

Performance Alignment Review

ALIGNING CORPORATE GOALS AND INDIVIDUAL PERFORMANCE



One

Introducing the Solectron Performance Alignment Review Process

Why Change Now?

In large ways and small. In groups and across operating units. In North America. In Europe. In Asia and beyond. We are streamlining and fine tuning every facet of our global operation—and moving collectively to a **One Solectron** corporate culture.

To drive greater performance and strengthen our competitive standing, it is imperative that we do a better job of setting and articulating corporate goals. *And* of ensuring that all Solectron employees—regardless of title, expertise or discipline—understand how these goals translate into specific day-to-day actions and behaviors upon which they can focus their attention and performance.

Ultimately, the success of Solectron is about the alignment of these goals and actions, among every discipline, across every team, all the way to each individual.

What is PAR?

Beginning in fiscal 2004, we are instituting a new Performance Alignment Review (PAR) process. It is designed specifically to ensure that each year we articulate our high-level corporate vision and goals, and translate these into specific actions and behaviors for every Solectron employee.¹ Using one common rating system, each of us will be evaluated annually on both how well we achieve our objectives and how well we model corporate behaviors.

The new performance evaluation process ensures that every employee receives ongoing feedback regarding their objectives and performance, as well as a semi-annual

and annual performance review. This allows us to make sure we are continuously aligned with our strategic objectives.

PAR provides common standards for reviewing performance across the company. This simplifies the evaluation process, gives managers a consistent means of managing team and individual performance and eliminates the inconsistencies that previously existed across operating regions. And, most importantly, it aligns individual objectives and behaviors with annual corporate goals. This is an extremely important part of our drive to create a One Solectron culture and a company that is collectively focused on achieving success for Solectron and our customers.

PAR Advantages

- Creates a common performance culture
- Enhances individual, team and organizational effectiveness
- Aligns individual performance with business goals
- Creates a culture of ongoing feedback and development
- Creates a consistent methodology to assess employee contribution
- Provides information to help determine:
 - Compensation decisions
 - Promotions
 - Rewards and recognition
 - Developmental opportunities



¹ PAR will ultimately affect every Solectron employee worldwide. It is initially being rolled out to exempt employees (executive, management and individual contributors) globally. A program for non-exempt employees is under development.

Evaluation Criteria

What is the Evaluation Criteria?

One of the key changes with PAR focuses on how performance is evaluated.

Employees will now be reviewed in two areas: How well they meet the objectives that they and their managers agree to and monitor throughout the year; and how well they display specific behaviors while performing their jobs. It is not just about getting results. It is about getting results while supporting behaviors that reinforce the One Solectron corporate culture and vision.

What are One Solectron Behaviors?

The One Solectron behaviors describe a corporate code of conduct. They are designed to enhance how we interact with each other and with our customers, partners, suppliers, peers and other key constituents. To create a truly high-performance organization, we all must strive to create a balance between reaching our business objectives and conducting ourselves in a manner that supports the One Solectron culture.

These behaviors should influence all of our actions and objectives:

Integrity

Interact with others in a way that gives them confidence in you and in Solectron. Establish open, candid, trusting relationships. And, behave in accordance with your expressed beliefs and commitments.

For an Individual Contributor, this means showing consistency between words and actions; living up to your commitments; interacting with others openly and directly; providing transparent and open access to data within Solectron; and willingly sharing information and data with others.

For a Manager of Others, this means showing consistency between words and actions; living up to your commitments; managing for ethical work practices among employees, customers and/or suppliers; creating an environment for honest and open discussion of all issues; encouraging employees to share information; and providing transparent and open access to data within Solectron.

For an Executive, this means showing consistency between words and actions; living up to your commitments; regularly reviewing, maintaining and improving upon ethical work practices with employees, customers, suppliers, financial institutions, and government agencies; creating an environment for honest and open discussion of all issues; encouraging employees to share information; and providing transparent and open access to data within Solectron.



Evaluation Criteria

Team Player

Work effectively and cooperatively with others. Establish and maintain good working relationships. Cultivate an active network of relationships. And, identify opportunities and take action to build strategic relationships.

For an Individual Contributor, this means coordinating planning efforts with other work groups as needed; offering assistance outside of your own area of responsibility when needed; placing a higher priority on team or organization goals than on your own goals; sharing best practices across organizational boundaries; and treating others with dignity and respect.

For a Manager of Others, this means setting expectations for cross-functional/cross-business cooperation; promoting the use of your and others' capabilities to other functions; proactively sharing information across organizational boundaries; promoting a team culture; recognizing the contributions of all team members; sharing best practices across organizational boundaries; and treating others with dignity and respect.

For an Executive, this means addressing behavior in others that may damage constructive relationships; removing organizational barriers to collaboration and teamwork; sharing best practices across organizational boundaries; achieving business results through collaboration with others; placing a higher priority on Solectron goals than on your personal goals; offering resources, even when it hurts, when it will help others achieve company goals; treating others with dignity and respect; and actively engaging with community and/or charitable organizations.

Champion Change

Challenge the status quo and champion new initiatives. Support change opportunities. Stimulate others to change. And, get behind change implementation plans.

For an Individual Contributor, this means recommending alternative solutions for process improvements; being open to ideas offered by others; using ideas from others to solve problems; encouraging others to question established work processes; and responding positively to new demands, priorities and challenges or obstacles.

For a Manager of Others, this means creating an environment that encourages risk-taking and innovation; supporting new ideas and initiatives offered by others; driving key change initiatives to completion; and demonstrating confidence in ambiguous and changing situations.

For an Executive, this means challenging the status quo and encouraging new ideas; creating an environment that encourages risk-taking and innovation; supporting new ideas and initiatives; eliminating barriers to change initiatives; demonstrating confidence in ambiguous and changing situations; and adapting to the political realities and constraints of the organization.



Evaluation Criteria

Coach Others

Provide timely guidance and feedback to help others strengthen specific knowledge or skills needed to accomplish a task or solve a problem.

For an Individual Contributor, this means providing instruction and positive models to help others develop skills; providing constructive, actionable feedback to others; and establishing good interpersonal relationships by helping others feel valued and appreciated.

For a Manager of Others, this means setting clear and challenging performance expectations; providing constructive, actionable feedback and guidance; designing work assignments to promote the development of others; attracting and hiring people with the skills needed by the organization; and developing talent for key positions.

For an Executive, this means setting clear and challenging performance expectations; leading open discussions about talent strengths and development needs; providing constructive, actionable feedback and guidance; attracting and hiring people with the skills needed by the organization; and developing talent for key positions.

Continuously Learn

Demonstrate and encourage new knowledge, experiences and challenges. Create and capitalize on learning opportunities. And, demonstrate an awareness of your own strengths and development needs, as well as the impact of your own behavior on others.

For an Individual Contributor, this means pursuing challenging assignments that stretch and build capabilities; setting realistic goals based on your values, interests and capabilities; seeking feedback from others on how to be more effective; recovering quickly from personal or professional failures; and modeling Solectron behaviors.

For a Manager of Others, this means allowing others to learn from success and failure; setting realistic career goals based on one's values, interests and capabilities; seeking feedback from others on how to be more effective; recovering quickly from personal or professional failures; demonstrating an ability and willingness to teach others; and modeling Solectron behaviors.

For an Executive, this means allowing others to learn from success and failure; pursuing challenging assignments that stretch and build capabilities; setting realistic career goals based on one's values, interests and capabilities; seeking feedback from others on how to be more effective; recovering quickly from personal or professional failures; demonstrating an ability and willingness to teach others; and modeling Solectron behaviors.



Rating System

What is the Rating System?

Employees will be rated in one of the following categories. The ratings are based on achieving business results, as well as displaying and supporting the One Solectron behaviors.

5: Exceptional

A rare level of performance that exceeds the expectations, objectives and requirements of the position. Assumes additional responsibility and demonstrates exceptional accomplishments. Clearly stands out from others and takes initiative to perform beyond job responsibilities. Stands out as an extremely valuable contributor to the company. Demonstrates exceptional balance between business results and expected behaviors.

4: Commendable

Performance consistently exceeds the expectations, objectives and requirements of the position. Assumes additional responsibility and demonstrates above average accomplishments. Considered by others as a strong contributor to the company. Demonstrates a strong balance between business results and expected behaviors.

3: Fully Effective

Performance consistently meets expectations, objectives and requirements of the position. Solid performance accomplished in a reliable and professional manner. Has the necessary abilities and motivation to effectively carry out the responsibilities of the current position. May exceed expectations in some areas. Overall performance reflects expectations. Considered by others as a valued contributor to the company. Demonstrates a good balance between business results and expected behaviors.



Rating System

2: Needs Improvement

Performance does not fully meet the expectations, objectives and requirements of the position and requires improvement. May demonstrate the ability to complete most requirements, but performance lacks consistency. Requires additional feedback, coaching, training or guidance to achieve an effective level of performance. Demonstrates inconsistency in balancing business results and expected behaviors. Requires the establishment of a written performance improvement plan producing immediate and sustained improvements.

1: Unacceptable

Performance clearly fails to meet performance expectations, objectives and requirements of the position. Must significantly improve and sustain performance within a short period of time if the individual is to remain in the position. Demonstrates a failure to balance business results and expected behaviors. Requires the establishment of a written performance improvement plan producing immediate and sustained improvements.

N: New to Position

Employee has been in position six months or less and requires additional development and experience in the job to effectively evaluate.



Solectron's Rating System

Rating System

How does PAR Work?

1. At the beginning of each fiscal year, the executive staff will set goals for the coming year through the annual operating plan. The executive staff will then translate these goals into actionable items for their specific organization.
2. Mid-level management will further translate these actions into goals for their teams and individual contributors. Throughout the chain, the process is designed to be collaborative, allowing individuals to fully participate in objective and goal setting. Ultimately, each Solectron employee will have individual objectives that map to organizational goals.
3. Throughout the year, there will be a cycle of ongoing performance, monitoring and feedback to ensure objectives and goals are aligned.
4. Employees will receive a formal mid-year review.
5. An important addition to this process is the ratings calibration meeting. Before managers provide employees with their final review, they will take part in a session with their peers and a human resource representative to discuss their reviews. This ensures managers are interpreting and applying the criteria consistently, and provides a forum for continuous improvement of the process.
6. Every employee will receive an annual, end-of-year review. They will be reviewed both on achieving objectives and supporting corporate behaviors. Employee reviews will be used to help determine compensation decisions, promotions, rewards and recognition, and to identify development opportunities.

To support managers in effectively leveraging PAR, a variety of training resources are available. These include a Manager's Guidebook and training session, additional resource materials, and online modules focused on setting objectives and monitoring performance.



Performance Cycle Throughout the Fiscal Year



Who Benefits?

Employees

PAR not only ensures every Solectron employee receives regular and ongoing feedback on their performance, but also gives them an opportunity to participate in setting goals and expectations. PAR will help each of us understand how our actions, behaviors and goals directly impact corporate performance. It also introduces a consistent and systematic approach to performance review that delivers meaningful feedback and appropriate recognition.

Managers

Managers now have a well defined and consistent means of managing performance and ensuring their teams are headed in the right direction to meet business objectives. PAR will be a cooperative and ongoing process that allows managers to work collaboratively with both their direct reports on goal setting and their peers on ratings consistency. Managers and executives will receive ongoing training designed to help fully leverage the new review process to benefit both employees and the company.

Solectron

One of Solectron's goals is to develop a common performance culture. PAR is an important element of the One Solectron culture. It simplifies the performance review process and delivers a much greater level of consistency throughout our global organization. It also is designed to strengthen relationships between managers and employees, and promote consistent treatment and development of employees. Most importantly, it aligns employee objectives and behaviors with strategic corporate goals.

Customers

Our goal is to delight our customers at every opportunity. By modeling the One Solectron behaviors and working collaboratively to strengthen the company, we become an increasingly attractive and powerful ally for our customers, partners, suppliers, vendors, investors and other key constituents.



If you have questions about PAR or would like additional information, contact your local HR representative.

www.solectron.com



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