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## Business Competitiveness of Panasonic's CSR initiatives

Input comment for CSR Report 2007/2008

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Successful business models are designed to take intangible more into consideration. Brand, customer satisfaction, environmental commitment, and the development of the knowledge base and human capital of the company, are determinant for ensuring sustainable growth. In this sense, intangibles are becoming key for differentiating products and services, beyond functionality and scope. Looking at the electronics and appliances markets, which are characterized by quick changes in tastes and trends, the ability to constantly renovate, is highly required, in order to keep the products aligned with changing customers' flavor. Innovation has to emerge not only in marketing technologically advanced products, but also in the ability to understand local needs and lifestyles. Decentralization of R&D and design centers is a rewarding strategy, where Panasonic is in the forefront, increasing the chance of being aligned with local cultures. Furthermore, shorter product lifecycles mean more obsolescence and quick replacements, which contribute to an increase of the volumes of waste and of the demand of scarce raw materials. Leading companies take into account e-waste and resources scarcity issues during the whole product life cycle, engage in take-back actions and foster recycling. Since 2000 Panasonic through its subsidiary METEC (Matsushita Eco Technology Center) engages in the recycling of four major electric appliances (televisions, washing machines, refrigerators and air conditioners). Extending the recycling program to other electric appliances and electronic components would be consequent and an essential development. In addition, the inclusion of an improved management of the environmental challenges throughout the whole product life (modularity, avoidance of toxic substances, take-back programs for end-of life products) into corporate strategy would contribute to a durable differentiation from competitors.

Panasonic recognizes the opportunities arising from an enhanced management of intangibles: its commitment toward sustainability is constantly growing over time, underlying the efforts of the management to let sustainability permeate into the corporate culture and daily activities. In the environmental dimension, the company demonstrated over the years several improvements. Besides increasing the ecological efficiency, reducing emissions of pollutants, and decrease the use of resources, Panasonic was able to implement an effective environmental policy covering the whole group. The early recognition of the challenges and opportunities arising from the increasing environmental awareness, enabled Panasonic to reduce its own production emissions as well as from its supply chain and the impact of its products. In fact, customers are now more aware about the importance of environmental performance when making purchase decisions. Moreover the legal framework is changing to restrict the use of highly polluting products and components. The labeling of products now includes environmental performance indicators, besides technical specifications. Panasonic set and achieved clear targets with regard to the energy efficiency of its product line-up. The performance of several products and appliances, starting from domestic appliances, moving to energy saving electronic components, to bigger integrated solution for housing (ecological homes, water heaters, home-use fuel cells) improved significantly over the years. In addition to an increasing number of highly ranked energy-efficient products, Panasonic is engaged in promoting the adoption of environmentally sustainable products through marketing campaigns, advertising and other publications. Being able to influence users' behavior when operating electric equipment has a dramatic influence on energy efficiency.

To make sure that the sustainability engagement of a company is perceived accordingly by stakeholders, internal structures and organization need to be aligned to the sustainability strategy. Therefore communication within the group should be open and transparent - not an easy task for corporations employing several thousands of people worldwide. Panasonic sets its priorities in enabling correct interaction between management and employees. As an example corporate performance is communicated at least on quarterly basis, and, for more dynamic business units, on a monthly basis. Transparency of the human resources management is ensured by using key performance indicators. Diversity, equal remuneration, freedom of association, health and safety standards are the foundation of Panasonic's approach toward human resources. Developments and achievements on this respect are available to all stakeholders, underlying the company's leading role within the industry. Appropriate skill development of Panasonic's human capital is ensured by an evaluation system introduced back in 1996. Human resources skill mapping

is therefore available for the majority of the group's employees and represents a good basis for the implementation of strategies for the individual skills' expansion. The next challenge for Panasonic's human capital development would be to actively and regularly measure the results of the skill development strategy in term of impact on corporate returns and profitability, by assigning a value to the return on the investments in training and development of the skill portfolio. This would allow Panasonic to fine tune efforts and align them to the long term strategy.

Overall Panasonic is successfully devoting several efforts and resources to improve its sustainability performance. The sustainability strategy goes far beyond being compliant with law and regulation worldwide, engaging in corporate citizenship activities and offering attractive opportunities for employees or, generally avoiding potential risks related to sustainability. Strategies and structures are in place to gain from the opportunities arising from a changing environment and stakeholders' perceptions. Panasonic is on the best way to deliver sustainable value to stakeholders and reflect it in the Panasonic brand, leading to a long lasting competitive advantage.

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