PANASONIC MANUFACTURING PHILIPPINES CORP. (PMPC)
RISK MANAGEMENT FRAMEWORK POLICY

1. PURPOSE:

The risk management framework Panasonic Manufacturing Philippines Corp (PMPC) aims to structure risk management activities such that risks are identified, assessed, managed, monitored and reported in a uniform manner. PMPC's risk management framework shall be based on Committee of Sponsoring Organization of Treadway Commission (COSO) to ensure that this policy is in accordance with internationally recognized body of discipline.

2. SCOPE:

To ensure effective risk management, all divisions and departments within PMPC will implement and maintain the risk management framework.

DEFINITION:

Control – 1. A policy or procedure that is part of internal control. 2. The result of policies and procedures designed to control; this result may or may not be effective internal control. 3. To regulate; to establish or implement a policy that effects control.

Event - An incident or occurrence, from sources internal or external to an entity that could affect the implementation of strategy or achievement of objectives.

Impact – Result or effect of an event. There may be a range of possible impacts associated with an event. The impact of an event can be positive or negative relative to the entity's related objectives.

Inherent Risk - The risk to an entity in the absence of any actions management might take to alter either the risk's likelihood or impact.

Likelihood - The probability of an event.

Opportunity - Possibility that an event will occur and positively affect the achievement of objectives.

Residual Risk - The remaining risk after management has taken action to alter the risk's likelihood or impact.

Risk - Chance of an event or trend, either positive or negative that will have a significant impact on operations and/or the fulfillment of the Company's objectives.

Risk Appetite (Tolerance) - The broad-based amount of risk a University is willing to accept in pursuit of its mission, objectives and goals.

Risk Management - The identification, assessment and response to risk to a specific objective or within a specific risk category.

Risk Register - A summarized list of all significant risks known to the Company. Sometimes referred to as the Risk Portfolio.

Uncertainty- Inability to know in advance the exact likelihood or impact of future events.

3. POLICY:

PMPC recognizes risks are associated with achieving value-based objectives. Managing these risks forms an essential part of PMPC's business. The aim of risk management within PMPC is to provide reasonable assurance that it understand the risks associated with achieving its business objectives and that it responds appropriately to these risks at all levels within the organization. This is achieved by ensuring that at all times:

1. Risks are properly identified, assessed, managed and reported;
2. Risk ownership is taken and communicated;
3. Resources are effectively and efficiently allocated to manage risks;
4. Risks that could significantly affect our employees, the company, our suppliers or our clients are suitably managed;
5. The company is compliant with regulatory and legal requirements.

4. PROCEDURES:

4.1 Risk Management Framework
Essential elements of the risk management framework are:

- This Risk Management Framework Policy;
- A uniform risk management process;
- A common risk terminology / language;
- Clear responsibilities and accountabilities for risk management;

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- A management review of risk exposure and a risk reporting process;
- Provision of annual assurance (internal audit) including the Letter of Representation; and
- Common tools and methodologies to support the risk management process.

4.2 Risk Management Responsibilities

The management of risks is an integral part of everyday business and management practice. This policy does not change management's inherent responsibility to manage risks but formalizes it. The following are the responsibility of management with respect to risk management:

1. Identify potential business risks;
2. Assess these risks;
3. Create awareness of these risks;
4. Correctly respond to and manage these risks;
5. Proactively balance risk, reward and controls;
6. Monitor the risks;
7. Report annually on these risks and the risk profile.

4.3 Risk Management Levels

The company's approach to risk management is founded on managing risks at three levels within the organization:

I. **Business Unit:** the day-to-day management activities provide reasonable assurance that the main tactical and operational risks arising from business operations are identified, assessed, managed and monitored.

II. **Division:** providing reasonable assurance that:
   - strategic risks are identified, assessed, managed and monitored;
   - the division complies to corporate risk management standards;
   - decision-making and responsiveness to internal and external risks improve by means of structured risk management.

III. **Corporate:** support functions at corporate head office (e.g. Accounting, Treasury, Legal, HR, Quality, Product Development and IT) provide expert support to our businesses in managing risks addressing specialist risk areas within their respective field of expertise.

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4.4 Risk Tolerances

In order to achieve its business objectives, the PMPC recognizes that it will take on certain business risks. The company aims to take business risks in an informed and proactive manner, such that the level of risk is aligned with the potential business rewards. Management will regularly review risk exposures against current business-risk level tolerances. PMPC is risk averse with respect to risks that could:

- Negatively affect the safety of our employees;
- Negatively affect our reputation or brand;
- Lead to breaches of laws and regulations; or
- Endanger the future existence of the company

Policy Read and Approved by:

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PMPC President

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Compensation Committee Chairman/ Executive Director

EVANGELISTA C. CUENCO
Audit Committee Chairman / Independent Director

EMILIANO VOLANTE
Audit Committee Member/Independent Director

ATTY. MAMERTO MONDRAGON
Corporate Secretary / Compliance Officer

Date of Signing: JUNE 17, 2011