

Fair Operating Practices

Management System

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.

In Autumn each year at Panasonic we designate a certain period devoted to enhanced compliance promotion activities, during which time we strive to raise employee awareness about the need to observe ethical and legal requirements. Once each year, we also review how our business locations around the world observe and practice the Panasonic Code of Conduct, and we hire an external auditing firm to conduct an internal control audit.

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

Besides initiatives aimed at correcting the issues that we have discovered through such efforts at the business division level, we also bring those issues together centrally and comprehensively at our Head Office and reflect them in groupwide policies with consideration to societal conditions and the like, and repeat this process in the pursuit of continuous improvement. We are currently promoting additional actions as part of our focus on inhibiting cartel activity and preventing corruption and bribery.

Policy

Panasonic has established as part of our management philosophy the Basic Management Objective set forth by Konosuke Matsushita, Founder of Panasonic Corporation, that says “Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world.” With this Basic Management Objective, we will engage in our business activities in a manner that ensures that our business contributes to the improvement of living standards around the world and to the progress of society. In order to put our management philosophy into practice, we have established the Panasonic Code of Conduct which includes elements from the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises and other norms, have translated it into 22 languages, and share our basic stance as a company in terms of our aspirations for the Panasonic brand and answering the demands of society in relation to corporate social responsibility (CSR) with all of our directors and employees globally.

Panasonic Code of Conduct (Excerpts)

The Panasonic Code of Conduct defines our efforts to establish fair business 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

<https://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.

► Panasonic Code of Conduct, Chapter 2: Implementing the Code in Business Operations

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

<https://www.panasonic.com/global/corporate/management/code-of-conduct/chapter-2.html#section2-3>

Communications

Panasonic aims to make compliance and fair business practices the norm at all our worksites globally, through the legal departments, directors and executive officers in charge of ensuring adherence to the Code of Conduct; and the export control managers and other individuals with various job function responsibilities at the Companies, within certain business divisions, and at regional headquarters, this is based on the idea that each chief executive's compliance awareness is of the utmost importance. In particular, at the beginning of each fiscal year at our Global Legal and Compliance Meeting, we share the compliance policies for the forthcoming fiscal year with the Companies and regional headquarters, and in Autumn each year we designate a certain period devoted to enhanced compliance promotion activities (for details, refer to Compliance Training). We also contact and notify those responsible for legal matters at the Companies and other relevant organizations whenever there are changes to laws, governmental or ministerial ordinances, or notices from other authorities that have any effect on our business.

Compliance Training

Panasonic conducts training on compliance and the Code of Conduct regularly, including when employees join the company or are promoted.

We have assembled a Compliance Guidebook to serve as a tool for putting into practice items related to compliance with the Code of Conduct. The Guidebook explains 54 topics that Panasonic considers critical from a compliance perspective, explaining each of them through examples in a way that is easy to understand, addressing how employees at Panasonic can stay in compliance with the law in the course of their daily work activities and answer societal expectations, covering topics such as preventing corruption and preventing cartels.

We also implement e-learning on compliance with a variety of laws that involve antitrust laws including those concerned with cartels, export controls, and copyright laws in sales, procurement, engineering, and other functional divisions at each Company.

In Autumn each year we designate a certain period devoted to enhanced compliance promotion activities, that are designed to confirm that efforts are being made to establish a global awareness of ethics and legal compliance, and improve risk response. 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.

During this period, the President, 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.

In fiscal 2019, Panasonic held compliance e-learning for all its employees, and roughly 140,000 employees took part in the trainings.

Responsible Executive and Framework

The General Counsel (GC) in charge is Director Laurence Bates (as of August 2019).

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.

Whistleblowing Systems

In August 2018, Panasonic integrated its existing whistleblower hotlines for compliance-related issues to create a unified global hotline, and it began conducting investigations into all reports received through this hotline. We also have an Equal Employment Opportunity Office for consultation in Japan about fair treatment in the workplace, sexual harassment, and power harassment, as well as an Auditor Reporting System for company accounting and auditing issues.

The Panasonic Code of Conduct stipulates that “Whistleblowers shall be protected from dismissal, demotion, or any other retaliatory treatment that results from their legitimate reporting of possible violations of any law or regulation. We will ensure the thorough and confidential treatment of all reported information.” The mistreatment of whistleblowers is strictly forbidden, and their confidentiality is assured. Anonymous reporting is also possible.

In fiscal 2019, the whistleblower hotline accepted approximately 380 reports or consultations. The hotline worked with relevant divisions to investigate, confirm, and respond to all matters discussed in these reports or consultations.

In July 2019, Panasonic enacted two new internal regulations: Internal Reporting and Investigation Rules, and Rules on the Prohibition of Retaliatory Behavior against Whistleblowers, and Others. The former—to quickly detect and resolve violations of laws, corporate regulations—establishes operational procedures and systems for reporting suspected violations, appropriately receiving these notifications, and investigating and correcting any violations. The latter also prevents retaliatory action toward whistleblowers and cooperating investigators and defines the code of conduct for protecting whistleblowers. These regulations ensure the proper administration of investigations related to the whistleblower system and individual reporting.

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.

Grave Violations and Corrective Measures

Panasonic and its US subsidiary, Panasonic Avionics Corporation (PAC), were subject to an audit by the US Securities Exchange Commission (SEC) and the US Department of Justice (DOJ; collectively, “US authorities”) in connection to the Foreign Corrupt Practices Act and other US securities-related laws. The US authorities investigated PAC’s actions related to specific transactions with airlines and its appointment of agents and consultants for these transactions. In May 2018, after negotiating with the US authorities, we agreed to pay a fine, which we have since paid. We are taking this matter seriously and managing operations to prevent further recurrences. See the section titled, “Fair Operating Practices: Compliance Programs,” for more information on our corruption prevention strategies.

In the event that Panasonic becomes aware of any serious violations of laws or corporate regulations, we stop the violating behavior immediately, and in addition to reporting to executive management, we will consider countermeasures after verifying facts and analyzing the causes of the violation in relevant divisions. We report on such matters to the Board of Directors as necessary and correct the violations swiftly and cross-sectionally groupwide based on the resolution of the Board.

Fair Operating Practices: Compliance Programs

Panasonic promotes a companywide compliance program for serious misconduct, including cartelization and bribery. In fiscal 2019, the company put forward the following initiatives to strengthen its compliance infrastructure worldwide, with a focus on anti-bribery efforts:

- **Executive-level participation:** The management team, consisting of the CEO, company presidents, regional directors, and general counsel, issued compliance memoranda for all employees and discussed compliance at board of directors' meetings and other executive conferences. Another example of executive management's direct involvement in compliance is when the general counsel visits international group companies and discuss compliance with local managers.
- **Compliance awareness and a culture of compliance:** Panasonic creates and distributed comics and posters covering serious misconduct. It also planned and held participatory compliance events for employees. Moreover, all employees were subject to taking the Compliance Awareness Survey. In fiscal 2019, roughly 146,000 employees responded, a 12.5% increase over fiscal 2018.
- **Education and awareness:** Panasonic offers e-learning courses about serious misconduct to all employees, and in fiscal 2019, approximately 140,000 employees took these courses. The company also publishes a quarterly newsletter on serious misconduct for business division heads.
- **Establishing a new global hotline:** As described in the Whistleblowing Systems section above, Panasonic has realized unified report management by establishing a global hotline. The company immediately conducts internal investigations when it discovers potentially illegal activities through hotline notifications and reporting or through related audits. After confirming the facts surrounding illegal activities through these internal investigations, Panasonic immediately addresses the violations, while seeking out their actual causes, implementing measures meant to prevent recurrences, and punishing all relevant parties.
- **Improving and enhancing anti-bribery programs:** In light of Panasonic's global bribery risk assessment results, management teams of each company and the General Counsel have been discussing compliance, sharing issues, and investigating countermeasures. In fiscal 2020, each company is already implementing and promoting the outcomes of these discussions as specific initiatives.
- **Strengthening compliance auditing and investigation functions:** In fiscal 2019, divisions of the Panasonic main office conducted compliance audits for bribery and corruption risks to quickly detect, prevent, and handle these risks. Starting in fiscal 2020, Panasonic intends, as part of its organizational efforts, to periodically conduct compliance audits at all new locations and to follow up on points discovered in such audits. Additionally, on July 1, 2019, Panasonic updated its companywide whistleblowing and investigation systems with its new global regulations: Regulations Concerning Whistleblower Reports and Their Investigations, and Regulations Concerning the Prohibition of Retaliatory Treatment Toward Whistleblowers. (For details, see the chapter on Whistleblowing Systems.)

Moreover, in fiscal 2020, while continuing to further last year's initiatives, Panasonic is promoting new projects, including the establishment of a separate compliance committee. This committee will form to discuss and give direction to focal points regarding risks and compliance infrastructure at the management level.

Preventing Cartels

We at Panasonic are taking the fact that our company has been implicated in multiple international cartel incidents seriously, and we are working to prevent cartelization activities. If Panasonic were to become involved in the creation of a cartel, we would not only lose the trust of our customers but also be required to pay high penalties and compensation for damages, as well as lose our designation in public procurement. We take very serious and detailed care to prevent any such involvement, because it would have a variety of negative impacts on our business.

Basic Policies

We have put the following basic policies in place in an effort to prevent cartels, collusive bidding, and other such violations.

- 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.

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

In the device business where the risk is particularly high, we are promoting global initiatives meant to prevent cartels through activities including making sure once again that these policies are fully understood by executives at Company Management Conferences and Managing Directors Conferences at overseas subsidiaries, cartel prevention training for all employees, identifying suspicious behaviors, submitting written pledges, conducting audits, and speeding up personnel rotations.

Ensuring Transparency of Political Contribution Funds

The Japan Business Federation says of political donations: “Costs commensurate with the task are essential to properly maintaining democratic politics. Political donations by companies are a crucial part of companies’ social responsibilities.”

(“In order to maintain democratic politics in a proper manner, matching costs are required, and it is important for businesses to make political donations as part of their social contribution.”) Panasonic abides by this policy and makes political donations as a part of its corporate social responsibilities.

When making donations, Panasonic complies with the Political Funds Control Act, all other relevant legislation, and with its own strict rules.

In Japan, the legal duty of disclosing political fund income and expenditures falls on political groups. These disclosures are publicly available from the Official Gazette or from official prefectural bulletins.

They are also available on the web.

http://www.soumu.go.jp/main_content/000455747.pdf#page=1

*Japanese Only

Preventing Corruption

In addition to preventing the bribery of public officials, Panasonic, through the stipulations in the Panasonic Code of Conduct, has prohibited offering benefits of any kind—regardless of whether they occur as entertainment, gifts, or in any other form—or receiving any personal benefits in any situation in which they would be in violation of laws or social ethics. To more thoroughly prevent bribery and corruption worldwide in a manner appropriate for today’s reality, Panasonic, on July 1, 2019, enacted new global regulations that apply to all Panasonic Group employees and executives. These regulations include the Global Anti-Bribery/Anti-Corruption Policy, Rules on Third-Party Intermediary Risk Management for Anti-Bribery/Anti-Corruption, Rules on Gift and Hospitality for Anti-Bribery/Anti-Corruption, and Rules on Conflict of interest. The company will also introduce processes for reviewing new risks to discover bribery and corruption risks before transactions take place when starting or renewing dealings with “Third-Party Intermediary”.

The company enacted the Global Anti-Bribery/Anti-Corruption Policy to effectively prevent, discover, investigate, and correct acts of genuine corruption or those deemed to be corruption with regard to the bribery of public officials and

corruption related to business partners. Specifically, it prohibits facilitation payments and acts considered bribery or corruption in connection with political contributions, donations, or sponsorships; lobbying; hiring and recruitment; and mergers, acquisitions, and joint ventures. It also specifies procedures for preventing bribery and corruption.

Panasonic enacted Rules on Third-Party Intermediary Risk Management for Anti-Bribery/Anti-Corruption to establish general rules for identifying, reviewing, selecting, and registering intermediary sellers and special subcontractors, as well as for initiating and terminating transactions with such parties. These rules are meant to mitigate the risks of bribery and other forms of corruption regarding intermediary sellers or service providers and to prevent, discover, investigate, and correct genuine or potential problems related to these risks.

With the Rules on Gift and Hospitality for Anti-Bribery/Anti-Corruption, the company enacted specific procedures for prohibiting the provision or receipt of gifts or entertainment, including meals, hospitality, and travel costs, in relation to public officials or business partners. These procedures are meant to prevent the risks related to these acts of bribery or corruption.

The Rules on Conflict of Interest establish specific actions that could be conflicts of interest, while also establishing rules related to preventing, identifying, managing, and correcting conflicts of interest.

To ensure full compliance with these new global regulations on bribery and corruption prevention, Panasonic will continue raising awareness and promoting efforts companywide.

Fair Operating Practices: Measures Taken Against Counterfeit Goods

The most part of counterfeit goods originate from China, and catalyzed by the growth of the internet, these goods are spreading worldwide. In recent years, counterfeit goods have also expanded from consumer products to B2B products. Not only does this lead to quality concerns (accidents and injuries) for all customers, but it also leads to economic loss (reduced tax revenue and reduced incentive for companies to develop new products) and security issues (national security threats and funding opportunities for criminal/terrorist organizations) for society.

In its efforts to eradicate counterfeit goods, Panasonic implements extensive measures globally to protect our customers and society. These measures are targeted at various stages of counterfeit goods production and distribution, including manufacturers, major trade shows, importers/exporters, wholesalers, and distributors.

Our brand is an irreplaceable asset that is testimony to the trust and satisfaction our customers and society place in us, so we will continue to resolutely respond to counterfeit goods that illegally display our brand.

Specific countermeasures

- Raid manufacturing plants that counterfeit goods and seize them
- Prevent negotiations about counterfeit goods from taking place at major trade shows in China
- Work with customs officials in various countries to suspend counterfeit goods
- Prevent the sale of counterfeit goods by retailers (including on ecommerce sites) in various countries
- Raise market awareness about counterfeit goods by collaborating with relevant authorities in various countries
- Urge countries with insufficient legal systems and legal practice to make improvements to these frameworks



A celebration of counterfeit goods destruction held by a relevant authorities in Vietnam

Counterfeit consumer products

Batteries



Home electronics



Counterfeit B2B products

Automatic doors



Electronic parts



Wiring devices



Motors

