Supply Chain: Management Approach

Panasonic aims to build sustainable supply chains with its suppliers based on its standard purchase agreement, which clearly states its principles for respecting human rights, maintaining safe working environments, prohibiting discriminatory behavior, and actions in other areas.

Many companies have concentrated on optimizing their supply chains with suppliers around the world in addition to themselves, in order to stably and rapidly provide products and services to customers with better quality and cost performance.

Against a backdrop of increasing awareness of compliance, human rights, and the environment around the world, in addition to respecting the rights of their own group employees, companies are now expected to responsibly survey the state of labor conditions, compliance with laws and regulations, and environmental measures at their suppliers, and take action if necessary to remedy any shortcomings. A company that continues to conduct business with secondary or even tertiary suppliers discovered to have shortcomings in these areas will be criticized by society, which may impede the company’s ability to manufacture products and otherwise conduct business.

Panasonic's Standard Purchase Agreement clearly explains its principles regarding respect for human rights, keeping working environments safe, prohibiting discriminatory behavior, and actions in other areas. Our suppliers, as well as their subcontractors and suppliers, are required to adhere to these principles. Panasonic aims to build a sustainable supply chain with its suppliers by updating and distributing information about the principles it wants its suppliers to observe from a CSR perspective as well.

In order to fulfill its social responsibility in its procurement practices, Panasonic has adopted a basic policy of not using conflict minerals as raw materials, because conflict minerals are a source of funding for organizations that are involved in human rights abuses, environmental destruction, bribery, and other unlawful activities in regions of conflict.

Supply Chain: Policy

Procurement Policy

Panasonic’s procurement policy reflects its basic approach to procurement, as outlined in the ten statements below. Our basic approach views suppliers as essential partners in the creation of value for customers. Based on relationships of mutual trust, we work closely with our suppliers to continuously improve and deepen cooperation.

1. Working together with Suppliers
2. Implementation Information Gathering and Purchasing during the Development Phase
3. Ensuring Product Quality and Safety
4. Implementation Cost Reduction Programs
5. Achieving Optimum Procurement by Shortening Lead-times
6. Living in Harmony with the Global Environment through Green Procurement
7. Improving Global Procurement
8. Enhancing Compliance
9. Better Utilizing Information and Enforcing Information Security
10. Respecting Human Rights and the Health and Safety of Labor

▶ Procurement Activities “Procurement Policy”  http://panasonic.net/procurement/procurement_policy.html

Basic Stance on CSR Procurement

Amid growing demands for social responsibility in procurement activities, especially with regard to the environment and human rights, Panasonic is collaborating with its suppliers to improve CSR procurement and transparency. Not only does Panasonic provide outstanding technologies and quality, it also promotes transactions with suppliers that are socially responsible in five categories: clean procurement, green procurement, compliance, information security, and human rights, labor and occupational safety.

Our suppliers agree to follow the Panasonic management philosophy and guidelines for CSR procurement, and are required to sign the Standard Purchase Agreement that clearly stipulates considerations concerning human rights and the environment before business commences. Panasonic also periodically evaluates its suppliers based on their CSR activities, in addition to their quality, cost, delivery and service (QCDS) standards and management performance.

Basic Stance on CSR Procurement

An enterprise that does not practice CSR procurement will be neglected by society today
For Suppliers

While conducting business activities, Panasonic is expected by society to ensure that corporate social responsibility (CSR) is being followed throughout its supply chain. We therefore ask our suppliers to strictly adhere to the following CSR issues.

1. Agreement with Panasonic’s Clean Procurement Policy
2. Product Quality and Safety
3. Environmentally Consciousness Management (Green Procurement)
4. Compliance and Fair Trade
5. Information Security

Procurement Activities "For Suppliers"  http://panasonic.net/procurement/for_suppliers.html
Promoting CSR Procurement

Each Company and business division incorporates the PDCA cycle to implement CSR procurement activities through planning and promoting it in line with the corporate policies, rules and standards, and manuals with regard to procurement operations, as well as with the characteristics of their business. Every issue raised in the operations is discussed and resolved in the conferences organized by the Company purchasing managers.

At the same time, we have made available training tools on our intranet for our procurement-related employees to acquire the skills needed to promote CSR procurement. Transferred employees and new hires assigned to procurement operations are required to take CSR training courses.
Supply Chain: Rules and System

Clean Procurement
We ask our suppliers to indicate their approval of our Clean Procurement Declaration, which shows Panasonic's commitment to fair and appropriate procurement activities, and engage in fair and appropriate transactions.
1. Fair Transaction on an Equal Basis
2. Selection of our Suppliers
3. Practicing Appropriate Procurement Activities

▶ Procurement Activities "Clean Procurement Declaration" http://panasonic.net/procurement/declaration.html

Green Procurement

Compliance
As a public entity of society, compliance is a major component of achieving our vision. We adhere to the laws and regulations of each country and region where we do business and maintain a strong sense of ethics to conduct our business activities. We assess ourselves to verify that we conduct fair and honest transactions with our suppliers based on our internal transaction rules. We also provide our employees responsible for procurement with regular training on compliance.

In the Standard Purchase Agreement, suppliers are required to consent to the following items.

Standard Purchase Agreement
• Abide by all applicable laws and regulations
• Offer no bribes or illegal political contributions, nor offer or receive cash or its equivalent, gifts or entertainment in excess of social conventions
• Eradicate any and all associations with anti-social forces, and others

Information Security
Panasonic has issued its Information Security Standards and an information security checklist. We ask our suppliers to maintain the same level of information security as Panasonic does, in order to correctly handle and manage information assets including customer data, personal data, and information about technology, quality, products and services.

Fundamental Human Rights at Work, Labor, and Occupational Health and Safety
In consideration of the rights of the employees of its suppliers, Panasonic promotes procurement activities that are of benefit to labor conditions and occupational safety.

We demand that our suppliers adhere to the following in our Standard Purchase Agreement with them.

Standard Purchase Agreement
• Completely respect the human rights of their employees
• Provide employees with a safe and comfortable workplace environment
• Strive to provide equal employment opportunities without discrimination
• Do not engage in forced labor, child labor, illegal employment of foreign labor, or any other illegal employment activities
• Follow the laws and regulations of countries and regions in which business activity takes place regarding employment conditions, including wages and work hours
• Require that their subcontractors and suppliers follow the same rules
• In the event a violation is discovered, it must be immediately reported and remedial action must be swiftly taken, and others


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Supply Chain: Addressing the Issues of Conflict Minerals

Basic Stance toward Conflict Minerals
Panasonic recognizes that for the Democratic Republic of the Congo (DRC) and neighboring nations (hereinafter “covered countries”), the issue of conflict minerals* as a source of funding for organizations that are involved in human rights abuses, environmental destruction, bribery, and other unlawful activities is a grave concern.

In order to fulfill its social responsibility in its procurement practices, Panasonic therefore has adopted a policy of non-use of conflict-affected minerals as raw materials. In the unlikely event that Panasonic discovers that it is inadvertently using conflict-affected minerals, the Company will immediately take steps toward their non-use.

To put this system in place, Panasonic sent a communication to all members of the Panasonic Group in December 2010, ordering them to make sure that they are not using conflict-affected minerals. In February 2011, Panasonic began encouraging its main suppliers to identify their mineral sources.

However, in covered countries there are still companies and individuals who are engaged in legitimate business. The Company must make every effort to ensure that its decision not to use illegal minerals does not harm the business activities of these legitimate operators.

This is why it is important for Panasonic to maintain contact with the various stakeholders in the building of a legitimate mineral supply chain in covered countries, including government, corporation, and NPOs. With this understanding, Panasonic participated in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals in Conflict-Affected and High-Risk Areas project that the Organization for Economic Co-operation and Development (OECD) began in August 2011.

By participating in this and other projects, following OECD guidelines, and adopting a management process that is in accordance with global standards, Panasonic is contributing to international efforts that seek to overcome the conflict minerals problem.

* Tin, tantalum, tungsten, gold

Panasonic’s Structure to Address Conflict Minerals
Panasonic has built a corporate structure that puts the Global Manufacturing Division in charge of Group-wide administration with the director responsible for quality and the environment as the chief executive. Panasonic adopted a four-company structure in April 2013, and designated an officer in charge of conflict mineral investigations and reporting in each company. Under the direction of the officer responsible for conflict mineral investigations and reporting in each company, we have been building systems and conducting surveys in accordance with the particular traits of each business.

Due Diligence
In addition to communicating our policies to suppliers, we also ask them to make reasonable efforts toward a conflict-free DRC and to procure from Conflict Free Smelter (CFS) to the greatest extent possible.

Since we require the cooperation of all suppliers from smelters to refiners in our conflict mineral surveys, sharing investigative tools and briefing materials is an effective means of reducing the burden placed on suppliers and improving their survey efficiency. For this reason, Panasonic uses a survey tool called the Conflict Mineral Reporting Template (CMRT) that is published by the Conflict Free Sourcing Initiative (CFSI). Moreover, Panasonic participates as an explainer in investigative briefings held by JEITA’s Responsible Minerals Trade Working Group. We proactively utilize survey manuals and guidelines commonly used by automakers and the Japan Auto Parts Industries Association.

Status of Surveys
In the responses we received from suppliers surveyed in fiscal 2014, there were some issues with accuracy at certain suppliers. For instance, we noticed the names of companies that are not smelters mixed in the information we received about smelters. We assume these errors in the conflict mineral survey were due to a variety of factors. For example, errors can be attributed to the fact that many of our suppliers are parts makers that deal with multiple layers of
intermediaries from smelters, that 2013 was the first fiscal year for SEC reporting, and that respondents lacked a proper understanding of the survey.

In the responses from suppliers listing “covered countries as the origin of production,” many of the smelters that were identified as a part of the supply chain for parts and materials were CFS-validated smelters, but some suppliers were unable to identify their smelters, making it impossible to determine the origin of the minerals used in production. We continue to help these suppliers as they try to identify their smelters. However, we believe it would be premature to demand that these parts and materials suppliers immediately change their subcontractors. Making such a demand while so few smelters have been validated as CFS would in effect impose a de facto embargo on the covered countries, and impede efforts to responsibly procure minerals from covered countries. At this juncture, Panasonic is involved in industrywide initiatives to get smelters to obtain CFS validated, while encouraging its suppliers to continue to perform due diligence. In the event that minerals have been discovered to support a conflict, Panasonic demands that its supplier change subcontractors and otherwise discontinue their use.

Participation in Forum for Implementing Due Diligence for Responsible Mineral Procurement

Since 2011, Panasonic has participated in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals in Conflict-Affected and High-Risk Areas project. In November 2013, Panasonic participated in the sixth forum held for the first time in one of the covered countries, the Republic of Rwanda, that was sponsored by International Conference on the Great Lakes Region (ICGLR), OECD, and the United Nations Group of Experts (UNGoE) on the DRC. We came away with a greater understanding of the mines and exchanges that are working toward responsible mineral sourcing in Rwanda, as well as efforts being made to establish a mineral traceability system and efforts to identify mines through analysis of mineral composition and age.

Efforts at Industry Collaboration

Conflict mineral surveys require the cooperation of suppliers along the entirety of our supply chain. For this reason, Panasonic works as joint chief examiner and joint leader on Japan Electronics and Information Technology Industries Association’s (JEITA) Responsible Minerals Trade Working Group in order to help spread the word throughout supply chains via industry collaboration and to help improve survey efficiency.

More specifically, Panasonic held seminars and survey briefings with industry groups inside and outside Japan in order to facilitate the correct way of addressing conflict minerals. Panasonic also participated in the analysis of data about smelters and refiners, as well as the creation of IPC-1755, a data transmission protocol for conflict minerals in the US. Together with Japanese automakers, the Responsible Minerals Trade Working Group inaugurated the Conflict Free Sourcing Working Group in November 2013, thereby promoting dialog with the smelting industry and accelerating efforts to analyze data about smelters and refiners. Panasonic continues to participate in these activities as well.

Supporting Initiatives in the Democratic Republic of the Congo and Neighboring Nations

Panasonic performs due diligence along its supply chain as a part of its social responsibility as a downstream company. In order to resolve the issue of conflict minerals, we believe the most important action that can be taken is establishing a framework for responsibly procuring minerals in covered areas.

Based on this belief, we joined the Public-Private Alliance for Responsible Minerals Trade (PPA), a select group of industry, government, and civil society leaders in March 2013.

The PPA is an initiative that provides multifaceted support including assistance in putting in place assurance and traceability mechanisms as well as encourages capability development with respect to conflict-free minerals in the great lakes Region of Central Africa. The PPA also provides a platform for alliance stakeholders to discuss and collaborate on initiatives to achieve sustainable, responsible minerals trade in the region.

By joining the PPA, Panasonic aims to contribute to the healthy economic development of the areas by supporting initiatives for responsible mineral sourcing.

Related information

▶ PPA for Responsible Minerals Trade http://www.resolv.org/site-ppa/
Supporting Sustainable Development in Covered Countries

As part of our corporate citizenship activities in this region, we established the Panasonic NPO Support Fund for Africa in 2010 to strengthen the advertising foundations for NPO/NGOs working to resolve social problems in African nations. From 2011 to 2013, Panasonic has provided support to groups like Terra Renaissance, which is working to prevent use of land mines, small arms, and child soldiers in Uganda, the Democratic Republic of the Congo and other areas. In 2014, Panasonic provided support to groups including the NPO Reborn Kyoto, which fosters economic independence by providing opportunities for women to receive occupational training in Rwanda.

Through the 100 Thousand Solar Lantern Project, an initiative at Panasonic to deliver 100,000 solar lanterns to regions without electricity by 2018 to commemorate its 100th year of operations, Panasonic donated about 1,500 solar lanterns to hospitals in Uganda, Burundi and other countries through the Japan Red Cross.