

Fair Operating Practices

Management System

We are striving to strengthen our “internal control, prevention, detection, and response” with regard to compliance, placing priority on abiding by antitrust laws and preventing corruption.

As corporate activity expands globally, improprieties occur with some frequency, due not just to deliberate dishonest and criminal acts but also to a lack of awareness and understanding. Employees doing business in countries and regions where legal systems are incompletely realized must perennially exercise a high degree of awareness of norms.

We at Panasonic have set down a clear set of rules for compliance with the law and corporate ethics. We strive to achieve thorough adherence to these rules, with the aim of promoting fair operating practices in all countries and regions of the world, and to realize a sustainable society. This is the “Panasonic Code of Conduct,” which incorporates the requirements of the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises and other norms.

In our observance of our own Code of Conduct, we have a global network of legal departments, directors, and executive officers in charge of ensuring adherence to the Code of Conduct, as well as managers in charge of export control and other persons responsible for supervising various other functions in our Companies, business divisions, and regional headquarters outside Japan.

Each year, we designate September to be “Compliance Awareness Month,” marked by efforts to strengthen our awareness of the need to observe ethical and legal requirements. We conduct a “Compliance Awareness Survey” to check the degree of compliance awareness dissemination among our employees around the world. Once each year, we check the status of observance and practice of the “Panasonic Code of Conduct” in our business locations around the world.

In addition, to prevent improprieties and achieve quick resolutions, we have established hotlines for whistleblowers in our domestic and foreign business locations, and for our business partners.

We strive to resolve, at the business location level, the issues that are identified through these efforts, but these measures are also collected in a unified, comprehensive manner at the Group Head Office level, so they are reflected in corporate-wide measures based on social conditions as well. Currently, our priority themes are abiding by antitrust laws and preventing corruption.

Policy

Panasonic Code of Conduct (Excerpts)

The Panasonic Code of Conduct defines our efforts to establish fair operating practices as a public entity of society.

Chapter 1: Our Core Values

An Enterprise as a Public Institution

Since our business is dependent on our customers and other stakeholders, we must remember that “an enterprise is a public institution,” that must strive to fulfill its social responsibilities. In addition to listening to stakeholders’ opinions, we must conduct our business activities transparently in order to be accountable. In short, we must continue to be fair, truthful, honest and swift in taking action to comply with our social responsibilities.

▶ Panasonic Code of Conduct, Chapter 1: Our Core Values

<http://www.panasonic.com/global/corporate/management/code-of-conduct/chapter-1.html>

Chapter 2: Implementing the Code in Business Operations

II-3. Compliance with Laws, Regulations and Business Ethics

(1) Compliance with Laws, Regulations and Business Ethics

We will conduct business with integrity, a law-abiding spirit, and the highest ethical standards.

We will fulfill our tasks by always observing not only applicable laws and regulations, but also the highest standards of business ethics. Compliance with laws, regulations and business ethics in all our business activities is essential to the survival of our business.

(2) Fair and Sincere Action

We will respect free and fair competition, and abide by all applicable antitrust (competition law) and other laws and regulations. All of our transactions shall be properly and fairly recorded.

We will not engage in bribery of any kind. We will be sensitive to, and shall abide by laws and regulations and social ethics that govern the offer of benefits of any kind, including gifts, meals and entertainment. In the same manner, we will not receive personal benefits from any of our stakeholders.

Moreover, we remain steadfast in our attitude to oppose any illegal group or organization.

(3) Thorough Observation of Relevant Laws and Regulations

To ensure that all employees observe applicable laws and regulations and respect their spirit, we will establish appropriate in-house codes and promote employee understanding through seminars and training.

(4) Prompt Redress and Strict Treatment for Violations of Laws and Regulations

If we suspect that our activities violate applicable laws, regulations or business ethics, we will report such information to a superior, or to the legal affairs section or other relevant section, or via an in-house notification hotline. Whistleblowers shall be protected from dismissal, demotion, or any other retaliatory treatment because of their well-intentioned reporting of possible violations of any law or regulation. We will ensure thorough and confidential treatment of information reported.

Once we have established that a law or regulation has been violated, we will immediately seek to remedy the violation, take appropriate action and prevent it from recurring.

Basic Policies Regarding Compliance with Antitrust Laws

Compliance with antitrust laws is one of our priority themes. We have established the following basic policies to prevent cartels and bid rigging.

- Contact with competitors is allowed only in absolutely necessary cases and subject to prior approval.
- Agreements and exchanges of information with competitors regarding prices, quantity, and other competition-related matters are strictly prohibited.
- One who encounters behaviors that may give rise to suspicions of cartel must make an objection, leave the room, and file an internal report.
- The company establishes whistle-blowing systems and internal leniency systems to improve its ability to self-regulate and conduct appropriate monitoring based on risk assessment, whereby maintains an effective anti-cartel system.

Based on these basic policies, we established the Rules Concerning Activity and Relationship with Competitors in 2008, which apply to all group employees.

Status of Observance of International Standards and Widely Known Initiatives

Throughout the year, we strictly observe the “Panasonic Code of Conduct,” which incorporates the requirements of the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises. Once each year, we check the status of observance and practice of the Code of Conduct in our business locations around the world.

Compliance Training

Each year, we designate September as “Compliance Awareness Month” to check up on our efforts to ensure that the mental attitude of strict adherence to ethics and the law has taken hold globally and to respond to risks. In recent years, as our business and the business environment have changed, this has presented opportunities to strengthen our efforts to accurately grasp signs of changing risks, legal violations, and improprieties in specific fields/units of business, countries and regions.

In this interval, the heads of Companies and business divisions, regional representatives, and other senior executives have clarified policies and positions on the observance of ethics and the law, ensuring the dissemination of the importance of compliance down to the ground level.

During this period, we also conduct a “Compliance Awareness Survey” among our employees.

In fiscal 2015, our Compliance e-Learning was conducted in six languages in 10 countries. Approximately 61,000 employees participated.

Responsible Executive and Framework

Executive in charge: Managing Director Jun Ishii (as of July 2015)

To ensure the dissemination of compliance and fair business practices at the ground level throughout the world, we have legal departments, directors, and executive officers in charge of ensuring adherence to the Code of Conduct, as well as managers in charge of export control and other persons responsible for supervising various other functions in our Companies, business divisions, and regional headquarters outside Japan.

Beginning in fiscal 2016, we are establishing a new organization whose aim will be to identify compliance, risk, and governance issues that span multiple work functions and to unify our response functions. This should help speed up our support for fair operating practices in all business units.

Participation in Industry/Academic Alliance Activities Aimed at Preventing Improprieties

Panasonic has been a member of the Business Ethics Research Center (BERC) since BERC was founded in 1997. Together with BERC and other member companies, we have engaged in research, practice, education, and promotional activities for management ethics through panels, study groups, information-exchange activities, and so on.

Fair Operating Practices: Performance Evaluation

To monitor the understanding of compliance policies, the effectiveness of measures, and the degree of adherence, once each year we conduct checks on the status of observance and practice of the “Panasonic Code of Conduct” in all our business locations around the world.

More specifically, at each group member company, a director/executive officer is appointed to be in charge of ensuring adherence to the Code of Conduct. Education and training are conducted regarding the Code of Conduct; written pledges regarding the observance of the Code of Conduct are obtained; and checks are made regarding the status of these items. Our auditor conducts an audit of internal control.

Once each year, employees fill out “Compliance Awareness Surveys.” These surveys include topics that are common globally, such as compliance, information security, and risk management, and also other topics that are specific to particular Companies, places of business, and regions. The survey results are analyzed from a variety of perspectives – region, company, employee rank, and so on – and are used in a wide variety of functions, such as the formulation of policies and measures regarding compliance and responses to specific issues.

In fiscal 2015, approximately 148,000 employees participated in these surveys globally.

For example, in Asia, which has been designated an overseas strategic region for our group, the results of the fiscal 2013 survey were used to formulate a mid-term action plan for fiscal 2014-2016. Within the Asian region, there exists a wide variety of legal systems in various countries, and there are high risks in terms of the need to prevent corruption. In this business environment, in order to develop fair and powerful solution business – including BtoB and BtoG – we were able to identify issues through this survey such as: (1) the need for ongoing efforts to instill compliance awareness, (2) the need for repetition of compliance education, and (3) the national differences in compliance awareness. Based on these results, various elements were incorporated in the mid-term action plan to practice in the daily business activities, including (1) the formulation of action guidelines and education campaigns at the level of the regional headquarter, (2) the strengthening of e-learning and training programs in each national language, and (3) the fortification of alliances involving legal departments in each region and the raising of the level of compliance through auditing.

Grave Violations and Responsive Measures

In fiscal 2015, there were no instances of legal violations of fair business dealings involving criminal penalties or administrative penalties.

Fair Operating Practices: Whistleblowing Systems

Within our company, we have established the following whistleblower hotlines as systems for receiving a variety of internal reports regarding compliance:

- “Business Ethics Global Hotline” for general information on compliance in Japan and abroad.
- “Equal Employment Opportunity Office” for consultations regarding sexual harassment, equitable treatment, and the like.
- “Fair Trade Hotline” for the reporting of legal violations concerning cartels, bribery, the Subcontract Act, and so on.
- “Internal Control Promotion Office Hotline” for accounting irregularities.
- “Fair Business Hotline” for receiving reports from our business partners.
- “Auditor Report System” for reports concerning our accounting and audits.

The Panasonic Code of Conduct stipulates that “Whistleblowers shall be protected from dismissal, demotion, or any other retaliatory treatment because of their well-intentioned reporting of possible violations of any law or regulation. We will ensure thorough and confidential treatment of information reported.” At all the hotlines above, mistreatment of whistleblowers is strictly forbidden and confidentiality is assured. In addition, reports can be made anonymously if there is no need to contact the whistleblower for additional information (some hotlines are excluded).

Outside Japan, in addition to the “Global Hotline,” region-specific reporting systems have been set up in North America, Europe, Asia, and Latin America.

In Europe in particular, we have a contract with an independent external service to provide round-the-clock third-party response, creating an environment that makes it easier for people to use the system.

Fair Operating Practices: Fair Trade (Cartels)

Rules Concerning Activity and Relationship with Competitors

In 2008, we established the Rules Concerning Activity and Relationship with Competitors for the purpose of preventing behaviors that could lead to cartels or bid rigging or cause suspicion of same, which apply to all group employees. These rules include items such as the following:

- Prohibition of agreements or exchanges of information regarding product pricing, quantity, performance or specifications that may cause suspicions of cartels or bid rigging
- Prior approval system under which contact with competitors requires prior approval of the head of the business group and the person in charge of legal affairs
- Responses to inappropriate activities
- Duty of reporting possible violations
- Measures taken in response to violations
- Internal leniency system

Preventing Corruption

Prevention of Bribery of Government Officials

In 2010, we established the Rules on Dealing with Government Officials for the purpose of preventing bribery of government officials or actions that may raise suspicions of such unlawful behavior.

These rules stipulate that no employee may offer, give, pay for, promise to pay for or authorize the payment or the grant of any benefit to any government officials in connection with obtaining or retaining business.

An approval process and specific standards were established such as for meals with government officials. These are intended to prevent the direct offering of benefit to government officials and also the indirect offering of benefit through consultants, distributors, lobbyists, or other business partners. Careful screening and designation of business partners must be conducted, and contracts must include provisions prohibiting bribery.

In cases of violations of these rules, swift steps must be taken to redress the situation, and strict measures must be taken against the violation.

In addition, regarding expenses for social interactions or gifts, prior approval is required, and detailed reports must be filed. There is also a process for ensuring that no government officials are involved, in an effort to preclude corrupt acts.