

# Corporate Governance

Having adopted the company with corporate auditors structure, the Bank of Kyoto accordingly works to enhance its corporate governance practices by seeking greater managerial transparency and soundness, which involves having the Board of Directors and auditors monitor directors' execution of business.

The Bank has accordingly built a structure for quick management decision-making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest-ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and internal management system.

## Board of Directors

The Board of Directors comprises eight directors (among whom three are outside directors) and has decision-making responsibility for basic policies and important matters related to the execution of the Bank's business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

## Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and executive directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily bank operations.

## Audit & Supervisory Board

The Audit & Supervisory Board consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Audit & Supervisory Board.

## Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Shareholders after deliberations by the Nomination and Compensation Committee, which is an advisory organization used at the discretion of the Board of Directors, and after being approved as candidates by resolution of the Board of Directors or approved by the Audit & Supervisory Board, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

## Restricted Share Remuneration Plan

In June 2021, the Bank introduced a restricted share remuneration plan, which replaces its ESO (employee stock options) system, to reward directors more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this plan will make the Bank's management more strongly focused on shareholder value.

## Nomination and Compensation Committee

The Bank has established the Nomination and Compensation Committee for the purpose of ensuring managerial transparency and procedural adequacy particularly when making decisions on important matters regarding nomination and remuneration of its directors and auditors. The committee is currently chaired by an outside director (as of July 1, 2021).

### **Stance on Internal Control Systems**

1. Structures to ensure that the execution of business by the directors and employees of the Bank and its subsidiaries, conforms to laws and the articles of incorporation of the Bank of Kyoto
2. Structures related to the storage and management of information about the execution of business by the Bank's directors
3. Guidelines and other structures related to managing the risk of losses of the Bank and its subsidiaries
4. Structures to ensure that the directors of the Bank and its subsidiaries execute business efficiently
5. Structures to ensure the appropriateness of financial reporting of the Bank and its subsidiaries
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and its subsidiaries, and structures for reporting to the Bank on the business execution of the directors of the Bank's subsidiaries
7. Structures related to employees who are appointed by request from the Bank's auditors to assist them with their business
8. Matters related to the independence from the directors of employees assisting the business of the Bank's auditors and to the effectiveness of auditors' instructions to said employees
9. Structures for reporting to the Bank's auditors by directors and employees of the Bank, directors or employees of the Bank's subsidiaries, or those who receive the reports from these people, as well as other structures related to reporting to auditors, and structures to ensure that those making reports are not subject to adverse treatment by reason of what they reported
10. Matters related to policies on processing prepayments or refunds of expenses incurred concerning the business execution of the Bank's auditors, or policies on processing expenses or debt incurred for the execution of other businesses
11. Other structures to ensure effective auditing by the Bank's auditors