

REMUNERATION POLICY

1. Overview

This policy sets out the remuneration philosophy and procedure (the “Policy”) of Panasonic Manufacturing Malaysia Berhad (the “Company”).

The Policy is designed with the key objectives of attracting and retaining experienced, qualified and high calibre members of the Board of Directors (the “Board”) and also the right calibre of employees to drive the business strategy, objectives, values and long-term interests of the Company.

In accordance with the Terms of Reference for the Remuneration Committee (the “Committee”), this Policy falls under the purview of the Committee.

2. Remuneration Components for Executive Directors

2.1 For Japanese Executive Director (“Japanese ED”)

The remuneration of the Japanese ED nominated by Panasonic Corporation is subjected to the global compensation practices of the worldwide Panasonic Group of Companies (“Panasonic Group”). This comprises of a fixed remuneration which is the “basic remuneration” a short-term incentive which is the “performance-based remuneration” and a long-term incentive which is the “restricted stock as remuneration”

The “basic remuneration” to be paid is based on the role of the Japanese ED, taking also into account the management environment, their responsibilities and the remuneration trends of other companies.

The “performance-based remuneration” is provided to boost motivation to improve business performance, and its amount is determined based on a single-year performance evaluation of the entire Company and a specific business of which the Japanese ED is in charge of.

The performance is measured using a combination of key management indicators which the Company should continue to attach importance to, such as adjusted operating profit, net profit attributable to Panasonic Corporation stockholders and operating cash flows. Specifically, the performance of Japanese ED is evaluated based on the comparison between the results of each of such indicators in the previous fiscal year and numerical targets of the fiscal year in which they are evaluated.

The “restricted stock as remuneration” is a type of stock compensation in which the restriction of transfer of shares is lifted subject to Japanese ED serving the Panasonic Group for a specified period of time, and is allocated with the aim of providing an incentive to continuously improve corporate value.

2.2 Malaysian Executive Director (“Malaysian ED”)

The remuneration of the Malaysian ED comprises of a fixed remuneration which is the “basic remuneration,” and a short-term incentive which is the “performance-based remuneration”.

The “basic remuneration” to be paid is based on the role of the Malaysian ED, taking also into account the management environment, their responsibilities and the remuneration trends of other companies. The salary increment is based on the individual performance and consumer performance index.

The “performance-based remuneration” is provided to boost motivation to improve business performance, and its amount is determined based on performance evaluation of the entire Company that are linked to a combination of the operating profit and cash at hand position against the Business Plan and against the previous financial year results.

2.3 Other benefits

The Company may provide competitive benefits to the Japanese ED and Malaysian ED, such as allowances for travel, lodging, meals and communication for purposes of carrying out their duties and expatriate benefits, where warranted.

2.4 Service Contract

The Malaysian ED is subjected to further terms and conditions in the service contract entered with the Company.

2.5 Approvals

The Japanese ED and Malaysian ED concerned shall play no part in the decision of his own remuneration but may attend the Committee meetings at the invitation of the Chairman of the Committee, if his presence is required. Remuneration of the Japanese ED will be paid upon the receipt of approval of Panasonic Group whilst the remuneration of the Malaysian ED will be paid upon the receipt of approval of the Board after the review and recommendation of the Committee.

3. Remuneration Components for Non-Executive Directors

3.1 Non- Executive Director (“NED”)

The NED representing Panasonic Group on the Board shall not be entitled to any remuneration from the Company.

3.2 Independent Non-Executive Director (“INED”)

The remuneration package of the INED is determined by linking his remuneration to the time commitment and whether the INED takes on additional responsibilities such as chairmanship or membership of the Board committees or as Senior Independent Non-Executive Director and is a matter of the Board as a whole.

3.2.1 Fee

Remuneration is in the form of fees, payable quarterly after approval of the shareholders of the Company. The level and structure of INED will primarily be on the responsibilities taken on the Board and Board Committees compared against other Malaysian listed companies.

3.2.2 Allowance

Allowance approved by the shareholders of the Company is paid in cash for the purpose of attending Board or Board Committee meetings as well as meetings as requested by the Company.

3.2.3 Benefits

The Company may pay other forms of benefits to the INED, if warranted after approval of the shareholders.

3.3 Approvals

Remuneration of the INED is reviewed by the Committee and recommendation for tabling the resolution to the shareholders to approve the remuneration of the INED is subject to the Board's consensus. The shareholders shall approve the remuneration payable to the INED at the annual general meeting of the Company. The INED concerned shall play no part in the decision of his own remuneration.

4. For Senior Management

The Senior Management shall comprise of members in the Strategic Management Committee other than the Japanese ED and Malaysian ED.

4.1 Remuneration

The remuneration of the Senior Management comprises of a fixed remuneration which is the "basic remuneration," and a short-term incentive which is the "performance-based remuneration" and the basis of determination of such remuneration is similar to the Malaysian ED.

4.2 Benefits

The Company may provide competitive benefits to the Senior Management, such as allowances for travel, lodging, meals and communication for purposes of carrying out their duties and expatriate benefits, where warranted.

4.3 Approvals

The senior management shall play no part in the decision of his own remuneration and the remuneration of the Senior Management will be paid upon the receipt of approval of the Board after the review and recommendation of the Committee.

5. Monitoring and disclosure

Disclosure of remuneration of Directors and Senior Management shall be made in the Company's annual report. Such report shall include details of the remuneration of Directors and Senior Management as required in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

6. Review of the Policy

The Committee will review regularly and assess the effectiveness of the Policy. Any requirement for amendment shall be deliberated by the Committee and any recommendation for revisions shall be highlighted to the Board for approval.