

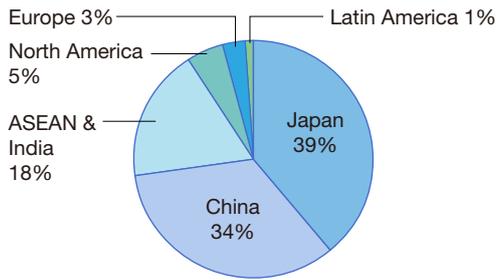
Responsible Supply Chain

Overview of Supply Chain

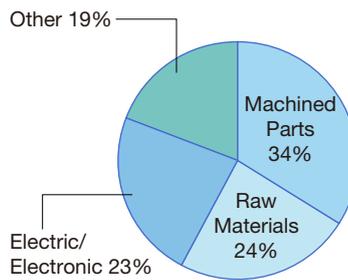
Panasonic does business with approximately 10,000 companies worldwide.

Around 70% of these business partners are located in Japan and China. Industry-wise, 34% of them supply machined parts. Panasonic promotes activities with its global business partners across its entire supply chain in order to achieve its CSR-related goals.

Breakdown of Transactions by Region (%)



Breakdown of Transactions by Product (%)



Management System

With a rising global demand for socially responsible procurement—taking into account the environment, human rights, satisfactory labor conditions, and fair trade—we strive to conduct our business with suppliers in a way that not only provides excellent technology and quality, but also fulfills our social responsibility, including towards human rights and labor, occupational health and safety, green procurement, clean procurement, compliance and information security.

Panasonic considers the CSR initiatives in our procurement department vitally important, and we regularly conduct management reviews.

In order to increase understanding of CSR procurement and raise awareness of employees involved in procurement activities, we have created internal rules and manuals on CSR procurement, and disseminated the necessary information via handouts, the company’s intranet and training sessions.

We ask each of our suppliers to agree to Panasonic Supply Chain CSR Promotion Guidelines, which bring together our management philosophy, CSR procurement policies, and other matters with which we want our suppliers to comply. We also ask them to perform CSR self-assessments before we start doing business with them. Additionally, we enter into a Standard Purchase Agreement with suppliers, which includes CSR-related items such as respect for human rights, safe working environments, and consideration for the environment.

Furthermore, in addition to evaluations related to quality, cost, delivery, and service (QCDS) standards and to business performance, we conduct regular evaluations of suppliers’ CSR initiatives.

Regarding conflict minerals, which are sources of funding for organizations involved in unethical practices in conflict areas, such as human rights violations, environmental destruction and corruption, we strive to adhere to the Organisation for Economic Cooperation and Development’s (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Through these efforts, we are working towards the creation of sustainable supply chains together with our suppliers.

Policy

Procurement Policy

Panasonic has summarized its core thinking on procurement in a 3-item set of Procurement Policy. The fundamental basis of this policy is the concept that, based on relationships of mutual trust, and through diligent study and cooperation, our suppliers are invaluable partners in creating the value our customers demand.

- **Implementation of Global Procurement Activities**

The Company globally establishes partnerships with suppliers to respond to production activities on a global scale, and works to create the functions and values our customers demand based on relationships of mutual trust and through diligent studies and cooperation.

- **Implementation of CSR Procurement**

Complying with laws and regulations, social norms, and corporate ethics, the Company promotes procurement activities together with suppliers that fulfill their social responsibilities, such as human rights, labor, safety and health, global environmental conservation, information security.

- **Procurement Activities Working Closely with Suppliers**

In order to achieve product values expected by customers, the Company serves as the contact point of suppliers with respect to information, such as the market trends of materials and goods, new technologies, new materials, and new processes, and works to ensure and maintain the quality of purchased goods, realize competitive prices, and respond to market changes.

Supplier Selection and Evaluation

When selecting new suppliers, Panasonic makes it a condition of doing business that they practice CSR. We conduct checks to verify suppliers' performance regarding human rights, labor, health and safety, environmental protection and information security. Panasonic requests all suppliers to carry out CSR self-assessments. We conclude Standard Purchase Agreements including CSR requirements and then start trading only with suppliers that confirmed meeting our standards.

Panasonic also conducts CSR self-assessments of existing suppliers, and provides guidance for improvement or awareness-raising activities according to the assessment results.

Clean Procurement

Because Panasonic believes that "a company is a public entity of society", we engage in fair and equitable transactions with our global suppliers. We released in 2004 "Clean Procurement Declaration" aiming for "a more stringent sense of moderation and ethics" in our relationships with suppliers. We strive to carry out procurement activities in accordance with such our standards.

Throughout the year, we keep all our procurement personnel and departments well informed of clean procurement practices and visit our key suppliers to request their cooperation in implementing these practices.

- **Prohibition of receiving money and valuables from suppliers and prohibition of accepting any form of hospitality, entertainment or meals.**

Panasonic established "Rules on Gift and Hospitality for Anti-Bribery / Corruption" in its internal regulations, applied at the global level. These strict rules apply to the acceptance of gifts, meals, entertainment and travel invitations from our business partners, including suppliers.

They stipulate general rules regarding the rationality and balance in light of the purpose, value and frequency of gifts, meals, entertainment and travel invitations, and local customs, and the absence of improper influence on business judgement. More detailed standards and stricter rules are also set for each region.

- **Establishment of a global hotline**

Panasonic aims to promote fair and equitable procurement activities based on our Clean Procurement Declaration.

We have created a global hotline to act as a reporting system in the event that any of our procurement personnel or departments have violated any laws or regulations, agreements with suppliers, the Panasonic Code of Conduct, or other procurement rules, or are suspected to be about to do so.

This hotline is also available to suppliers for the purposes above.

▶ Global hotline

<https://panasonic.ethicspoint.com>

▶ Our Company (Clean Procurement Declaration)

<https://www.panasonic.com/global/corporate/management/procurement/declaration.html>

Education

We provide training to our personnel to disseminate fundamental knowledge on our approach to CSR and procurement compliance—including for instance prohibition of forced or child labor. We aim to develop human resources who can fulfill our responsibility to society in the context of procurement operations.

CSR procurement training is divided into two stages: CSR First Grade, which is meant to provide specialized knowledge so that buyers can solve issues when they arise on-site, and CSR Second Grade, which is meant to instill basic knowledge on how to carry out day-to-day procurement tasks while complying with CSR requirements.

In order to be certified as a professional buyer, procurement staff must both take CSR Second Grade classes and pass their test.

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of times training for CSR 1st grade was held	1	2	2	1	2
Number of students who attended the above training	10	12	11	9	12
Number of times training for CSR 2nd grade was held	2	4	5	7	6
Number of students who attended the above training	99	174	248	278	194

Responsible Executive and Framework

The executive in charge of procurement is Yoshiyuki Miyabe, Senior Managing Executive Officer and Chief Manufacturing Officer (CMO) (as of August 2020).

The department responsible for responsible procurement activities is Panasonic's Global Procurement Company. Each of our Divisional Companies, as well as their business divisions and other affiliated companies have their own procurement departments.

The Global Procurement Company collaborates with these Divisional Companies' procurement departments to strengthen CSR procurement activities at the Corporate-wide level.

Each Divisional Company and business division follows the PDCA cycle by planning and promoting initiatives in line with Corporate-wide rules and manuals related to procurement operations. Issues that arise in this process are addressed and appropriate solutions devised through discussions during meetings attended by the personnel in charge of procurement functions in each Divisional Company and business division.

Responsible Supply Chain: Enforcement of CSR for Suppliers

Enforcement of the Panasonic Supply Chain CSR Promotion Guidelines

As a result of a continuous dialogue with our stakeholders such as client companies and NGOs, the Panasonic Group issued the Panasonic Supply Chain CSR Promotion Guidelines, Rev. 1 in March 2016. Based on international standards and industry-specific approaches, the Guidelines are intended as CSR requirements that we expect our suppliers to follow. Furthermore, in order to reflect frequent changes in social expectations, we revised these Guidelines and released the Panasonic Supply Chain CSR Promotion Guidelines, Rev. 2 (“Procurement Guidelines”) in July 2018.

The Procurement Guidelines establish the following provisions while meeting legal and regulatory requirements and taking into account international conventions and standards:

- 1) Labor rights: Prohibition of forced labor and child labor, appropriate working hours and payment of wages, humane treatment and elimination of discrimination, and freedom of association
- 2) Occupational health and safety: Training to ensure workplace safety and emergency preparedness, safety measures for machinery and equipment, and occupational health and safety rules for facilities
- 3) Environment: Compliance with the latest edition of Panasonic’s Green Procurement Standards
- 4) Ethics: Prohibition of corruption and bribery, and promotion of fair trade and responsible mineral procurement
- 5) Information security: Prevention of information leaks and protection against computer and network threats
- 6) Product quality and safety: Creation of a product quality management system, provision of accurate product and service data, and maintenance of product safety
- 7) Contributions to society: Contributions to society and local communities
- 8) Management systems

These Procurement Guidelines have been created in Japanese, English, and Chinese and have been published on our website. We are also distributing them to all our suppliers via email to ensure thorough awareness.

Going forward, we hold supplier meetings as necessary to revise the Panasonic Supply Chain CSR Promotion Guidelines and the CSR self-assessments sheets and ensure a thorough CSR enforcement throughout our entire supply chain.

For further details, please visit our “For Suppliers” page regarding procurement activities.

<https://www.panasonic.com/global/corporate/management/procurement/for-suppliers.html>

Related Links

- ▶ The Freedom of Association and Respect for the Right to Collective

<https://www.panasonic.com/global/corporate/sustainability/humanrights/approach.html#freedom>

- ▶ Initiatives for the Prevention of Slavery and Human Trafficking

https://www.panasonic.com/global/corporate/sustainability/human_rights/global_standards.html#anti-slavery

Requests to Suppliers for CSR Self-Assessments

In fiscal 2016, we began requesting that our suppliers conduct a CSR self-assessment of their initiatives related to human rights, health and safety, the environment, and ethics, and we have been requesting these self-assessments annually ever since.

Based on our Procurement Guidelines, we requested CSR self-assessments from approximately 5,000 suppliers, mostly in China, Southeast Asia, and India in fiscal 2017; from around 2,000 suppliers, primarily in Japan, in fiscal 2018; from approximately 3,000 new and existing suppliers in fiscal 2019; and we requested these self-assessments from all new suppliers in fiscal 2020.

These self-assessments include items to confirm the prohibition of child labor and the prevention of forced labor. Panasonic requests its suppliers to employ workers according to the laws and regulations of their respective countries, to ensure that no workers engage in labor against their will.

Based on the results of the self-assessments, we visit suppliers, verify conditions on the ground and hold interviews as necessary. In fiscal 2018, we checked conditions on the ground at four suppliers in Thailand and three in China. We identified issues related to occupational health and safety in both Thailand and China as well as environmental issues in China, and requested that corrections be made. We will continue to request self-assessments from our suppliers and communicate with them about CSR-related matters. We will strive to take swift corrective actions when any issue is identified and aim to build up a sound supply chain.

Cooperation with our Suppliers towards a Harmonious Relationship with the Environment

We strive to reduce the burden we place on the environment through cooperation with our suppliers and logistics partners.

- ▶ Collaboration Across the Supply Chain

<https://www.panasonic.com/global/corporate/sustainability/eco/supplychain.html>

- ▶ ECO-VC Activity Proposal and Application Guidelines

<https://www.panasonic.com/global/corporate/management/procurement/partner/contest.html>

Responsible Supply Chain: Responsible Minerals Procurement

Panasonic's Basic Stance on Responsible Minerals Procurement

Panasonic took a basic stance on conflict minerals in 2012 and reviewed it in April 2018, based on recent social trends with regards to responsible minerals procurement.

Panasonic recognizes that the procurement of certain minerals (notably tin, tantalum, tungsten, gold and cobalt) from states in conflict-affected areas and high-risk areas (hereinafter referred to as "target areas") carries a risk of funding organizations that are involved in illegal or unethical activities, including human rights abuses such as child labor, harsh working conditions, environmental destruction and corruption. This is a matter of grave social concern and Panasonic promotes responsible procurement of minerals in its global supply chain in order to fulfill our corporate social responsibility..

At the same time, there are companies and individuals in the target areas who are conducting lawful business activities. Therefore, while we remain mindful of our obligation to avoid using minerals associated with illegal or unethical practices, we strive to ensure that legitimate companies' and individuals' business activities and livelihoods are not compromised by such efforts.

To this end, it is necessary for us to work in partnership with a wide range of stakeholders, in various countries, including governments, industry associations, companies and NPOs that are taking measures to build sound minerals supply chains in the target areas.

Panasonic will keep conducting its activities based on the "Due Diligence Guidance" of the OECD (Organization for Economic Co-operation and Development), and build management processes in line with global standards.

The promotion of responsible minerals procurement requires to conduct due diligence efforts in the entire supply chain, including through green certifications of upstream mining companies, smelters and refineries clean, and by disseminating information on smelters and refineries among downstream enterprises.

Panasonic requires all related suppliers to provide information on smelters/refineries through the supply chain, and aims to procure from suppliers who don't present any issue.

Going forward, Panasonic will keep contributing to the international efforts towards responsible minerals procurement while actively considering our future role in such global efforts.

Responsible Minerals Procurement System

With the Chief Manufacturing Officer (CMO) assuming ultimate responsibility, we are working to build a Corporate-wide management system for responsible minerals procurement in collaboration with each Divisional Company.

Due Diligence Efforts

In order to fulfill our social responsibility, Panasonic promotes responsible minerals procurement throughout its entire supply chain while actively communicating its policies to all suppliers and collaborating with them.

Responsible surveys of conflict minerals require the cooperation of all suppliers and the refineries/smelters with which they work. In order to reduce the burden on suppliers and to enhance the efficiency of such surveys, we use common survey tools and explanatory materials. To this effect, Panasonic uses the Conflict Minerals Reporting Template (CMRT) and the Cobalt Reporting Template (CRT) issued by the Responsible Minerals Initiative (RMI). We also participate as a presenter to survey briefings held by the Japan Electronics and Information Technology Industries Association's (JEITA) Responsible Minerals Procurement Working Group, and actively use the common manuals and procedures shared between the Japan Automobile Manufacturers Association (JAMA) and the Japan Auto Parts Industries Association (JAPIA).

Conflict Minerals Surveys

In fiscal 2020, the Panasonic Group as a whole surveyed around 3,600 suppliers on conflict materials and collected responses from 92% of them (as of the end of February 2020). Based on the data collected from the survey forms (CMRTs), we conducted a risk analysis and assessment and requested further investigations from suppliers, according to the risks that we identified.

The Panasonic Group identified a total of 328 smelters and refineries present in the supply chain of minerals used in

our products. Among these, 82% have received the “Conformant Smelter” certification (which is delivered to smelters/refineries that pass RMI’s audit).

At present, we have not confirmed that any of the minerals that survey respondents have identified as being sourced from target countries have, either directly or indirectly, financed any armed forces. However, we will continue to carefully examine and identify information from smelters and refineries.

Furthermore, through our industry activities, we have urged smelters and refineries to participate in the Responsible Minerals Assurance Process (RMAP) and our suppliers continue to perform due diligence processes. In the event that we identify minerals that contribute to fund conflicts, we will request our suppliers to take measures including changing their suppliers or eliminating the use of these minerals.

Cobalt Surveys

There are concerns about cobalt, which is used in lithium-ion batteries and other products, due to human rights issues such as child labor at mining sites.

As part of its efforts to promote responsible minerals procurement, Panasonic pursues initiatives in line with the OECD’s “Due Diligence Guidance” to build management processes that meet global standards. Specifically, we continually conduct initiatives such as cobalt supply chain surveys and identification and investigation of refineries and smelters.

In fiscal 2020, we have conducted a risk analysis and assessment based on the data from the survey form (CRTs) that we have collected from suppliers, and have requested further investigations from suppliers in response to those risks.

Panasonic will keep conducting appropriate cobalt surveys and procurement while watching industry trends.

Participation in the Forum on Implementing Due Diligence for Responsible Mineral Supply Chains

Beginning in 2011, Panasonic has been participating in the OECD’s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas projects (currently, the Forum on Responsible Mineral Supply Chains). At the forum in November 2013, we learned about ongoing efforts toward conflict-free minerals procurement, including mines, exchanges and ore traceability systems as well as efforts to identify mines through analysis of mineral composition and generation in Rwanda. We attended the forums held in Paris in 2016 and 2017, and continued discussions with stakeholders in regard to effective approaches to addressing the issue of conflict minerals.

Industry Collaboration Initiatives

The collaboration of all suppliers in our supply chain is essential to promote responsible minerals procurement. For this reason, Panasonic is participating in JEITA’s Responsible Minerals Procurement Working Group to raise supply chain awareness and improve the efficiency of surveys through industry collaboration.

More specifically, we have been working with industry groups both inside and outside Japan and holding seminars and surveys briefing sessions to promote best practices regarding responsible minerals. We have also worked on smelters/refiners information scrutiny, and participated in the development of the U.S. data transfer standard IPC-1755 on conflict minerals. JEITA’s Responsible Minerals Procurement Working Group teamed up with Japanese automakers in November 2013 to create the “Conflict-Free Sourcing Working Group”, in order to engage in dialog with the smelting industry and accelerate efforts to verify information about smelters/refiners. Panasonic is also an active participant in this initiative.

Since January 2016, we have been working with other members of JEITA’s Responsible Minerals Procurement Working Group to obtain audit certification for smelters and refineries that have not yet participated in the RMAP, and we continued these efforts in 2019.

Furthermore, Panasonic joined the Responsible Minerals Initiative (RMI) in July 2017, with the aim of learning the latest industry trends and promoting best practices regarding procurement activities. In 2018, we attended the RMI Annual Conference held in the US. In addition, Panasonic started participating in the RMI’s Cobalt Workgroup in 2018.

Going forward, Panasonic will continue to conduct responsible minerals surveys while monitoring industry trends.