

CSR Procurement (in cooperation with our suppliers)

"Companies committed to CSR do business only with companies that have the same commitment."



Koji Itazaki
Executive Officer
Director, Corporate Procurement Division;
Director, Corporate Global Logistics Division;
In charge of: Trading Company

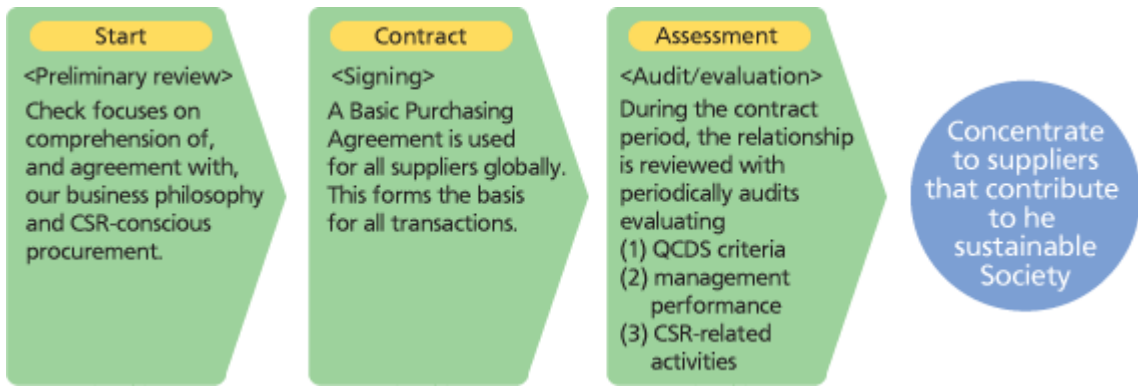
Partnerships with our suppliers play a central role in our ability to make CSR part of our procurement activities. This fundamental approach of ours is based on three components. First is our own procurement policy. Second is our request to suppliers to comply with our CSR requirements. Third is our Clean Procurement Declaration, in which we pledge to conduct fair and impartial procurement activities. We ask our suppliers to assume responsibility for adhering to these same principles.

Since 2007, we have held CSR-Conscious Procurement Conferences around the world to give suppliers a thorough understanding of our policy. In November 2008, we held the Panasonic Excellent Partners Meeting, a new incarnation of the Conference of Presidents of Key Manufacturers we have held in prior years. At the meeting, also participated in by top Panasonic executives, we explained our CSR commitment to the presidents of many suppliers and listened to their reports about their activities and suggestions. The meeting helped all participants to enhance CSR programs, serving as a forum for the sharing of best practices.

We want to be certain that customers everywhere can buy our products with confidence. This is why Panasonic departments involved in procurement, which are instrumental to our manufacturing operations, will continue to reinforce our partnerships with suppliers. We will work hand in hand with suppliers to ensure that the Panasonic management philosophy that a company is a public entity of society is deeply ingrained in our business activities.

The CSR-conscious procurement evaluation system and Panasonic initiatives

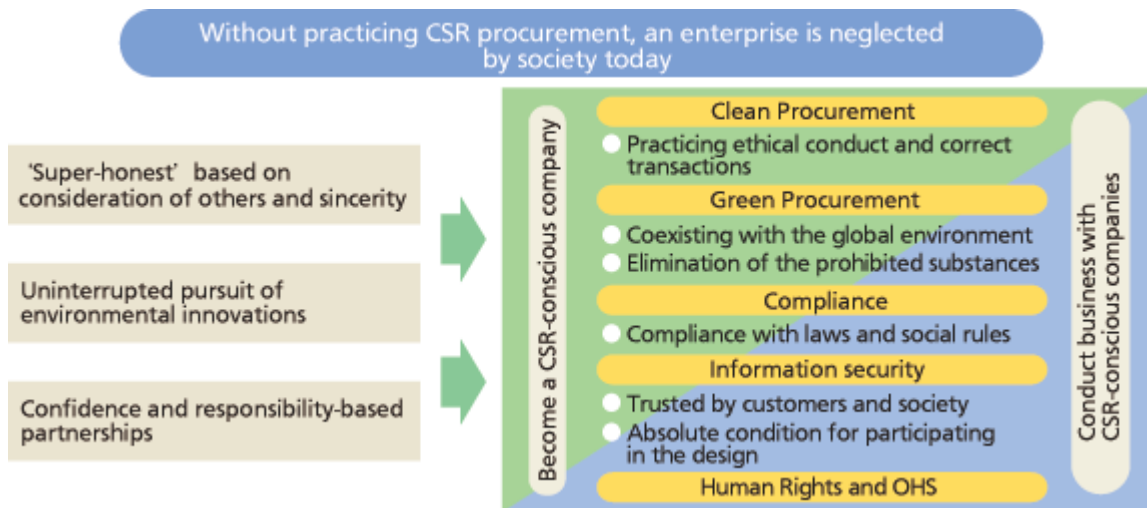
Panasonic concentrates business on suppliers that have outstanding technologies and quality along with a strong commitment to CSR. Currently, major suppliers account for more than 70% of our procurement activities. All new suppliers must comprehend and agree with the Panasonic management philosophy and CSR Procurement guidelines. New suppliers worldwide must also sign a Basic Purchasing Agreement before receiving the first order. Afterward, we review these business relationships periodically by performing audits that evaluate QCDS (Quality, Cost, Delivery and Service) criteria, the performance of management and CSR activities.



If a supplier violates the CSR requirements of the Basic Purchasing Agreement, we ask the company to take immediate actions to resolve the problem. For serious violations, we may reduce or even terminate purchases from that supplier.

In 2007, Panasonic held conferences in various regions of the world to provide suppliers a better understanding of CSR Procurement. Altogether, representatives of 4,366 companies participated in these conferences.

[CSR Procurement Concept]



As part of our Green Procurement activities, we have been performing Environmental Quality Assurance System Audits since fiscal 2005. These audits were instrumental to our completion of measures to comply with the RoHS Directive in October 2005, six months before compliance became mandatory. Currently, we are using these audits to comply with REACH.

The Clean Procurement Declaration describes our commitment to fair and equitable procurement activities. To explain our stance and give suppliers a better understanding of Clean Procurement, we once again sent information about this declaration to our approximately 5,000 suppliers in Japan in 2008.

Compliance is at the heart of all activities at Panasonic. We are dedicated to complying with Japan's Subcontracting Law, customs laws governing global procurement activities, and other laws, regulations and social standards around the world. We frequently conduct employee training events and audits in order to procure goods and services with emphasis on fair and unrestricted competition among suppliers.

Information security is essential to creating an environment for close cooperation with suppliers starting with the design and development of a new product. Security is particularly important for suppliers with access to confidential information. We require these suppliers to implement the same level of information security as Panasonic. Approximately 1,000 companies worldwide have access to highly sensitive information. By 2008, all of these suppliers in Japan had achieved the same security level as at Panasonic. We are now working with overseas suppliers to improve their security systems so they can meet our standards.

With regard to human rights, employment, and occupational health and safety, our Basic Purchasing

Agreement and other contracts require suppliers to respect the rights of employees in four areas: (1) equal opportunity employment, (2) prevention of discrimination, (3) respect for privacy and (4) sound relationships between the company and its employees. Panasonic suppliers must also provide workplaces that are safe and not harmful to employees' health. To meet this standard, suppliers must comply with all labor-related laws and regulations, including laws concerning forced labor, child labor and illegal workers.

Thoughts About CSR Procurement from a Supplier

Social contribution in cooperation with our business partners



Shingo Muramoto
Chairman, Muramoto Industry
Co., Ltd.

Muramoto Industry serves Panasonic with a global organization that can supply various parts to Panasonic factories from local production bases. For Panasonic, we primarily manufacture components for audio-visual and car audio products at factories in Japan, Southeast Asia, the United States and the Czech Republic.

We belong to the Panasonic Kyo-ei(co-prosperity suppliers) Association. This membership means that we base all operations on Panasonic's CSR Procurement policy. We use Green Procurement, maintain rigorous compliance and information security programs, and have activities for human rights, labor, and occupational health and safety.

You can see many examples of CSR Procurement in action in our group. For example, we have QC circles to improve quality and programs for cutting costs, streamlining operations, reducing CO₂ emissions, supervising occupational health and safety, and ensuring that we conform to CSR rules and standards. Muramoto earned a silver medal at an All-Panasonic QC Circle Competition. Furthermore, at the recent Panasonic Excellent Partners Meeting, we received an award for our contributions to supply chain management.

One major accomplishment of ours was the consolidation in 2008 of plasma TV back cover production from two locations in Japan to a single factory. The new factory, which is fully integrated, reduces the cost of making these covers and has a lower impact on the environment.

I hope that Panasonic continues to supply products embodying the innovative ideas, dreams and "eco" features that can make our lives more enjoyable and fulfilling. Everyone at the Muramoto Group looks forward to playing a part in helping Panasonic develop and manufacture these products.

Procurement Policy

1. Working together with Suppliers

Suppliers are invaluable partners in our efforts to continually better serve customers in all of our business areas, mainly by helping us to develop products that meet the customers' expectations. Panasonic is committed to creating the functions and values customers demand by establishing relationships of mutual trust with suppliers through joint efforts.

To evaluate and select the best suppliers in a fair manner, Panasonic has adopted the following criteria.

1. Assurance of required product quality and safety
2. Competitive pricing
3. Fulfillment of on-time delivery
4. IT-oriented responsiveness to changes
5. Advanced technology and development capability
6. Stable operation infrastructure
7. Environmental consciousness
8. Compliance
9. Information security
10. Respecting human rights and the health and safety of labor

2. Implementation Information Gathering and Purchasing during the Development Phase

Our procurement employee serves as a liaison between the company and its suppliers to collect information on market trends in parts, materials, and products as well as new technology, materials, and processes. We are responsible for collecting key information and sharing it with the relevant sections and individuals.

Procurement employee must collaborate with suppliers and the company's product planning, design, and R&D operations to take proactive actions. We want to help make products that are more competitive through active involvement in all manufacturing processes, from product development to after-sales services and making effective proposals.

3. Ensuring Product Quality and Safety

In line with the autonomous quality assurance policy, we will clarify the quality level of functions and standards that procured parts, materials, and products must fulfill in the development phase and request suppliers to secure and maintain the required quality.

We also ask each suppliers to develop their own autonomous quality assurance systems by ensuring high quality in manufacturing processes.

4. Implementation Cost Reduction Programs

We will endeavor to reduce not only materials and processing costs but also total costs to achieve the product values and prices expected by customers. To this end, we will closely work with our suppliers to expedite the development of new materials and processes and VE (Value Engineering) activities.

5. Achieving Optimum Procurement by Shortening Lead-times

We will strive to shorten lead-times for procurement, product development, production and administrative processing to flexibly respond to changes in market needs by closely collaborating with our various sections.

6. Living in Harmony with the Global Environment through Green Procurement

We will place priority on procuring environmentally friendly parts, materials, and products and promote the

development of new materials and parts that have less impact on the global environment with a view to achieving Green Procurement.

7. Improving Global Procurement

Panasonic must contribute to host countries through local procurement. We aim to establish partnerships with suppliers by considering the feasibility of long-term business arrangements in addition to optimum quality and prices. We will also develop an information network among global production operations to make flexible and prompt responses.

8. Enhancing Compliance

To conduct procurement activities with integrity, we will ensure compliance with the laws, regulations, and social ethics in each nation and region and promote fair and open competition.

9. Better Utilizing Information and Enforcing Information Security

We will make efforts to gather information that is useful to our business operations and then effectively manage, utilize and eventually dispose of this information. Regarding the information of other companies, we will carefully consider whether it's necessary before obtaining it and take every possible measure to maintain its confidentiality and prevent leakage.

10. Respecting Human Rights and the Health and Safety of Labor

Panasonic will conduct its procurement activities while respecting the human rights of individual employees of the company and its suppliers and thus provide a safe and healthy working environment.

For Suppliers

How Panasonic Expects its Suppliers to Achieve CSR Procurement

A genuine partnership with our suppliers is essential for Panasonic to implement its business activities. In this respect, Panasonic intends to fulfill CSR (Corporate Social Responsibility) throughout its supply chain.

Therefore, we strongly ask our suppliers to meet the following CSR requirements.

1. Agreement with Panasonic's Clean Procurement Policy

Our suppliers must agree with Panasonic's "fair and ethics-based procurement principle" (Clean Procurement Declaration) and implement fair business.

2. Product Quality and Safety

Our suppliers must provide the product quality and safety levels required by Basic Purchase Agreements and individual contracts concluded with Panasonic's business units. They must also develop quality assurance systems and fulfill requirements specified by quality warranties.

3. Environmentally Consciousness Management (Green Procurement)

Our suppliers must actively implement programs for conserving the global environment and conduct environmental management. The supply of all parts, materials, and products to Panasonic must be carried out in accordance with the Green Procurement Policy.

4. Compliance and Fair Trade

Our suppliers must ensure full compliance with laws, regulations, and social ethics under the Basic Purchase Agreements concluded with Panasonic's individual business units.

5. Information Security

Our suppliers must implement information management for sharing information in line with the information security policy set forth in Panasonic's ISM Criteria for Suppliers

For more information, please visit the following web sites:
Ensuring Information Security : <http://panasonic.net/procurement/security.html>

6. Safeguarding of Human Rights and the Health and Safety of Labor

Our suppliers must not use any illegal, forced, or child labor force. They must also fully comply with the laws and regulations in each country and region where they conduct business operations with regard to employment conditions and occupational health and safety standards, including remuneration and working conditions.

7. Corporate Citizenship

Our suppliers must actively implement corporate citizenship programs that contribute to the well-being of international and regional society by utilizing their managerial resources to support the community.

Clean Procurement Declaration

Fair and Appropriate Procurement Activities

1. Fair Transaction on an Equal Basis

Based on the company's Basic Management Philosophy that a company is a public entity of society, we conduct fair and appropriate transactions with global suppliers according to specified policies and procedures while maintaining the belief that there shall be "no private interests" in the procurement process.

2. Selection of our Suppliers

When procuring goods and services, we assess and select our suppliers by providing fair competition opportunities according to the following procurement standards, in addition to each supplier's agreement to comply with legal and social ethics and the company's Basic Management Philosophy and Code of Conduct.

1. Assurance of the required quality and safety
2. Consideration of the environment
3. Advanced & High technology and development capability
4. Competitive pricing
5. Fulfillment of the on-time delivery
6. Stable operation infrastructure
7. IT-based flexibility to changes
8. Consideration of human rights and labor safety and hygiene
9. Information Security
10. Respecting human rights and the health and safety of labor

3. Practicing Appropriate Procurement Activities

To build an appropriate relationship with the suppliers based on the fair competition principle, the company has specified rules such as "Except for specific events indicated by Panasonic, individuals shall not accept any supplier invitations to dinners, golf tours, sightseeing trips or gifts." The members of the Board of Directors, executive officers and all employees shall obey these rules when procuring goods and services for the company.

Procurement Activities

The Panasonic Excellent Partners Meeting

The Panasonic Excellent Partners Meeting took place on November 7, 2008, attended by 304 participants from 229 Panasonic suppliers, including 26 executives from 19 companies outside Japan. In prior years, we held a Conference of Presidents of Key Manufacturers that was attended by only representatives of companies that actually process various materials. The November 2008 meeting was expanded to include representatives of trading companies, logistics companies, and many other partner companies worldwide. Bringing these people together gave everyone a better understanding of our commitment to CSR Procurement. Furthermore, exchanges of ideas at the meeting allowed all participants to adopt a unified stance for contributing to society.

At the Panasonic Excellent Partners Meeting, company president Fumio Ohtsubo explained Panasonic's strategic goals and what is being done to accomplish these goals. He also discussed the company name change and the reasons for the decision to use a single brand for all businesses. Mr. Ohtsubo emphasized the need for the cooperation of suppliers to create new types of components and production processes for Panasonic products. Innovation in manufacturing is impossible without fresh ideas that incorporate the input of suppliers.

The next speech was by Koji Itazaki, director of Panasonic's Corporate Procurement Division, who explained the Panasonic Group's policy for procurement. He stated that the meeting was the most important announcement for suppliers, attended by executives from suppliers throughout the world, and that it helped improve understanding of Panasonic's dedication to responsible procurement, adding that the new format also served as an opportunity for two-way communication, allowing suppliers a chance to tell Panasonic about their issues and ideas.

As a new means of deepening partnerships with suppliers, Panasonic also gave awards to companies that made particularly significant contributions to CSR Procurement. These awards are intended to provide for periodic evaluations of the activities of suppliers and for information sharing to ensure the soundness of the "check" step of the PDCA cycle for building partnerships.

Grand prizes and other recognitions were awarded in five categories: new technologies, product quality, environmental activities, the supply chain and cost reductions. Companies making the greatest contribution in each of these areas were selected to receive Best Partner Prize. Starting in fiscal 2010, the Panasonic Excellent Partners Meeting will also include accomplishments of the ECO-VC (value creation) Initiative, a new campaign to protect the global environment and streamline business operations.

We plan to continue expanding the role of the Panasonic Excellent Partners Meeting. Holding this event reinforces partnerships with outstanding suppliers and provides a forum for sharing information about successful CSR Procurement activities. This cooperation creates a foundation for the joint pursuit of global excellence in procurement operations for the benefit of people around the world.



229 suppliers both domestic and overseas attended the Panasonic Excellent Partners Meeting



Best Partner Award presentation



At the award ceremony

Environment-friendly Initiatives

Cutting CO₂ Emissions and the ECO-VC Initiative

There is an urgent need to reduce CO₂ emissions in order to protect the global environment. The Panasonic Group is tackling this issue in many ways, including programs to lower these emissions in the supply chain.

In fiscal 2008, we started a trial CO₂ emission reduction program by asking for the participation of members of the Panasonic Kyo-ei(co-prosperity suppliers) Association, which consists of companies that we use for outsourcing. This program grew to include all 102 members of this association in fiscal 2009.

In fiscal 2010, Panasonic started the ECO-VC Initiative with the aim of having global suppliers work together to cut CO₂ emissions and make products more competitive. Suppliers concentrate on various improvements for materials and parts used in Panasonic products. Conserving resources and energy, recycling materials, developing new materials, and improving cargo transport methods are prime examples. We plan to use this initiative to make our products even more environmentally responsible.

Joint rail container cargo transport with other companies

Panasonic began a joint cargo transport program using 31-foot containers with Sumitomo Electric Industries, Ltd. in December 2008. The program takes advantage of the cargo transport capabilities of both companies.

Until the start of this program, LCD televisions from a Panasonic factory north of Tokyo in Utsunomiya were transported by truck to a distribution center in Osaka. Now, the televisions go to Osaka by rail and truck. On the return trip from Osaka, the same containers transport wires and cables made by Sumitomo Electric, which is one of our suppliers. By using this joint regularly scheduled transport system, we have cut CO₂ emissions by 100 tons in each direction without any increase in transportation expenses.



A truck leaving Sumitomo Electric Industries, Ltd. with wires and cables produced by the company loaded onto the container owned by Panasonic

This accomplishment is merely the first step. We plan to cooperate with more companies in other industries to expand the use of joint cargo transportation for lowering CO₂ emissions.

Compliance with REACH

The first phase of Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), a new European Union (EU) regulation requiring the registration of chemicals, was enacted in June 2007. REACH has a much broader scope than the Restriction of Hazardous Substances (RoHS), a European Directive already in force that prohibits the use of specified substances. REACH covers all chemicals and products that use chemicals. To ensure the safe use of chemicals, companies must track and monitor across the entire supply chain the amount of chemicals contained in products and materials and disseminate information on hazards posed by these chemicals. This requirement applies to everything from raw materials to finished products. For Substances of Very High Concern (SVHC), such as toxins, carcinogens and substances that accumulate in the human body, companies are required to submit declarations and disclose other information.

Our response goes beyond simply complying with REACH regulations. We are a participant in the Joint Article Management Promotion-consortium (JAMP), which aims to monitor levels of all substances classified as SVHC. We have started performing the necessary surveys. The Panasonic Group's Chemical Substances Management Rank Guidelines, which have been made public, already include all compounds that are candidates for classification as SVHC. Furthermore, we are advocating the monitoring of these compounds at upstream stages of the supply chain along with the dissemination of this information. Oversight of chemicals contained in our products also includes the collection of information and creation of a database by using GP-Web (Green Procurement Web), our extranet information system.