

TOPIC

Identifying Major CSR Challenges (Materiality)

International awareness of global-scale social problems is growing rapidly, as reflected in the growing adoption of Sustainable Development Goals (SDGs) set forth by the UN, as well as the spread of ESG investment activities. In this environment, enterprises are also strongly expected to play a role in solving problems.

With awareness of this management environment, the Kyuden Group has identified 14 major CSR challenges for which stakeholder expectations are particularly high. Going forward, the Kyuden Group will work actively to address these major CSR challenges.

Kyuden Group Major CSR Challenges

Theme	Main related SDGs	Major CSR Challenges
<b>Global environment</b> Lessen the risks of climate change and protect the bountiful planet.		Reduce CO <sub>2</sub> emissions
		Develop/adopt renewable energy
		Preserve biodiversity
<b>Economic foundation</b> Support people's lifestyles and the economy with energy infrastructure.		Provide energy reliably
		Operate nuclear power stations safely and reliably
		Create urban development for safe, strong neighborhoods
<b>Local community</b> Together with residents of the region, we will energize local communities.		Promote local industry and create jobs
		Expand the number of visitors to Kyushu
		Help create a society that is equally welcoming for the elderly and children
<b>Organizations/human resources</b> Urge employees to take on challenges, and strengthen organizational foundations.		Create innovation
		Develop personnel
		Create work-friendly environments
		Ensure effective corporate governance

STEP 1 Identifying Social Challenges (CSR Challenge Selection)

The process of identifying social challenges took items given importance by global CSR standards as its foundation and included reference to the SDGs and to ESG external evaluations, as well as to growth strategies formulated by the national government and Kyushu administrative entities. This yielded a list of challenges for further consideration.

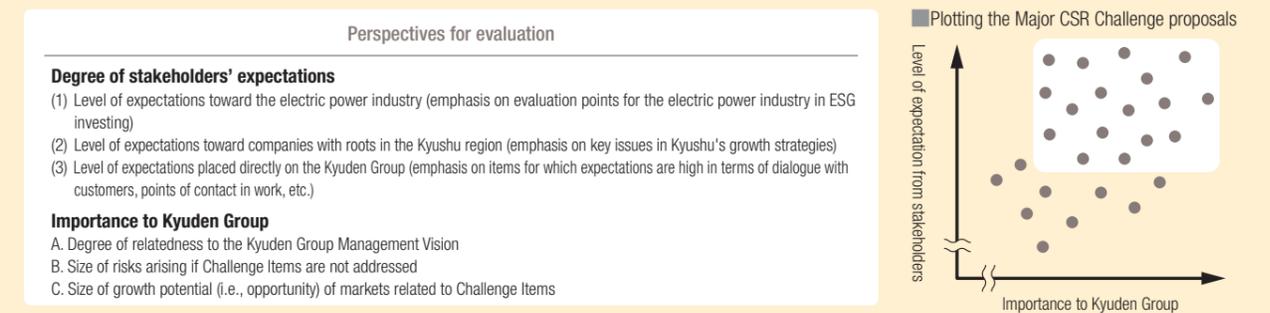
To set the identified social challenges at a level easy to connect to future concrete initiatives in the Kyuden Group, we organized them into 33 CSR Challenges.



STEP 2 Prioritizing CSR Challenge Items

We then formed a draft list of Major CSR Challenges by giving the CSR Challenge Items in Step 1 a relative evaluation along two axes, Stakeholder Expectations vs. Importance to the Kyuden Group. In making selections, we gave deliberate priority to Stakeholder Expectations. For example, items that were high in terms of Stakeholder Expectations were included in the list even when Importance to the Kyuden Group was relatively low.

In addition, we solicited opinions within the Kyuden Group regarding the draft list of Major CSR Challenges and reflected these in results, to make them highly effective items that will lead to concrete efforts in the future.



STEP 3 Verifying Appropriateness (Discussions with Experts)

Based on the Major CSR Challenges selected in Step 2, we held discussions with external experts to obtain opinions from the standpoint of their specialist knowledge. The results of these discussions were used to help draw up a draft list of 14 Major CSR Challenges.

Organization/Title	Name	Organization/Title	Name
Director of Business Development Division, Kyushu Economic Research Center Director, BIZCOLI Hall	Hideyuki Okano	Representative, Biznet Corporation External Director, Aeon Kyushu Co., Ltd.	Yuriko Hisadome
Representative Director, Psy's Learning Chairman, GEWEL	Machiko Takami	Sustainability & CSR Director, Mitsubishi Corporation	Takehiro Fujimura
Deputy Chief Research Officer, Chief Manager of Sustainability Management Office, Corporate Planning & Coordination Department, Development Bank of Japan	Keisuke Takegahara	Fellow, Chuo Graduate School of Strategic Management, Chuo University Supervising Lecturer, Japan Management Association	Etsuhiro Hosoda

Principal Opinions Received

- Formulation Process, Major CSR Challenge**
  - Using global standards, opinions sent directly to the Kyuden Group, and other references, a wide range of social challenges were identified, and all areas were covered
  - Objective materials were used to determine Stakeholder Expectations, and the results were deemed appropriate
- Efforts to Address Challenges**
  - It is important to solve Major Challenges through active efforts of the unified Kyuden Group based firmly on its management strategy, including its management vision
  - It is vital that efforts to solve regional challenges be adapted to the characteristics of each locality
- Items Selected for Major CSR Challenges**
  - Items like "promote local industry" and "expand the number of visitors to Kyushu" conveyed the message that the Kyuden Group wants to grow along with Kyushu by invigorating its economy
  - The list of items is a good representation of the Kyuden Group's culture
- Message to Society**
  - The Major Challenges represent a commitment by the Kyuden Group. It is important that they follow through on this commitment to be better regarded by society, and their active messaging is encouraging.
  - Demonstrating how the Group's efforts to solve the Major Challenges will tend to deliver value for society will facilitate communication with society

STEP 4 Identification of Major CSR Challenges (review and approval by deliberative bodies)

The draft list of Major CSR Challenges selected in Step 3 was reviewed for appropriateness by the CSR Promotion Committee (chaired by the president and composed of senior management of Kyushu Electric Power Company, Incorporated), and 14 Major CSR Challenges were selected.

The list of challenges will be reviewed as required in light of changes in social trends and the operating environment among others.

For more details regarding the Kyuden Group's efforts to address Major CSR Challenges, please refer to the Kyuden Group Sustainability Report 2020.