

Fair Operating Practices

Management System

As our business activity expands globally, the frequency of improprieties increases, due not only to deliberate dishonest and criminal acts but also to a lack of corporate awareness and understanding. Employees doing business in countries and regions with fragile legal systems must constantly exercise a high degree of awareness of fair operating norms.

Panasonic has adopted 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 embodied in the “Panasonic Code of Conduct,” which incorporates the requirements of the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises, among other norms.

We have a global network of legal departments, the Executive Director in charge of compliance with Panasonic Code of Conduct, as well as managers in charge of export management and other persons responsible for supervising various other functions in our Divisional Companies, business divisions, and regional headquarters outside Japan.

Panasonic implements compliance programs throughout the year to enable employees to address each risk item. We also strive to enhance awareness of ethical and legal compliance issues among employees. Once each year, we review how our business sites 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, we have established hotlines for whistleblowers in our domestic and foreign business sites, as well as for our business partners in order to prevent misconducts and take immediate corrective actions. For sites deemed to have a high risk of bribery or corruption, the responsible Headquarters division conducts compliance audits to quickly identify, handle and prevent these risks.

Besides initiatives aimed at correcting issues identified at the business site level, we also bring those issues together centrally at our Headquarters and comprehensively reflect them in corporate-wide policies, with considerations to external factors such as social expectations. We repeat this process regularly in the pursuit of continuous improvement. We currently carry out activities on the key themes of “implementing risk mitigation measures for potential violations to competition law” and “implementing risk mitigation measures targeting bribery and corruption.”

Policy

Panasonic established the Basic Management Objective as a core management philosophy, initially introduced by Panasonic’s founder Konosuke Matsushita, which states that “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.” In order to put our management philosophy into practice, we adopted the Panasonic Code of Conduct, which includes elements from international norms including the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises. We have translated the Code of Conduct into 22 languages, and communicate to all our Directors and employees globally our basic stance as a company in terms of our aspirations for the Panasonic brand and how we answer to social expectations in terms of corporate social responsibility (CSR).

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>

Communication

Panasonic aims to make compliance and fair business practices the norm at all business sites globally, through the legal departments and the Executive Director in charge of compliance with Panasonic Code of Conduct. Based on the idea that compliance awareness from top executives is of the utmost importance, we aim to disseminate compliance knowledge across export managers and other individuals with various job functions and responsibilities at Divisional Companies, as well as within certain business divisions and at regional headquarters. Specifically, we notably use Direct Report Meetings to share annual compliance policies with Divisional Companies and regional headquarters, while carrying out various programs addressing compliance throughout the year.

(For further details, refer to Compliance Training). We also contact and notify the persons responsible for legal affairs at our Divisional 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 e-learning for new hires and newly promoted employees as needed and provides a variety of educational materials on compliance to increase training and awareness throughout the year.

We adopted a Compliance Guidebook to serve as a tool for putting into practice compliance-related items in 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. The Guidebook addresses how employees at Panasonic can stay in compliance with the law in the course of their daily work and answer societal expectations, covering topics including the prevention of bribery, corruption and cartels.

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

The Panasonic Group carries out programs throughout the year, aiming to instill a global awareness of ethical and legal compliance while also boosting our ability to respond to risks. In recent years, as our business environment and practices have evolved, we have strengthened efforts to accurately identify changes in risks within specific business areas, divisions, countries and regions, as well as to identify early signs of scandals and legal violations.

Furthermore, senior management, including the President, Divisional Companies' Presidents, division managers, and regional managers, clearly express Panasonic's policies and stances on ethical and legal compliance as they strive to fully communicate the importance of compliance at all our business sites.

Corporate-wide compliance e-learning conducted in fiscal 2020 focused on the theme of the Panasonic Code of Conduct and was available to all employees. Approximately 145,000 employees participated in the e-learning.

Responsible Executive and Framework

Panasonic's General Counsel (GC), Executive Director Laurence Bates, is in charge of fair operating practices (as of August 2020).

In order to ensure the dissemination of compliance and fair business practices at the business site level throughout the world, we have legal departments, the Executive Director in charge of compliance with Panasonic Code of Conduct, as well as export managers and other persons responsible for supervising various other functions in our Companies, business divisions, and regional headquarters outside Japan.

Whistleblowing System

In August 2018, Panasonic integrated its existing whistleblower hotlines for compliance-related issues to create a unified global hotline. The new hotline started addressing issues that included inappropriate use of funds, embezzlement, conflicts of interest, quality fraud, bribery, competition law violations and harassment. We also have an Equal Employment Opportunity Office in Japan available for consultation 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." Retaliation against whistleblowers is strictly forbidden, and their confidentiality is assured through anonymous reporting.

In fiscal 2020, we received approximately 760 reports and requests for consultation, mostly through the abovementioned hotline. For all the contacts received through our global hotline, support desks coordinated with relevant divisions to investigate, check, and respond to claims.

In July 2019, Panasonic adopted two new internal regulations: the "Internal Reporting and Investigation Rules", and the "Rules on the Prohibition of Retaliatory Behavior against Whistleblowers, and Others". The former—to quickly detect and resolve violations of laws and corporate regulations—establishes operational procedures and systems for reporting suspected violations, appropriately receiving notifications, and investigating and correcting any violation. Through the abovementioned second new regulation, we will prevent retaliation against whistleblowers, case investigators, investigation collaborators, and others, while making clear that the provisions of the Panasonic Code of Conduct safeguard whistleblowers and similar parties. By doing so, we will encourage whistleblowing and ensure appropriate investigations into these cases.

Fair Operating Practices: Performance Evaluation

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

More specifically, at each Divisional 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 auditors 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 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 across the entire company, based on the resolution of the Board.

Fair Operating Practices: Compliance Programs

Panasonic is carrying out Corporate-wide compliance programs addressing the implementation of measures for mitigating the risk of competition law violations, as well as the risk of bribery and corruption. In fiscal 2019, we put forward the following initiatives to strengthen our compliance infrastructure worldwide, with a focus on anti-bribery efforts:

- **Executive-level participation:** The management team, consisting of the President, Divisional Company Presidents, regional directors, and the 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 Divisional Companies to discuss compliance with local managers.
- **Compliance awareness and culture:** Panasonic created a comic book covering bribery and corruption prevention and distributed it to all employees. We also created a leaflet explaining our global hotline. Furthermore, we added questions on compliance to the Awareness Survey given to all employees. In fiscal 2020, there were approximately 161,000 survey respondents.
- **Education and awareness:** Panasonic offered Corporate-wide e-learning on compliance to all employees, with fiscal 2020 participants numbering approximately 145,000. We also publish a quarterly compliance newsletter for the heads of each business division.
- **Establishing a new global hotline:** As described in the Whistleblowing Systems section above, Panasonic has unified its reporting system by establishing a global hotline. We immediately conduct internal investigations when potentially illegal activities are identified through hotline notifications, 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 root causes, implementing measures to prevent recurrences, and implementing disciplinary actions towards all relevant parties.
- **Compliance Operating Reviews:** Each Divisional Company's management works with the General Counsel to share issues and deliberate on countermeasures against important legal and compliance risks at each Company. We incorporated the results of these discussions in the fiscal 2021 Global Compliance Policy Action Plan and in each Company's particular initiatives.
- **Strengthening survey practices:** In fiscal 2019, divisions of the Panasonic headquarters conducted compliance audits for bribery and corruption risks to quickly identify, prevent, and handle these risks. Starting in fiscal 2020, Panasonic intends to periodically conduct compliance audits at all new locations and to follow up on points discovered in such audits. Additionally, on July 1, 2019, we updated our Corporate-wide whistleblowing and investigation systems with new global regulations: Regulation Concerning Whistleblower Reports and their Investigations, and Regulation Concerning the Prohibition of Retaliatory Treatment toward Whistleblowers. (For details, see the chapter on Whistleblowing Systems.)

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

Preventing Cartels

Panasonic takes very seriously the fact that our company has been implicated in multiple international cartel incidents. We are working to prevent any further association with cartelization activities. We take very thorough and detailed care to prevent any such involvement, as it would have a variety of negative impacts on our business. 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, and might lose our designation in public procurement.

Basic Policies

We have established the following basic policies 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.
- Anyone who discovers behaviors that may give rise to suspicions of cartel must make an objection, leave the room, and file an internal report.

- We have established a whistle-blowing system and an internal leniency system to improve our ability to self-regulate and conduct appropriate monitoring based on risk assessment, whereby maintaining 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 such activities, 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

Ensuring Transparency of Political Contribution Funds

Regarding political donations, the Japan Business Federation states that: “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.

*November 2019 Official Gazette (2018 political contribution data):

https://www.soumu.go.jp/main_content/000664153.pdf#page=1

(2019 data are scheduled for disclosure in November 2020)

*Japanese Only

Preventing Bribery and 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 this 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 adopted on July 1, 2019 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. We 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 Intermediaries".

Panasonic enacted the Global Anti-Bribery/Anti-Corruption Policy to effectively prevent, discover, investigate, and correct acts of actual corruption or acts deemed to be corruption with regard to the bribery of public officials and corruption related to business partners. Specifically, the Policy prohibits facilitation payments and acts considered bribery or corruption in connection with political contributions, donations, or sponsorships; lobbying; hiring and recruitment; mergers, acquisitions, and joint ventures. The Policy also specifies procedures for preventing bribery and corruption.

Panasonic enacted Rules on Third-Party Intermediary Risk Management for Anti-Bribery/Anti-Corruption as 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 actual or potential problems related to these risks.

With the Rules on Gift and Hospitality for Anti-Bribery/Anti-Corruption, Panasonic adopted 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.

Preventative Regulations on Conflict of Interests stipulate provisions for the prevention, identification, management, and rectification of actions that involve, or may involve, a conflict in terms of individual benefit versus the Company's benefit. The regulations offer specific examples of actual or potential conducts that entail a conflict of interest.

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

Fair Operating Practices: Measures Taken Against Counterfeit Goods

While most counterfeit goods reportedly originate from China, they are spreading worldwide, being catalyzed by the growth of the internet. 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 incentives 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 both our customers and society. These measures target 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 resolutely continue to respond to counterfeit goods that illegally display our brand.

Specific countermeasures

- Providing information to government authorities and urging them to expose factories producing counterfeit goods.
- Preventing negotiations for counterfeit goods at major trade shows in China.
- Carrying out training for identifying counterfeit products (by knowing marks of authenticity) at customs offices in each country and encouraging measures to halt these products at the border.
- Preventing the sale of counterfeit goods in each country (in stores, through online sites, etc.).
- Raising market awareness about counterfeit goods by collaborating with relevant authorities in various countries.
- Urging countries with insufficient legal systems and practices to make improvements to these frameworks.
- Pursuing civil lawsuits against vendors of counterfeit product to prevent further manufacture and sale of counterfeit products.
- Producing educational videos for consumers, promoting education about intellectual property, and preventing the purchase of counterfeit products.



Vietnamese authorities disposing of counterfeit products

Counterfeit consumer products

Batteries



Home electronics



Counterfeit B2B products

Automatic doors



Wiring devices



Electronic parts



Motors



Fair Operating Practices: Trade Compliance

Panasonic is bolstering compliance with each country's import/export and trade-related regulations, including but not limited to security export controls and customs laws.

In Japan, the Authorized Economic Operator (AEO) system provides simpler and expedited customs procedures for business operators that have established cargo security management and legal compliance frameworks. Such operators receive customs administration certification as “specified exporters” in the AEO system.

In regions across the world, Panasonic is promoting the efforts of the AEO system, including, for example, by participating in the Customs Trade Partnership Against Terrorism (CTPAT) at Panasonic Corporation of North America (PNA).