style-type: none"> <li>Inappropriate labor management and incompliance with labor-related laws and regulations</li> <li>Inappropriate employment contracts with non-regular employees</li> <li>Securing human resources</li> <li>Developing human resources</li> </ul> <p><b>4. Accident prevention, workplace safety</b></p> <ul style="list-style-type: none"> <li>Slack conduct regarding accident prevention and workplace safety</li> <li>Vehicles for business use</li> </ul>	<p><b>5. Response to relevant laws</b></p> <ul style="list-style-type: none"> <li>Violation of applicable laws and regulations</li> </ul> <p><b>6. Illegal transactions</b></p> <ul style="list-style-type: none"> <li>Violation of the antitrust act</li> <li>Violation of the subcontract act</li> <li>Violation of the labeling act</li> </ul> <p><b>7. Inappropriate relationships</b></p> <ul style="list-style-type: none"> <li>Cozy relationships, bribery, etc. with public servants; cozy relationships with clients and suppliers</li> </ul> <p><b>8. Anti-social forces</b></p> <ul style="list-style-type: none"> <li>Refusal to have a relationship with anti-social forces</li> </ul> <p><b>9. Insider trading</b></p> <ul style="list-style-type: none"> <li>Practice of insider trading, provision of insider information</li> </ul> <p><b>10. Public funds (subsidies, etc.)</b></p> <ul style="list-style-type: none"> <li>Illegal receipt of public funds (subsidies, etc.)</li> </ul> <p><b>11. Management of seals</b></p> <ul style="list-style-type: none"> <li>Illegal use of seals</li> </ul> <p><b>12. Purchase, expense-related spending</b></p> <ul style="list-style-type: none"> <li>Inappropriate procedures and illegal practices concerning purchase and expense-related spending (accounting spending)</li> </ul> <p><b>13. Illegal practices concerning money transfer</b></p>	<ul style="list-style-type: none"> <li>Illegal use of bank accounts</li> <li>Embezzlement of cash</li> <li>Embezzlement of sales proceeds</li> <li>Illegal spending</li> <li>The same person taking a spending-related post for a long time</li> </ul> <p><b>14. Accounting, tax-related procedures</b></p> <ul style="list-style-type: none"> <li>Errors, illegal practices, and delays concerning accounting and tax-related procedures</li> </ul> <p><b>15. Credit control, loan control</b></p> <ul style="list-style-type: none"> <li>Irrecoverable loans, delays in loan collection</li> <li>Acceptance and execution of guaranteed debts</li> </ul> <p><b>16. Scandals involving suppliers</b></p> <ul style="list-style-type: none"> <li>Compliance problems emerged at corporate clients concerning human rights, labor practices, environment, and corruption</li> </ul> <p><b>17. Whistle-blowing system (Compliance Desk)</b></p> <ul style="list-style-type: none"> <li>Insufficient dissemination of a whistleblowing system</li> <li>Operational defects of a whistleblowing system</li> </ul> <p><b>18. Environment-related</b></p> <ul style="list-style-type: none"> <li>Violation of environment-related laws</li> </ul>	<p><b>19. Products, services</b></p> <ul style="list-style-type: none"> <li>Quality of products and services (complaints, defects, recall, product liability, consumer protection, etc.)</li> </ul> <p><b>20. Business continuity in emergency</b></p> <ul style="list-style-type: none"> <li>Suspension or delay of business activities/ operations in an emergency, such as a disaster</li> </ul> <p><b>21. Intellectual property</b></p> <ul style="list-style-type: none"> <li>Insufficient protection of intellectual property rights owned by Osaka Gas</li> <li>Infringement of intellectual property rights owned by third companies</li> </ul> <p><b>22. Lawsuits</b></p> <ul style="list-style-type: none"> <li>Legal disputes such as lawsuits</li> </ul> <p><b>23. Information disclosure</b></p> <ul style="list-style-type: none"> <li>Inappropriate information disclosure procedures and the subsequent erosion of public trust in Osaka Gas</li> </ul> <p><b>24. Information control in general</b></p> <ul style="list-style-type: none"> <li>Leakage, loss, and illegal use of information</li> </ul> <p><b>25. Computer network related</b></p> <ul style="list-style-type: none"> <li>(computer networks, business apps related to computer networks, information used via such networks and apps)</li> </ul>	<ul style="list-style-type: none"> <li>Illegal use of information, illegal alteration of information, and information leakage, all arising from the lack of security measures</li> </ul> <p><b>26. Personal information concerning customers and corporate clients (including customer information)</b></p> <ul style="list-style-type: none"> <li>Leakage, loss, and illegal use of personal information concerning customers</li> </ul> <p><b>27. Personal information concerning employees</b></p> <ul style="list-style-type: none"> <li>Leakage, loss, and illegal use of personal information concerning employees</li> </ul> <p><b>28. “My Number” system (individual identification number and specified personal information)</b></p> <ul style="list-style-type: none"> <li>Leakage, loss, and illegal use of “My Number” identification numbers</li> </ul> <p><b>29. Funds, derivatives</b></p> <ul style="list-style-type: none"> <li>Problematic fund management and fund procurement</li> <li>Problematic fund control</li> <li>Speculative derivative transactions</li> </ul> <p><b>30. Electronic banking</b></p> <ul style="list-style-type: none"> <li>Illegal and erroneous money transfers using the electronic banking system</li> </ul>
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## Recognition of and Countermeasures Against Business Risks

In addition to the measures preparing for the following risks, the Daigas Group aims to mitigate the impact on its business in cases where such risks emerge by appropriately understanding and supervising the situations of business operations, while considering the degree and time period of the potential for risks to materialize.

### Risks Related to All Businesses within the Group

### Countermeasures against Risks

Changes in economic, financial, and social conditions as well as market contraction	The Group is practicing portfolio management that responds to changes in the business environment by growing each of three segments "Domestic Energy Business," "International Energy Business," and "Life & Business Solutions (LBS) Business."
Occurrence of catastrophic disasters, accidents, or infectious diseases	In preparation for the occurrence of natural disasters, terrorism, accidents, and infectious diseases, we are promoting initiatives including centralized management, intensive inspections, and continuous improvements of facilities, taking out various types of insurance such as disaster insurance, and formulation and review of a "Business Continuity Plan (BCP)" in the event of a catastrophic disaster or accident and an operational plan for responses to outbreaks of infectious diseases, etc. In addition, we are striving to build cooperative relationships in projects in which we participate for safe and stable business operations.
Changes in international rules, politics, laws and regulations, and institutional systems	We are executing our respective businesses in accordance with international rules on environmental, social and governance issues, as well as other domestic and international rules, politics, laws and regulations, and institutional systems.
Changes in foreign exchange rates and borrowing rates	We are working to minimize the impact of changes in foreign exchange rates and borrowing rates through hedging and foreign currency procurement.
Uncollected investments	The Board of Directors makes decisions on various types of investments for growth based on comprehensive management decisions by the Investment Evaluation Committee including projects' economic and risk evaluation.
Climate change and decarbonization	In order to respond to changes in regulations due to climate change issues, changes in social trends toward the realization of a carbon-neutral society in the future, and fluctuations in energy demand, etc., we are promoting initiatives for fuel conversion from coal and heavy oil to natural gas, the introduction of renewable energy and highly efficient products and facilities, and development of technologies and building supply chains related to low-carbon/carbon-neutral transition.
Intensifying competition	In order to increase our market competitiveness in all business segments, we are promoting initiatives to increase added value, reduce raw material costs, develop technologies, etc.
Breakdown or malfunction of critical IT systems, information leaks, and development delays	We are promoting and monitoring security measures, ensuring dissemination and education of information management, building information systems, etc.
Quality issues with products or services	In order to ensure that the products and services we offer are used securely and safely, we are working on thorough quality management and other measures.
Non-compliance with laws and regulations	To raise awareness of compliance, we are promoting initiatives to prevent problems from occurring through ongoing internal training, periodic risk identification, and review, follow-up and improvement of response status, etc.

### Individual Risks of Each Business Segment

#### • Domestic Energy Business

Impact of fluctuations in temperature/water temperature on energy demand	In order to respond to the impact of fluctuations in energy demand, we are expanding sales in peripheral energy fields such as gas appliances and energy services.
Changes in raw fuel costs	We are working to minimize the impact of cash flows through diversifying contract price indices and hedging in the procurement of LNG, and to adjust unit gas prices under the fuel cost adjustment system.
Difficulty in procuring raw fuels	As most of the raw fuels for gas and electricity, such as LNG, are imported from overseas, we are promoting diversified procurement from numerous producers as well as utilizing LNG carriers owned by the Group, aiming to ensure stable and flexible raw fuel procurement.
Changes in electricity procurement costs	We are working to ensure a stable electricity supply by responding to power demand through procurement from procurement contracts with other companies, and from the Japan Electric Power Exchange and other markets, in addition to procurement from our own power source.
Difficulties in gas production/power generation and gas/power supply	In order to maintain safe and stable city gas production/supply and electricity generation/supply, we are carrying out various drills to prepare for emergencies, periodic inspections and upgrading of facilities, and measures to prevent accidents and supply disruptions including earthquake and tsunami countermeasures.
Products such as gas equipment and facility issues	We are striving to ensure a stable supply of products, and promoting the use of safe equipment and related inspection and dissemination.
Intensifying competition in the industry and the resulting increase in choices available to consumers	We are working to provide various added values, aiming to be a company that continues to be the first choice of customers.

#### • International Energy Business

Changes in the operating environment, such as decreased profitability or project delay or cancellation, resulting from the public policies, implementation of or changes in regulations, deterioration of economic or social conditions, market fluctuation in areas including crude oil prices and gas prices, technical issues, or damage by natural disasters in the countries in which the Group operates	We are promoting risk countermeasures such as proactive business operations and strict evaluation of target projects in the decision-making of investment for growth. In addition, for stable procurement, we are striving to build cooperative relationships that contribute to safe and stable operations in the participating projects.
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#### • Life & Business Solutions Business

Changes in the operating environment, such as soaring material costs, suspension of material supplies, and worsening economic conditions	We are working on internal growth, investment for growth, and other initiatives based on technologies and knowledge we have cultivated in our energy business.
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## Status of Internal Control

Osaka Gas established systems (internal control systems) to ensure that Directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Daigas Group's operations at the Board of Directors. The Company confirms the operating status of the internal control systems periodically by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 26, 2023, it was reported that the internal control systems were operating in a proper manner.

### Overview of Operating Status of the Internal Control Systems (FY2023.3)


#### ①Matters concerning compliance, etc.

The ESG Committee promotes initiatives in each sector, including sustainability activities, through the Compliance and Risk Management Subcommittee, Environment Subcommittee, and Social Contribution Subcommittee. With the movement toward decarbonization gaining pace globally in response to the issue of climate change, the Company formulated and announced Energy Transition 2030 (ET2030) in March 2023, integrating an overall roadmap for the transition to low carbon and carbon neutral energy, as well as the Group's specific initiatives and the solutions it can provide for customers. Educational materials, including a guide to the Daigas Group Code of Business Conduct, are posted on the intranet at all times to familiarize Directors and employees of the Group with said Code to promote and ensure its understanding.

The consultation and reporting system has been revised in light of the Partial Amendment of the Whistleblower Protection Act (Act No. 51, 2020), which came into effect in June 2022. Effective April 1, 2022, the number of affiliated companies with whistleblower hotlines was expanded, and measures have been taken to ensure the independence of whistleblowing processes involving management. During FY2023.3, the Company implemented measures to improve the operational quality of whistleblower hotlines at affiliated companies.

On May 10, 2023, CD Energy Direct, Inc. (our stake of 50%) received an order from the Consumer Affairs Agency to suspend its door-to-door sales operations (for six months) based on the Act on Specified Commercial Transactions, for some inappropriate business practices in door-to-door sales by a subcontractor. In order to prevent recurrence, the Company is reviewing its compliance system and strengthening the supervision and education of its contractors.

#### ②Matters concerning risk management, etc.

We are committed to risk management under the promotion system described on  P.117. Regarding the management of risks concerning security and disaster prevention which are common to the Group, the organization in charge is clearly specified, and the organization supports each basic organization and affiliate to ensure risk management on a Group-wide basis.

With the legal separation of our gas pipeline division, we established a Security and Disaster Prevention Committee on April 1, 2022, to coordinate and promote cross-organizational measures related to safety and disaster prevention within the Group, and are taking all possible measures to ensure safety and disaster prevention after the legal separation. We also implemented internal investigations to confirm the status of measures to block the transfer of information between the Network Company and the Company and its

affiliated companies, which are gas retailers, and the status of information management.

To prepare for emergencies, regulations for disaster countermeasures and business continuity plans are prepared. We carry out company-wide disaster-prevention drills, which consist of earthquake drills and BCP exercises. During FY2023.3, in addition to drills assuming disasters occurred amid an epidemic, we also implemented emergency coordination training and drills, including the use of remote communications, to ensure coordination between the Network Company and gas retailers.

The Cyber Security Committee has been established to further strengthen measures against cyberattacks from outside the Group's network such as by carrying out periodic inspections and following up on the Group's security.

#### ③Matters concerning the management of businesses in the Group

The affiliates to be managed by the core non-energy business companies, the gas pipeline business company, the overseas regional headquarters, or the management support organizations are designated and their managerial tasks are monitored by receiving periodic reports and reports on important issues from the affiliates. In addition, day-to-day management of those affiliates is performed by using the G-RIMS and/or conducting audits.

The Company's Auditing Department, which conducts internal audits, implements planned internal audits of the Company's organizations and affiliates and provides follow-up audits after a certain period of time.

#### ④Matters concerning the effectiveness of audits by Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members have periodic exchanges of opinion with the Director and Chairman, the Representative Director and President and the accounting auditor, in which Outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor.

Full-time Audit & Supervisory Board Members attend important meetings such as the Management Meeting, the ESG Council, the Investment Evaluation Committee, etc., and read approval documents and other important documents. Through the Board of Directors' resolution on the internal control systems, they also clarify important matters to be reported to Audit & Supervisory Board Members and disseminate information thereof.

Five assistants to Audit & Supervisory Board Members are in place to engage solely in assisting Audit & Supervisory Board Members in the performance of their duties.