Risk Management

Fundamental Stance
Panasonic’s founder, Konosuke Matsushita, coined numerous aphorisms which are still used at the company: “Hardship now, pleasure later,” “The source of our failures is within us,” “There are signs before all things,” and “Small things can create big problems; one must be alert to signs of change and act accordingly,” among many others. Using these ideas as the cornerstone of our thinking, we conduct Corporate-wide risk management activities covering our operations around the world, with the aim of taking preemptive actions to eliminate “sources of failure”—that is any factors that could impede the accomplishment of business goals.

At Panasonic, risk management works in parallel with the development and execution of management strategies. We believe that combining these two functions makes us better positioned to accomplish business objectives and to increase our corporate value. Furthermore, by disclosing appropriate risk information to the public, improving management transparency, and reducing risks through preemptive measures, Panasonic gives its customers and other stakeholders—as well as local communities and the public as a whole—greater confidence in its organization.

Role of Risk Management in Business Management

Organizational System
In April 2005, Panasonic established the Global & Group Risk Management Committee (G&G Risk Management Committee), which promotes risk management throughout the whole Panasonic Group. The Chief Risk Management Officer (CRO), who is nominated among the Senior Management, chairs the Committee, which is composed of Company Chief Risk Officers (CROs) and managers from regional headquarters, the Corporate Strategy Headquarters and functional divisions. The Enterprise Risk Management Section of the Legal and Regulatory Affairs Department serves as the Committee’s secretariat.

The G&G Risk Management Committee determines the important risks of the entire Group, based on the results of risk assessments conducted by each Divisional Company, the Panasonic Headquarters, and regional headquarters. This constitutes part of Panasonic’s corporate compliance with legal mandates. The Committee monitors the progress of action plans formulated by Group Companies, Panasonic Headquarters, and regional headquarters for countering important risks. Depending on the necessity, the Committee also provides instructions for realizing continuous improvement to functional divisions and various committees, as well as assistance to Divisional companies, Panasonic Headquarters, and regional headquarters. The activities of the G&G Risk Management Committee are reported regularly at Board of Director meetings, and Audit & Supervisory Board Members.
Basic Framework
Panasonic has three levels of risk management: the G&G Risk Management Committee, seven Divisional Companies, and several business divisions. Each year, an assessment of the risks that could affect the business management of Divisional Companies and affiliated business divisions is undertaken using a single, global set of standards incorporating the potential impact on business operations, likelihood of risks, and other factors. Steps are then taken to identify important risks for Divisional Companies and to ensure that appropriate countermeasures are implemented. Taking into consideration these important risks for Divisional Companies, the G&G Risk Management Committee identifies and considers those risks that require specific attention from a Corporate-wide perspective. The Committee reports progress to the Board of Directors who evaluates progress on countermeasures as a means to improve and strengthen Corporate-wide risk management.

Basic Framework for Risk Management

The important risks of the entire Group for FY2020
- Natural disasters (earthquakes, tsunamis, weather-related disasters, etc.)
- Quality problem
- Serious fraud (cartels, bribery of public officials, accounting fraud)
- Cyberattacks
- Considerations to geopolitical risks in addition to strategic risks

The important risks of the entire Group for FY2021
- Pandemic
- Natural disasters (earthquakes, tsunamis, weather-related disasters, etc.)
- Bribery of public officials,
- Trade restrictions and economic sanctions
- Antitrust violation (cartels, etc.)
- Quality problem
Increasing Risk Sensitivity

The G&G Risk Management Committee systematically educates and raises awareness among Panasonic Group employees to ensure the thorough dissemination of knowledge regarding basic policies on risk management and for these to be put into practice. In addition to disseminating information to all employees through internal communications on its activities (selected important risks of the entire Group and the progress of measures for handling those risks), the G&G Risk Management Committee provides annual seminars on risk assessment for managers in charge of risk management promotion. The Committee aims to increase their skill level in order to increase the effectiveness of risk assessments by explaining Panasonic’s basic policy on risk management as well as the content of the “Risk Management Guidelines.”

In addition, to prevent risks from worsening after they have manifested and responses have been insufficient, the Committee issues “Guidelines for Business Unit Directors on Responding to Risk Occurrences” to the business unit directors and ensures that these Guidelines are thoroughly put in place. The Committee provides training on matters such as the essentials of risk management and how to respond when risks have manifested for newly appointed presidents of overseas affiliates and for employees who are about to be posted overseas in order to improve their ability to handle risks on the ground.

We have established global hotlines as a mechanism for employees to report potential risks regarding matters such as compliance violations, various forms of workplace harassment and improprieties in procurement processes. Employees and suppliers are able to report any perceived problem independently and at any time, with assurance that their privacy will be protected. The company has also established a mechanism by which all employees can voluntarily report latent compliance-related risks in the workplace through annually conducted compliance awareness surveys. Feedback concerning reported risks is channeled back to each workplace for them to handle.

Policies on Business Continuity Management (BCM) and Business Continuity Plans (BCP)

As a public entity of society and as part of its management philosophy, Panasonic has established that it will contribute to the progress and development of society as well as the well-being of people by working to improve the quality of life of society through its products. Since 2005, Panasonic has been keenly aware of the necessity of activities relating to business continuity—one of the company’s duties to society. The company thus engages in business continuity management (BCM), whose goal is to prevent a halt to the supply of products or the provision of services when contingencies such as disasters occur, or, in the rare event that services have halted, to restart operations as quickly as possible.

Specifically, if disasters or other incidents were to occur within our supply chain, they would impact the production or sales of our Group Companies. In the case of B-to-B operations, this impact would also affect the production and sales of companies to which we deliver. This is why Panasonic believes it is critical that our BCM includes not only our Group Companies but our supply chain as well.

Major Efforts

Based on our Risk Management Regulations and Corporate-wide Emergency Response Regulations, we established the Guidelines on Business Continuity Management (BCM) and have formulated BCPs for each business site. The BCM Guidelines rest on the three pillars: Business Continuity Management Policies (business covered by BCM and business recovery steps), Emergency Responses (initial responses and recovery responses), and Disaster Prevention & Mitigation Responses. We have established a BCM (Business Continuity Management) development guideline and established BCP for each business unit. Based on these BCM Guidelines, each business site reassesses BCPs as needed and works to bolster its resiliency.

For this reason, we have conducted a hazard survey in several countries around the world about various risks posed by natural disasters such as earthquakes, floods, tropical depressions, tsunamis, naturally occurring fires, landslides, tornadoes, and volcanic eruptions. We have also shared these findings with each of the four Companies and have put priority measures in place, both within our own Group and in our supply chain. We also strive to obtain information on disasters and incidents, and try to respond swiftly in real time, both in order to confirm the safety of our employees and to provide uninterrupted supply to customer companies.

Forecasts indicate a high probability of a major earthquake in Japan, directly under the Tokyo metropolitan area or in the
Nankai Trough, within the next 30 years. In response to these predictions, Panasonic has established a cross-Company task force to promote earthquake resistance and disaster responses, based on the latest government damage predictions. The task force conducts annual Corporate-wide disaster-preparedness training drills. It has established emergency response headquarters at every level of the Group, within the seven Divisional Companies, and within all business divisions. These headquarters are intended to maintain and improve Panasonic’s initial response capabilities—including confirmation of the safety of employees and reporting among different emergency response headquarters on the degree of damage. Coordinating with local municipalities, the task force conducts annual disaster preparedness and emergency evacuation training drills at each business site as needed.

In terms of procurement activities, we also manage the securing of replacement sourcing and the building up of inventory for emergencies, based on evaluations of the criticality and interchangeability of procured parts.

We strive to prepare for fire-related accidents and prevent their occurrence, based on the Global Fire Prevention Regulations, which include provisions for fire risk assessments, fire prevention equipment, fire-fighting equipment, self-defense fire brigades and fire extinguishing activities, fire recurrence prevention, independent inspections, fire prevention training, awareness raising, audits etc.

**COVID-19 Response**

Panasonic has established Corporate-wide Emergency Response Regulations for handling serious impacts to business continuity from events such as natural disasters and epidemic diseases. Based on these Regulations, we created a Corporate-wide Emergency Response Headquarters when the World Health Organization (WHO) declared COVID-19 a public health emergency on January 31. The Headquarters consists of nine teams covering personnel, sales, procurement, distribution, and other areas, with one secretariat serving as the central, fact-gathering contact point. We also established response centers in each Divisional Company engaged in business operations. The secretariats of these response centers coordinate with the Emergency Response Headquarters and implement response measures.

In particular, these responses include reporting essential matters to executive officers from the perspective of maintaining employee health and ensuring business continuity. At the same time, we are making Corporate-wide announcements and using other types of communication to help secure the health and safety of employees and stakeholders. Concrete measures also include reducing the number of employees in offices by utilizing remote working options—as urged by both social and government bodies—while also formulating and disseminating guidelines for preventing infection in the workplace.

We have also thoroughly surveyed suppliers and products that would be impacted by the crisis, including identifying possible issues and securing alternative suppliers and switching to alternative supply locations. Cognizant of the need to support our suppliers’ subcontractors as well, we have raised our level of information coordination to greater heights. At present, we have ensured the continuity of nearly all our supply requirements.