



# CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY PROGRAM SUSTAINABILITY REPORT 2009



*Fortune* magazine has continually rated Flextronics, a Fortune 500 company, as one of the “World’s Most Admired Companies.”

Ranking criteria was based on nine key attributes: Social Responsibility; People Management; Global Competitiveness; Innovation; Quality of Management; Quality of Products/Services; Use of Corporate Assets; Financial Soundness; Long Term Investment.



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## CEO's Message

Flextronics provides its customers with total end-to-end design, manufacturing and logistics services that enable us to move products from their initial design stage through volume production, testing and distribution into post-sales services and support.

We currently boast a strong employee base of more than 200,000 located in 30 countries across four continents. We recognize that operating a multi-billion company requires more than just a strong employee base and solid financial capital. At this scale, we must also be committed to practices that serve the best interests of our people, shareholders, customers and to the environment.

These practices, which will be thoroughly explained shortly in this report, ensure that the ethics and integrity of our organization are beyond reproach. We mandate compliance with all laws including environmental, labor, and workers' rights, so that our people and the communities where we operate are protected. In that spirit, we implement best practices in corporate sustainability in all aspects of our business and we ensure that our internal and external stakeholders understand and benefit from our social and environmental accountability programs.

The progress and continuity of our spirit of corporate citizenship is strategically important to our long term success. I could not be more proud of our team that has successfully and passionately driven our initiatives that have won us awards and recognition. We will embolden ourselves to learn and grow from our experiences and constantly deliver on our commitment to serve our employees and communities at high levels of corporate citizenship.

Michael McNamara  
Chief Executive Officer

Flextronics is a leading end-to-end supply chain solutions company that delivers design, engineering, manufacturing and logistics services to a range of industries and end-markets, including data networking, telecom, enterprise computing and storage, industrial, capital equipment, appliances, automation, medical, automotive, aerospace and defense, energy, mobile, computing and other electronic product categories. Flextronics is an industry leader that helps its customers design, build, ship, and service their products through an unparalleled network of facilities in more than 30 countries and across four continents. Flextronics' service offerings and vertically integrated component technologies optimize customer supply chains by lowering costs, increasing flexibility, and reducing time-to-market.



DESIGN



BUILD

# About Flextronics



SHIP



SERVICE

## OUR SERVICES

- Development and Engineering Support
- Global Manufacturing
- Global Distribution Management
- Reverse Logistics
- Service and Repair
- Recovery, Reuse and Recycling



COMPUTING



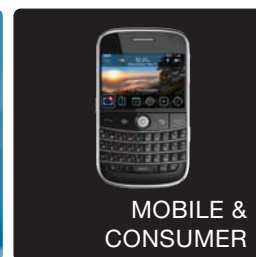
INDUSTRIAL



INFRASTRUCTURE



MEDICAL

MOBILE &  
CONSUMERCAMERA  
MODULESPOWER  
SUPPLIES

PCBs

## PRODUCTS AND COMPONENTS

# FLEXpledge

Flextronics believes that a sustainable approach business is essential and thus, it forms a core part of the way in which we do business. FLEXpledge identifies our Corporate Social and Environmental Responsibility (CSER) program.

FLEXpledge's four cornerstones – People, Environment, Ethics and Governance and Community Partnership - form the foundation of innovative and proactive solutions that call on Flextronics to continually improve the company's corporate citizenship and workplace performance. Through FLEXpledge, Flextronics enables itself to deliver sustainable impact on the global communities in which we live and work to become a trusted investment, employer and partner of choice.

FLEXpledge is also interwoven into the key values that drive Flextronics' focus. It embodies the spirit of our corporate commitment to build a sustainable framework for social, economic and environmental activities that are integral to us and consistent with our purpose and values.



## “Beyond Responsibility, Building Community”

summarizes the guiding principle behind our CSER program, FLEXpledge. We go beyond meeting responsibilities by offering a wide range of programs and initiatives that engage and create a positive impact on both our internal and external communities.



When we first designed our Corporate Social and Environmental Responsibility (CSER) program, little did we realize the extent it would affect the way we do business. FLEXpledge began as a simple project to express our philosophy of being a socially responsible company. Now it has further reinforced our value system and shaped our corporate strategy.

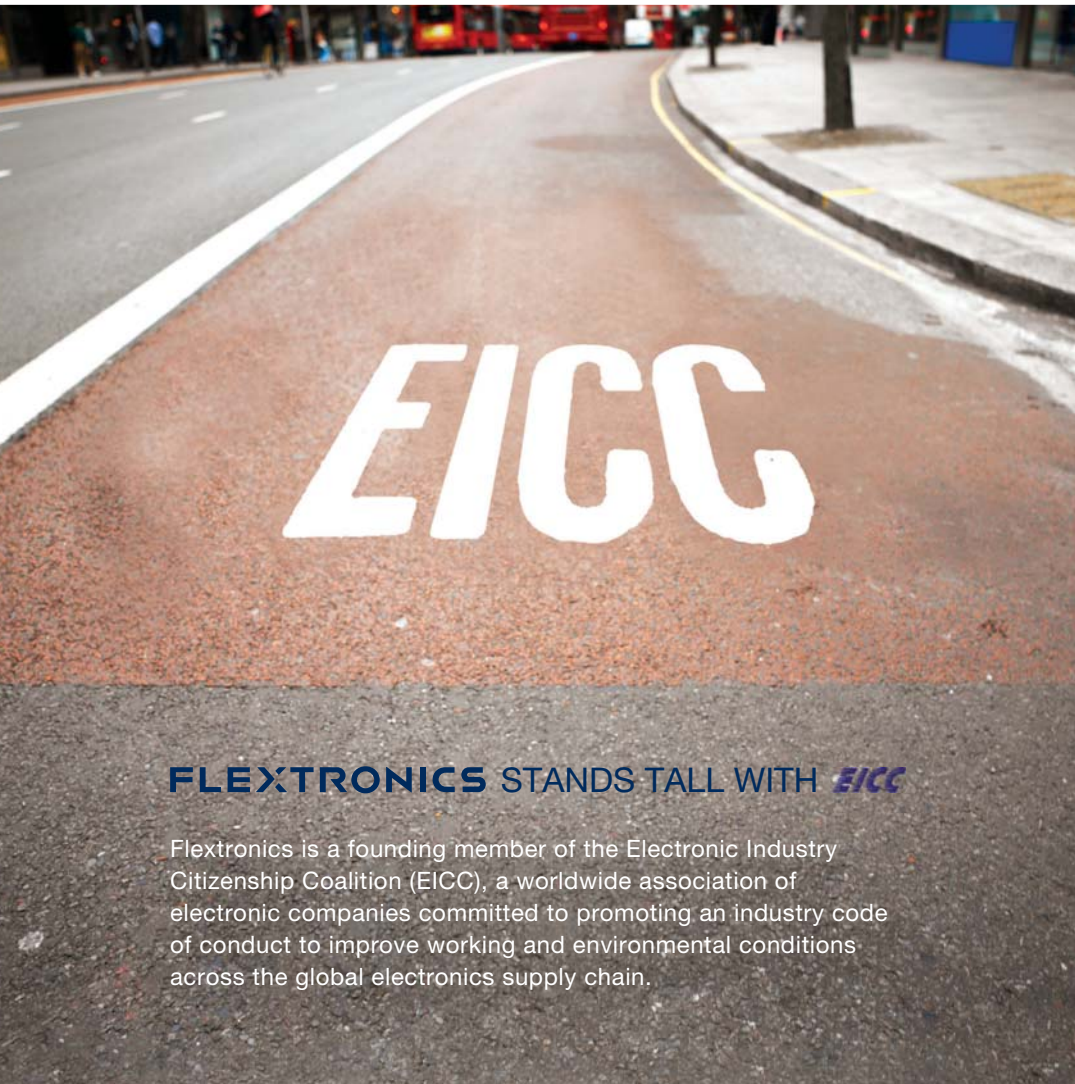
FLEXpledge has strengthened our position in the electronics manufacturing services industry and transformed us into a global company that considers environmental and social performance in almost everything we do. As a business enabler, it has helped us build influential partnerships with key internal and external stakeholders and boost sustainability by building communities inside and outside of Flextronics. FLEXpledge has propelled us beyond traditional business expectations and measured our success in different ways. Our leadership is committed to driving the processes behind FLEXpledge and implementing best practices that strengthen our position as an exemplary corporate citizen.

This report marks our first foray in sustainability reporting. It outlines the four domains of our Corporate Social and Environmental Responsibility program. It also highlights the many FLEXpledge activities that our sites have initiated across the world and quantifies our targets and results.

I would like to thank our employees for being our corporate champions. Not only have they volunteered their time and made monetary contributions in aid of the less fortunate in our communities, they've also helped us strengthen our corporate governance, people development and teaming orientations and environmental sustainability. Together, we will continue to make improvement in our FLEXpledge performance and create a successful company that is recognized as a truly responsible corporate citizen.

Richard Wong

Vice President of Corporate Social Responsibility and Employee Relations



## FLEXTRONICS STANDS TALL WITH *EICC*

Flextronics is a founding member of the Electronic Industry Citizenship Coalition (EICC), a worldwide association of electronic companies committed to promoting an industry code of conduct to improve working and environmental conditions across the global electronics supply chain.

The following FIVE focus areas of EICC form the corner stone of FLEXpledge:

### Management Systems

- Company commitment
- Accountability and responsibility
- Legal and customer requirements
- Risk management
- Performance management
- Training
- Communication
- Worker feedback and participation
- Audits and assessments
- Corrective action process
- Documentation and records

### Health and Safety

- Occupational safety
- Emergency preparedness
- Occupational injury and illness
- Physically demanding work
- Machine safeguarding
- Dormitory and canteen

### Labor

- Freely chosen employment
- Child labor avoidance
- Working hours
- Wages and benefits
- Human treatment
- Non-discrimination
- Freedom of engagement with management

### Environment

- Permit and reporting
- Pollution prevention
- Hazardous substances
- Wastewater
- Solid waste
- Air emissions
- Product content
- Green House Gas Emissions (GHGE) / Carbon Footprinting

### Ethics

- No improper advantage
- Disclosure of information
- Intellectual property
- Fair competition
- Protection of identity
- Community engagement



# Stakeholder Engagement



Flextronics engages actively with its internal and external stakeholders. We advocate open communication and provide employees at all levels with consistent, timely and accurate information.

Externally, Flextronics has established joint work sessions with non-governmental organizations (NGOs) and industry groups. These groups include the Electronic Industry Citizenship Coalition (EICC), The American Electronics Association (AeA), Global Strategic Initiative (GSI) and the Global e-Sustainability Initiative (GeSI). The goal is to encourage collaboration in identifying ways to better communicate, enhance transparency and work together to improve labor and environmental conditions.

Flextronics' relentless involvement and commitment to be a responsible corporate citizen has led to the appointment of Richard Wong, Flextronics' Vice President of Corporate Social Responsibility as Vice Chairman of EICC and Chairman of the EICC Asia Work Group.

*EICC, paired with Flextronics' internal Code of Business Conduct and Ethics, is the cornerstone of our CSE program that positively impacts the lives of a broad spectrum of beneficiaries. With this appointment, Flextronics now has a valuable opportunity to share its FLEXpledge philosophy and experience with other members of the industry. We can also help the industry develop stronger capabilities to achieve sustainable economic, social and environmental development.*

– Richard Wong  
Vice President of Corporate Social Responsibility and  
Employee Relations

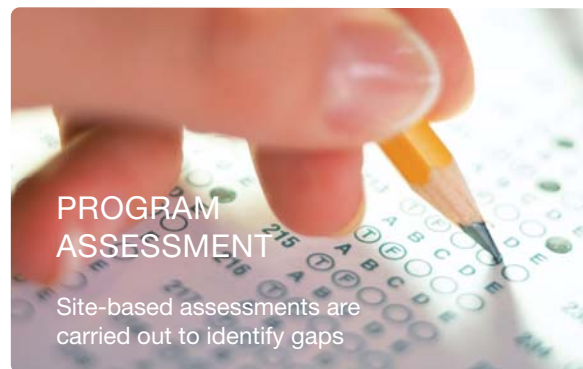
### CREATING AWARENESS

Educating site leaders on Flextronics' CSER program before they train the site operations personnel



### EMPLOYEE TRAINING

Site management disseminates CSER-related information and requirements to all employees



### PROGRAM ASSESSMENT

Site-based assessments are carried out to identify gaps



### GAP REMEDIATION

Sites implement measures necessary to close identified gaps

# CSER Deployment

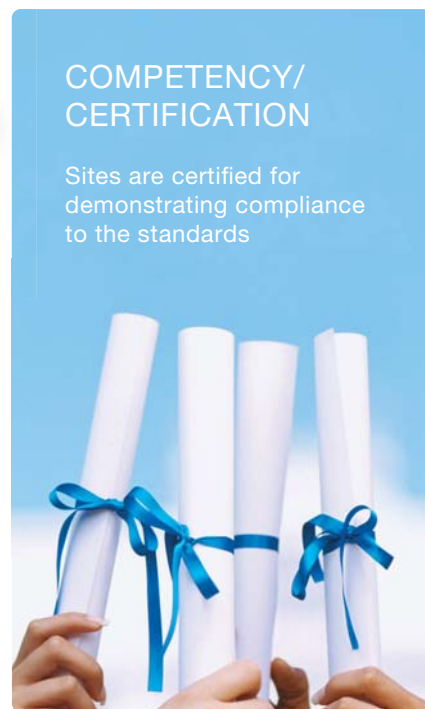
### AUDIT

Ensuring successful gap closure



### COMPETENCY/ CERTIFICATION

Sites are certified for demonstrating compliance to the standards



### SUSTAINABILITY ASSURANCE

Ensuring that sites embed CSER into their day-to-day operations and strive for continuous improvement

## FLEXpledge CERTIFICATION PROCESS

We are targeting to have all our global sites FLEXpledge certified by FY11. In order to be certified, all sites must follow the steps below and achieve audit scores of between 96 - 100%.

Steps towards certification:

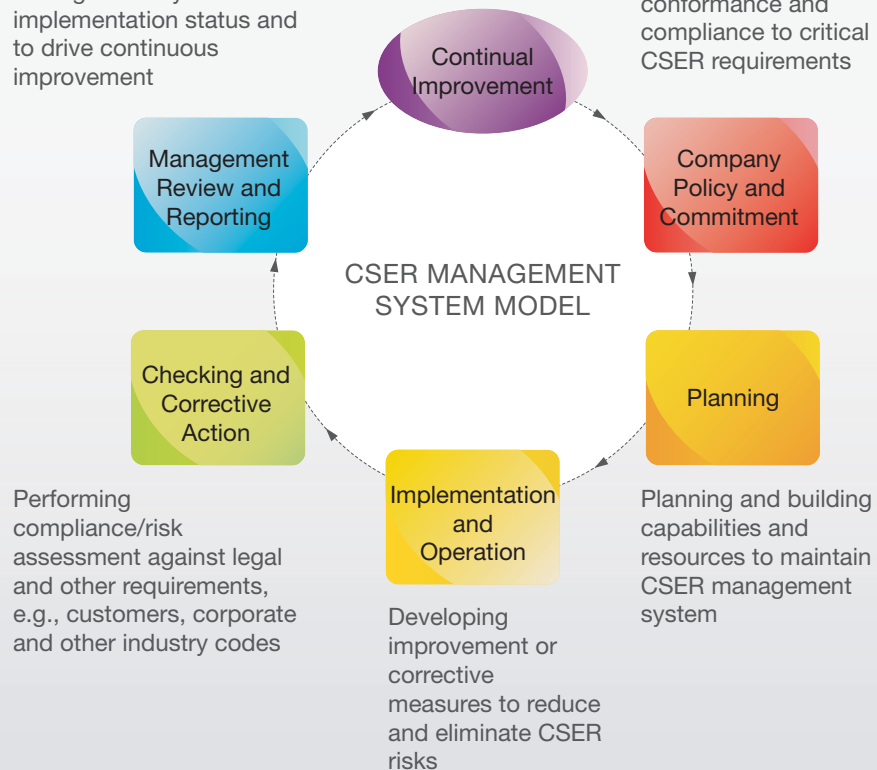
1. Sites submit monthly self-assessments with detailed action plans as to how to improve monthly scores. FLEXpledge assessments are based on six audit categories: Labor, Environmental Health and Safety (EHS), Management Systems, Ethics and Governance, Community Partnerships, and On-Site Contractor Control.
2. All sites should achieve over 90% self assessment scores by September 2010.
3. Regional CSR functions will conduct certification audits.
4. Sites will perform corrective actions to improve scores if there is a drop in certification audit results.
5. Here are the critical "must haves" in order to achieve certification:
  - a. All sites must have a Compliance Management Committee and conduct regular compliance review meetings
  - b. All applicable sites must fully implement Flextronics' global dormitory, cafeteria and kitchen standards
  - c. All sites must put in place FLEXpledge Management Systems

## FLEXpledge ASSESSMENT CATEGORIES AND CRITERIA

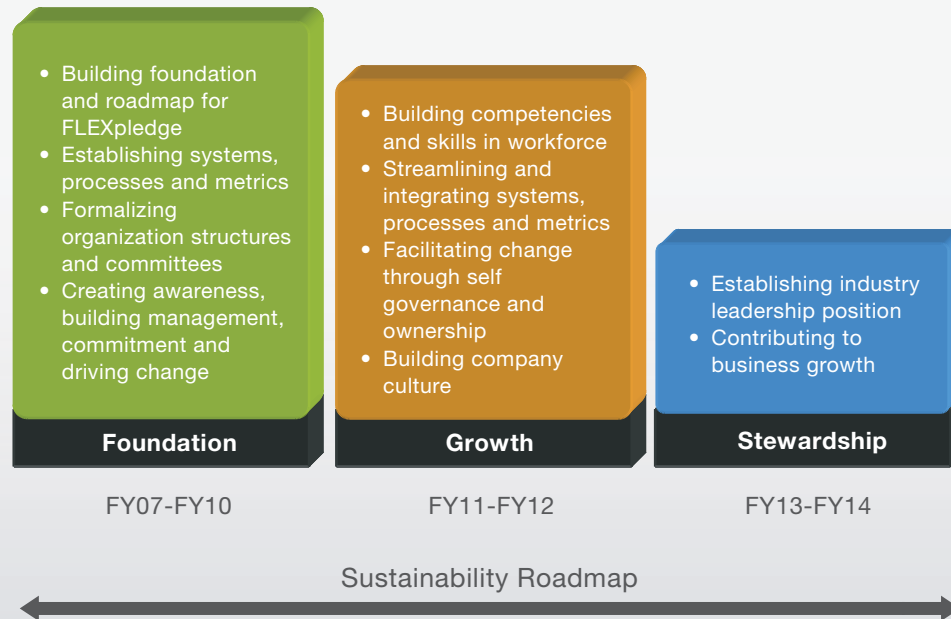
1. **Labor**
  - a) Freely chosen employment
  - b) Working hours
  - c) Child labor avoidance
  - d) Wages and benefits
  - e) Humane treatment
  - f) Non-discrimination
2. **Environmental Health and Safety (EHS)**
  - a) Occupational safety
  - b) Emergency preparedness
  - c) Safety in dorms, kitchens, canteens
  - d) Physically demanding work
  - e) Machine safeguarding
  - f) Pollution prevention
  - g) Product Environmental Compliance (RoHS, etc)
3. **Ethics and Governance**
  - a) Code of Conduct
  - b) Anonymous reporting
  - c) Business integrity
  - d) Disclosure of information and intellectual property
4. **Management Systems**
  - a) Monitoring legal requirements
  - b) Training
  - c) Documentation and records
  - d) Communication
  - e) Audits and corrective actions
  - f) Management reviews
5. **Community Partnerships**
  - a) Site outreach programs
  - b) Promotion of FLEXpledge to the community
6. **On-Site Contractor Control**
  - a) Training of contractors
  - b) Contractor reviews and assessments

Conducting periodic assessments, audits and reviews to validate the management system's implementation status and to drive continuous improvement

Establishing CSER procedures and policies to ensure conformance and compliance to critical CSER requirements



# CSER Management





Flextronics Guadalajara production floor



# Ethics and Governance

Towards an Ethical Community



Flextronics' commitment to the highest standards of ethics and integrity helps us earn the continued confidence of our employees, investors, customers, vendors and communities.

Our Code of Business Conduct and Ethics ("Code of Conduct") weaves that commitment into principles, standards and responsibilities that help guide our behavior and decision making. The Code of Conduct prohibits unethical behavior such as conflicts of interest, kickbacks, bribery, fraud, improper accounting and the improper use of company assets or funds. It mandates compliance with the laws of the countries in which we do business. It also requires the protection of confidential information and intellectual property, the selection of suppliers in accordance with set business criteria and strict adherence to all public reporting requirements.

Our Corporate Compliance Program helps integrate our commitment to ethics and integrity into our day-to-day operations. Global teams in 15 key compliance areas ensure employees have procedures and training on the regulatory requirements related to their jobs, making compliance an integral part of our everyday activities. We monitor and assess compliance with regulatory requirements and investigate each allegation of noncompliance. When problems are detected, we conduct root cause analysis and modify internal controls to prevent reoccurrences. We track the company's compliance performance and report progress quarterly to our executive management team and the Audit Committee of our Board of Directors.



# COMPLIANCE MANAGEMENT SYSTEM

Flextronics' Corporate Compliance Program links compliance-related activities and teams through a common management system designed to prevent violations of regulatory requirements. The program is led by a council comprised of compliance directors who are subject matter experts in specific areas of legal compliance.



Within his or her specific area of regulatory compliance, each compliance director is accountable for an internal controls system that includes written policies and procedures, training, monitoring and assessment.

## COMPLIANCE PROGRAM

- The Audit Committee is chartered by the Board of Directors to oversee the compliance program.
- The Chief Compliance Officer (General Counsel) reports quarterly to the Audit Committee on the status of the compliance program.
- The Executive Sponsors provide feedback and support on the scope and content of the compliance function and ensure implementation.
- The VP of Corporate Compliance is responsible for managing the Corporate Compliance Function.
- Regional Compliance Officers (lead lawyers from each region) facilitate reporting and oversight in each region.
- The Compliance Council is comprised of subject matter experts in the various compliance areas.
- Lead attorneys for business segments provide feedback and legal counsel on compliance issues specific to that business organization.







# INTEGRITY™

Our INTEGRITY campaign is designed to improve employees' understanding of the importance of ethics and integrity to the success of our business.

Our goal is to ensure that EVERY Flextronics employee understands:

- The importance of conducting our business with integrity
- Who they can speak with if they have questions concerning ethics and how to report suspected business misconduct
- Real-life examples of what employees are doing to preserve and protect Flextronics's reputation as an ethical company



Through our INTEGRITY communications program, we emphasize the importance of each employee's decision to do the right thing.

## Trust yourself.

Integrity at work means doing the right thing. If employees are ever uncertain about what that means, we encourage them to ask themselves the following three questions:

1

Am I doing something that feels wrong?

2

How would it feel if the people I love knew what I was doing?

3

Would I feel comfortable having my actions reported in the news?



## Ethics Hotline

We enable all stakeholders to report suspected business misconduct quickly, easily and confidently. There are a number of ways that reports can be made, including anonymously through the Flextronics Ethics Hotline ([www.flexethicshotline.com](http://www.flexethicshotline.com)). The Ethics Hotline enables Flextronics to detect and investigate ethical problems, to manage them responsibly and to implement measures to prevent similar problems from recurring in the future. Managed by a third party, the Ethics Hotline is available to all employees, suppliers, customers, investors and other stakeholders anywhere in the world 24 hours a day, every day of the year. Reports can be made either by phone or through a secure website. Flextronics strictly prohibits retaliation against employees who report any misconduct. All reports will be taken seriously and thoroughly investigated.

**Zero Tolerance**

Flextronics strictly prohibits retaliation against employees who report business misconduct. If you know of misconduct — report it. Talk to anyone in your chain of management. If you want to remain anonymous, use the hotline.

Go to [www.flexethicshotline.com](http://www.flexethicshotline.com) to file a report or find the local hotline phone number.

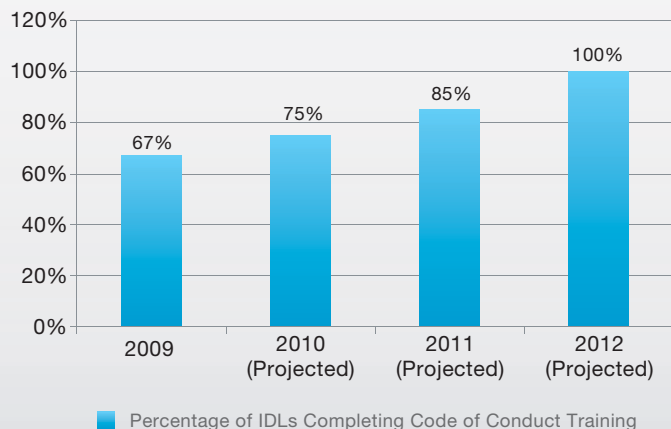
**Our goal is to ensure all employees are trained in our Code of Conduct.**

In June 2009, we updated our Code of Conduct to more effectively communicate our values of ethics and integrity and to provide more support and tools for employees' decision making. We also translated the Code of Conduct into over a dozen languages and launched a communications campaign about the importance of "Knowing the Code."

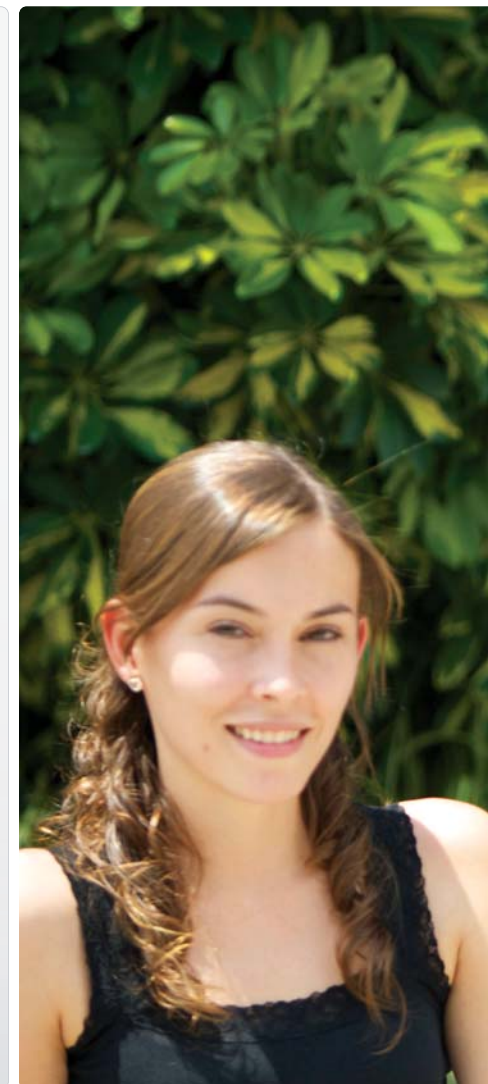
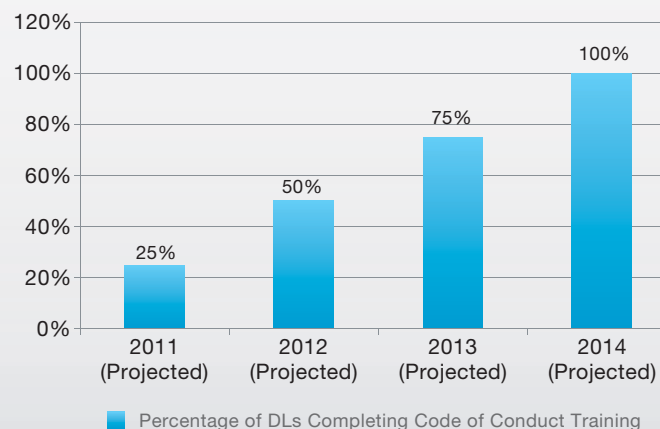
We have kicked off a five-year initiative to have all of our employees worldwide trained in the Code of Conduct. This initiative began in 2010 with the roll-out of a new interactive training course for employees with computers (indirect labor employees). We have also created a new classroom training course for employees without computers (direct labor employees) and will begin measuring our worldwide course completion rates in 2011. Both courses are available in local languages.



Indirect Labor (IDLs) Trained in the Code of Conduct



Direct Labor (DLs) Trained in the Code of Conduct





### Code of Business Conduct and Ethics

*The Code of Conduct is important to our business because it reflects our values and embodies our commitment to high ethical standards. It provides direction for navigating the challenges in our work and helping us make the best decisions when answers may not be readily available. In other words, the Code of Conduct enables us to uphold the highest ethical standards in all situations and across all Flextronics locations.*

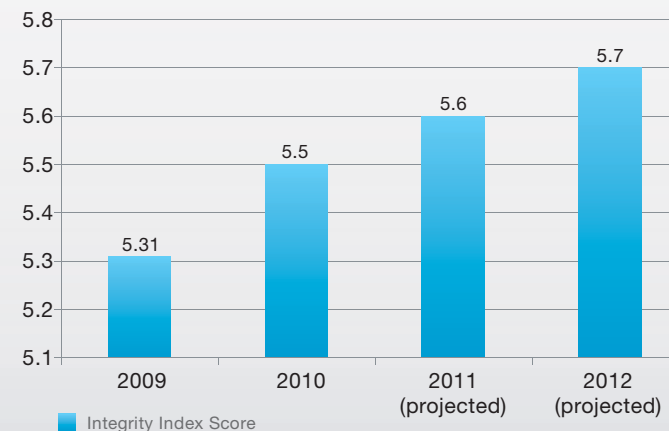
*Mike McNamara  
Chief Executive Officer*

### Our Goal to Improve the Annual Integrity Index Score

We know that doing the right thing is always the best choice for our company and our stakeholders. It is important that our employees are confident that they can always choose to do the right thing, even if that choice is more difficult or costly. A strong culture of ethics will encourage, support and reward ethical decision making.

In 2009 we began work with the Center for Ethical Leadership and Compliance (CELC) to measure our employees' perception of the culture of ethics at Flextronics. Our 2009 baseline measurement was 5.31 on a scale of 7. By increasing training and communications about the "real life" impact of ethics and compliance at Flextronics, we plan to achieve year over year improvements to our Integrity Index Score.

Annual Integrity Index Score





# Our People

Building a Community with Respect and Dignity

In order to turn our business goals into reality, it is essential to attract and retain the right talent.

The statement “Where people make the difference” reflects our belief that business success is a direct result of creative and innovative employees. Therefore, building a robust talent pipeline is the key focus for Flextronics.

#### Careers

At Flextronics, employees can develop their careers through various programs and global opportunities.

#### Teams

In order to facilitate a supportive and collaborative environment to achieve success, employees are provided with great teams that include industry experts.



## HEALTH AND SAFETY

We are committed to providing our people with a healthy and safe workplace. Our goal is to instill a strong safety culture at every level of the organization.

We aim to preserve everyone's physical integrity through the implementation of our Environmental Health and Safety (EHS) standards. These include, but are not limited to:

- Evaluating workplace hazards and risks and designing appropriate administrative and engineering controls to eliminate them
- Identifying emergency situations that may occur due to natural and man-made disasters and to set up response plans that will minimize any impact to our people and assets. These plans include investing in fire suppression equipment, chemical spills containment equipment, first aid equipment, etc.
- Implementing industrial hygiene programs to minimize our employees' exposure to chemical, biological and other harmful agents. This includes monitoring employees' health, provision of protective equipment and the evaluation of alternative technologies and materials
- Educating employees on health and safety topics, training employees on how to deal with hazards and risks that cannot be eliminated at the workplace and steps to take when emergencies occur





**Safety 900** is designed to continuously improve our workplace environment, reducing workplace accidents to zero tolerance level while meeting regulatory and customer demands. The program consists of self-assessment tools developed to review, evaluate, scrutinize and improve every aspect of health and safety requirements. **Safety 900** looks at how employees at all levels can contribute positively to an improved safety culture.

This is done through a comprehensive audit where sites will have to carry out a self-assessment before being audited on a standard scorecard with a maximum attainable score of 900 points. Hence, the program is called Safety 900.

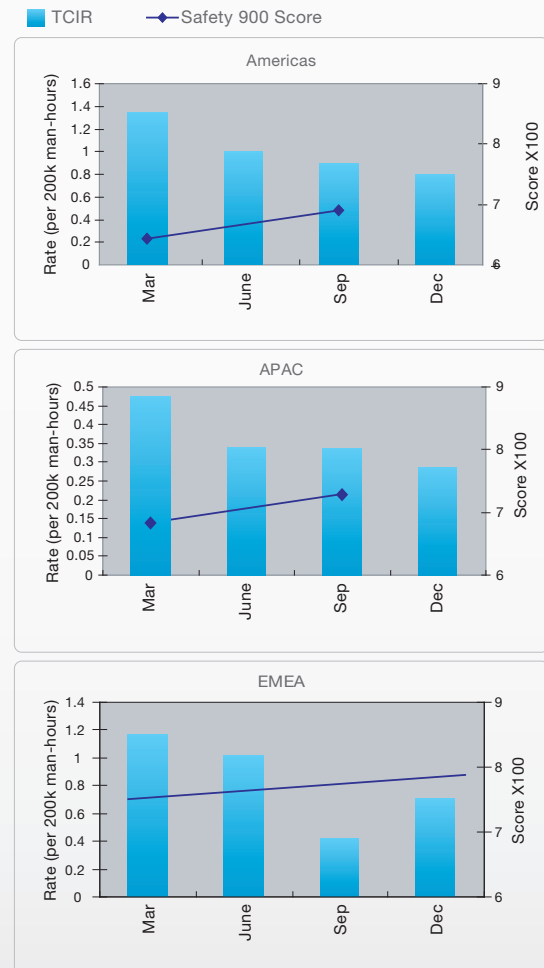
#### SAFETY 900 ASSESSMENT PROCESS:

1. The site will complete a self-assessment form within four weeks of receipt.
2. The site will send the completed form along with action plans back to the regional CSER lead.
3. The CSER lead will make his/her own assessment and provide feedback to the site.
4. The site will be given a score along with a target to be completed by the coming year.

#### BENEFITS OF THE SAFETY 900 PROGRAM

- Reduced accidents
- Increased managerial involvement in day-to-day operations
- Increased worker involvement, inclusion and motivation
- Improved organizational understanding of health and safety issues
- Improved regulatory compliance
- Improved CSER compliance
- Improved employees' understanding of customer requirements
- Improved internal and external reporting

### Flextronics Safety 900 Scores and Total Case Incident Rate (TCIR) Trends (2009)



## SAFETY 900 TRAINING

Annually, supervisors and managers are trained on the following safety subjects to ensure compliance with all EHS-related policies and guidelines:

- Employee induction
- Industrial hygiene
- Lock and tag
- Accident investigation
- Fall protection
- Video Display Unit (VDU)
- Emergency action plans
- First aid
- Confined space
- Fire prevention
- Personal protective equipment
- Effective meeting skills
- “Hot Work” (e.g. welding, etc.)
- Noise management
- Motorized trucks and material handling equipment
- Contractor control
- Manual handling







## DRIVE SAFE PROGRAM

The Drive Safe Program continuously improves our employees' safety by providing the necessary support to sites operating transportation for employees and standardizing transportation safety requirements.

### **Driver Training**

Drivers of company transportation will undergo various trainings from emergency preparedness to safety.

### **Vehicle Maintenance**

Company buses and vans will be maintained regularly to ensure their safety, quality, longevity and condition.

### **Speed Limit**

Flextronics will train drivers to maintain proper speed limits to ensure the safety of passengers and the environment.

### **Driver Performance**

Drivers will be certified in an effort to reduce traffic accidents.

### **Bus/Van Drivers**

Passengers on company buses and vans can now report the drivers' driving performance as well as the condition of the vehicles.

### **Transportation Service Providers' Communication**

Flextronics will establish good communication channels with its transportation service providers.

### **Accident Investigation**

Flextronics will analyze the causes of accidents to determine liabilities and financial responsibility.

### **Drive Safe Program for Users**

Company transportation users will be informed of the various aspects of the Drive Safe Program.



Health & Safety

Human & Labor Rights

Learning & Development

## HUMAN AND LABOR RIGHTS

At Flextronics, our people have a huge impact on our success. In return for their dedication, we offer them a work environment in which they can learn and improve themselves as they advance their careers and achieve their life goals.

## KEY HIGHLIGHTS

- Invested million of dollars to upgrade dormitories, cafeterias and safety standards across our facilities in China to provide employees with more conducive work and living environments
- Established extensive labor relations programs to build a positive work environment that fosters teamwork, facilitates learning and promotes open communications
- Implemented “Mutual Respect” program in China that promotes team building and nurtures a culture of trust and respect in the workplace
- Regular communication sessions are conducted to facilitate dialogues between senior leadership and employees
- Holds regular recreational, social and community service activities to improve the health and well-being of our employees
- Established career enhancement programs designed to facilitate employee career progression within the company

We are committed to respecting our employees’ labor and human rights while continuously improving their working conditions through the following set of principles:

- Freely chosen employment
- No child labor
- Fair compensation, wages and benefits
- Respect for working hours and rest days
- Equal opportunity and no discrimination
- No harassment and abuse
- Empowering employees with career advancement
- Freedom of engagement with management, providing the means for employees to freely voice their concerns and opinions and to engage with management without fear of reprisals and retribution



*People make the difference. It is not about having bigger factories, or more equipment and patents. It is about people and the decisions they make every day. It is about what people expect out of themselves and the results they achieve.*

- Michael McNamara



## LEARNING AND DEVELOPMENT

Flextronics' Learning and Development programs are designed to enhance the key proficiencies of our employees. Furthermore, these programs prepare employees for a promising future with the company.



## EMERGING LEADERS PROGRAM

The Emerging Leaders Program (ELP) provides first-time leaders with the knowledge, tools, resources and opportunity to enhance their leadership skills, better manage their teams, drive improved business results and demonstrate Flextronics' leadership traits and behaviors. The program focuses on areas such as the Flextronics Leadership Model, Facilitating and Accelerating Change, Conflict Resolution, Optimizing Teams, Improving Personal Effectiveness, Collaborative Leadership, Optimizing Conversation, Engaging and Inspiring Leadership and Coaching Employees.

From April 2009 to March 2010, 607 employees have completed ELP globally.



## eCORNELL

This partnership between Flextronics and Cornell University enables employees to enhance their leadership and management skills through online courses that span a wide range of topics. eCornell courses provide an engaging learning experience through a combination of rigorous and relevant coursework, enriching facilitation by subject-matter experts and structured flexibility. Flextronics' partnership with eCornell began in October 2009.

To date, 123 employees have completed courses in the areas of Leadership and Strategic Management, Management Essentials, Human Resource and Project and Finance Management.



## FLEX UNIVERSITY (FlexU)

Flex University (FlexU) is grounded on the belief that well-trained employees are integral to Flextronics' business success. By pulling in training information and delivery options into one integrated learning management system, FlexU is the complete business solution for Flextronics' training and administration needs. All Flextronics employees have access to FlexU. The University delivers job knowledge across a broad range of topics ranging from manufacturing operations to professional development, computer skills and lean manufacturing. It also houses an online library (KnowledgeBank) that contains common reference documents, training materials and reports.

In 2009, almost 39,000 employees completed 1,489 online FlexU courses.



## CAPABILITY ACCELERATION PROGRAM (CAP)

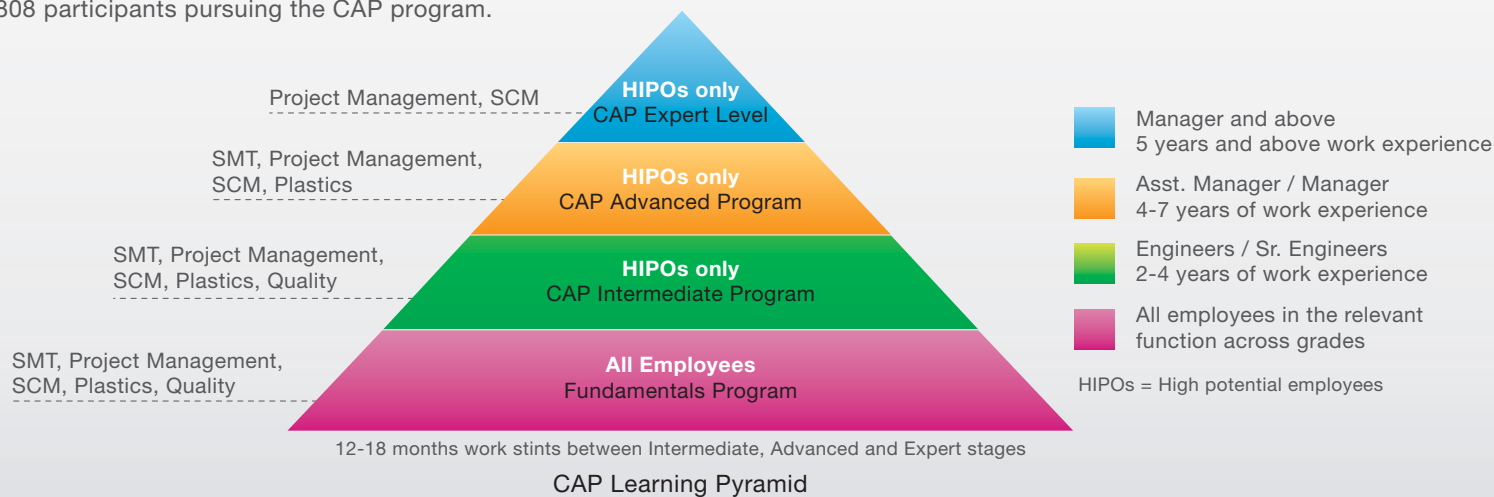


CAP is an integral part of our long-term strategy to promote Flextronics as an employer of choice. It provides holistic and intensive learning programs that combine instructor-led, on-the-job and self-paced learning methodologies. The programs are designed by Flextronics' subject matter experts in collaboration with premier educational institutions and global learning organizations.

The CAP initiative currently addresses three critical core manufacturing disciplines: Surface Mount Technology (SMT), Plastics and Test Engineering. It also provides five critical functional disciplines that support manufacturing: Project Management, Industrial Engineering, Quality, Program Management and Supply Chain Management. Other functional disciplines include Human Resources and Business Development. The initiative aims to accelerate capabilities and create a pool of competent professionals, managers and subject matter experts in these disciplines that are critical to the organization achieving its business goals.

The CAP architecture has evolved into a learning pyramid with four levels of development – fundamental, intermediate, advanced, and expert. These levels enable capability acceleration through phased development of the participants, subject to exemplary job performance and successful completion of the program.

To date, 1190 employees have enrolled in CAP programs and 274 employees have been awarded CAP certifications. There are currently 808 participants pursuing the CAP program.

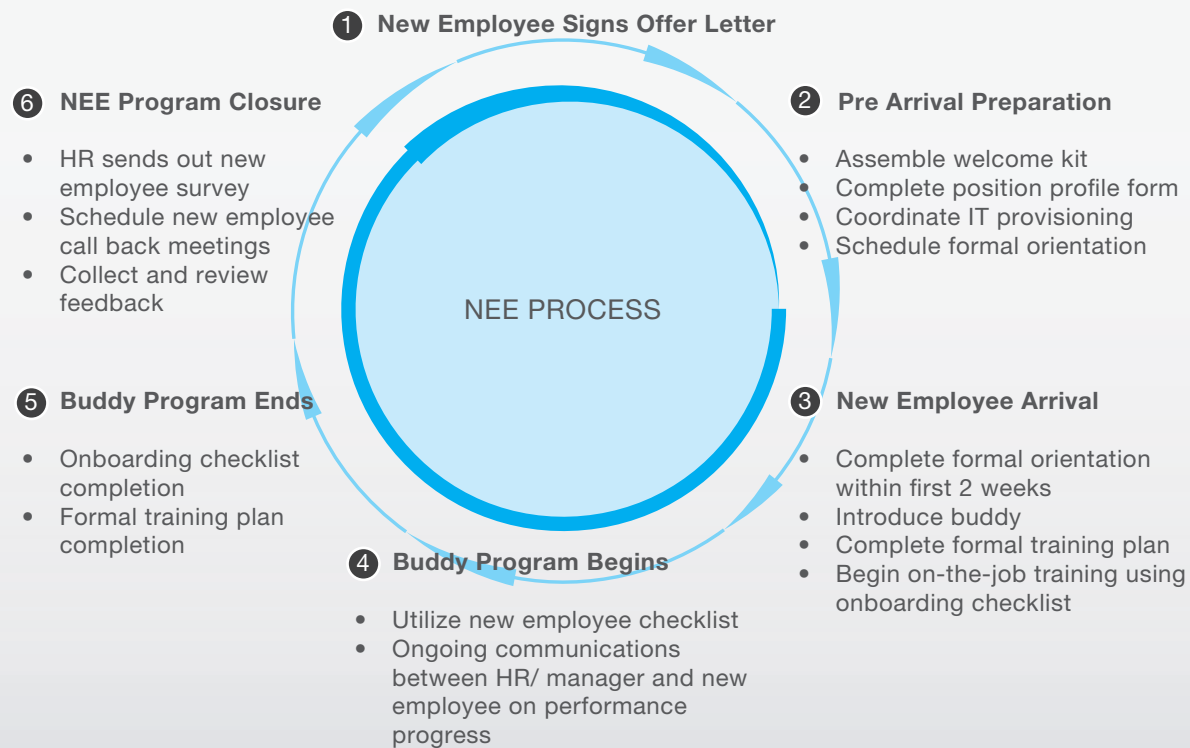




## New Employee Experience (NEE)



The New Employee Experience (NEE) program is a global initiative designed to energize, inspire and motivate the newest members of the Flextronics family. This includes an initial induction and "buddy" program that spans one to three months wherein each employee will work with an existing employee to learn the processes and procedures needed to effectively perform their new job at Flextronics.





# FLEXpledge Insight

Flextronics Manaus (Brazil) has been lauded by various prestigious organizations in Brazil. In 2005, *Exame* Magazine, the Brazilian equivalent of *Businessweek*, ranked this site as one of the top 150 companies to work for in Latin America. In 2006, it won the distinction of being rated first in the Brazil Intra-Entrepreneurial rankings. In 2007, the site was named as one of the top companies to work for in Latin America by the Great Place to Work Institute. Flextronics Manaus was further honored when it was voted Best Employer in 2008.

Flextronics Manaus earned these accolades by implementing numerous initiatives dedicated to engaging and empowering its people. To promote a culture of constant learning and improvement, the site has established English and IT classes for its staff. Besides training programs, Flextronics Manaus also invested heavily in improving its employees' quality of life by providing them with various health and recreational facilities.





*“For years, the users of EMS services could often obtain very low prices for manufacturing services due to pricing structures and operating practices of some industry participants. A fundamental shift has occurred in China, driven by demographic and economic changes particularly in Southern China that requires all EMS companies to invest more in their employees. Aside from basic wage increases, employers need to invest more on employees’ health, welfare and living conditions if they want to attract and retain the best employees. This increased focus on social responsibility will undoubtedly increase costs to OEMs, but will inevitably result in greater employee commitment, productivity and quality.”*

*-Michael McNamara*

## AWARDS



**GREAT PLACE TO WORK®**

Flextronics Aguascalientes (Mexico) hires the physically disabled to operate its manufacturing lines. This gives them a sense of belonging, helps them assimilate into society and enjoy a genuine sense of contribution to the community. The facility is outfitted with special parking lots, ramps, special bathrooms and working stations that allow for wheelchair access.





Flextronics views its commitment and responsibility to the environment seriously. We not only strive to provide top-notch services for our customers, but also endeavor to be a steward of the environment by making environmental consciousness a way of life at Flextronics.

Flextronics keeps a long term view on how to continuously improve our environmental performance internally as well as throughout our supply chain. We are proud of our robust 5 x 5 environmental strategy that consists of a 5 pillar environmental framework and a 5-element CLEAN value proposition. These blueprints cover all critical elements of global environmental needs while clearly demonstrating global benefits. We have also assembled a senior management team that monitors current and new global environmental requirements. The team then develops the necessary solutions that are needed to satisfy these requirements and converts these solutions into corporate strategies that are deployed globally and throughout our supply chain.

Our goal is to protect our people, business partners, customers, community and natural resources from many types of environmental risks. We ensure that every link of our supply chain contributes positively to the environmental soundness of our final products.

As a founding member of the Electronics Industry Citizenship Coalition (EICC), we have also participated in the development of environmental standards for the electronics industry.

Given our decentralized structure, breadth and scope of our business operations and the variability of environmental issues across regions, there is no “one size fits all” approach. We strive to understand what is most important from a global perspective and complement that with local environmental initiatives.

Seb Nardecchia  
Senior Director of Corporate Environmental Responsibility



# Environment

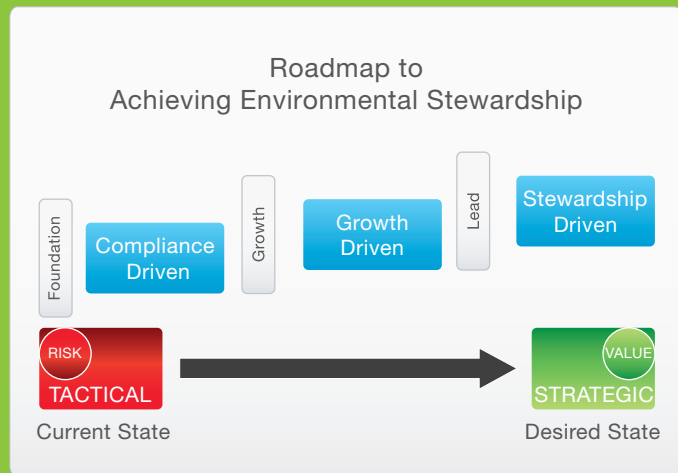
Enabling Sustainability Across Our Value Chain

Our planet's rapidly growing population and the pressures of economic development have caused areas of our environment to suffer continuous degradation, sometimes resulting in permanent damage. This has been recognized, and Flextronics is continuously building sustainable foundation capabilities that enable us to design, manufacture, ship and service products in an environmentally friendly manner to preserve the sanctity of our environment. We also ensure that all our global operations meet or exceed both international and local environmental laws and guidelines.

# ENVIRONMENTAL SUSTAINABILITY ROADMAP

Our Green legacy will be measured on how well we create and sustain environmental capabilities and services (value) that increase our customers' competitiveness. As a service company, we add robust environmental capabilities to our suite of design, manufacturing and logistics services. We have built a multiple step environmental roadmap, employing defensive (emphasizing on legal compliance) and offensive (implementing proactive, "beyond compliance") strategies. We have ingrained these approaches across our facilities and supply chain.

The crux of our environmental journey lies in our effective management system that allows us to quickly and effectively identify legal, customer and industry requirements and translate them into strategies and deployment plans that can be rolled out across our global facilities.



## Compliance Driven

It is critical to be compliant, but we relentlessly strive to go above and beyond minimum compliance requirements to be in line with our environmental vision.

## Growth Driven

The second step involves planned growth built upon the Compliance foundation. We ensure that all our five environmental pillars continuously mature and grow in order to reach our Stewardship goal. Flextronics also ensures that environmental-friendly behaviors are embedded into its corporate DNA.

## Stewardship Driven

This is Flextronics' ultimate goal - to be both a guardian and leader of the environment. We will constantly enhance our management system to meet environmental and industrial needs. We will also encourage performance monitoring for continuous improvements.

## Environmental Sustainability Vision

Environmental sustainability that provides value to enable our customers' success.





## ENVIRONMENTAL SUSTAINABILITY MISSION AND POLICY



The mission of our corporate environmental sustainability programs is to ensure that our business processes focus on four major areas of environmental concern:

### Designing Products

- Free from hazardous substances
- Design for disassembly
- Maximum reuse and recyclability
- Zero e-waste
- Energy efficiency
- Full material content systems and capabilities

### Designing Manufacturing Processes

- Free from hazardous substances (meeting the requirement of our customers and global laws)
- Effective environmental management systems and controls
- Full material content systems and capabilities
- Energy, water and carbon emissions tracking and reporting systems with reduction plans in place
- Clean and renewable energy alternatives to reduce greenhouse gas emissions
- Energy efficient buildings and equipment with enterprise asset management systems
- “Closed loop” water systems and waste water treatment facilities to reduce water consumption.
- Recycling
- Supplier selection based on environmental management credentials

### Product “After-life” Design

- Encourage the return of electronic products
- Ensure proper country registration where applicable
- Reuse and/or remarket products
- Ensure no e-waste to landfills
- Ensure business recycling and scrap partners demonstrate traceability and credibility

### Cultivating Environmental-friendly Behaviors

- Encourage employees to cut down on energy and water usage and carbon emissions
- Encourage employees to recycle





# FLEXTRONICS' ENVIRONMENTAL STRATEGY

Flextronics has created a “**5x5 strategy**” that consists of a 5 Pillar Environmental Framework and 5 CLEAN Value Propositions. This robust environmental strategy will accommodate both existing and future environmental requirements.

5 Pillar Environmental Framework

5 CLEAN Value Propositions

## 5 PILLAR ENVIRONMENTAL FRAMEWORK

### CHEMICAL SUBSTANCE MANAGEMENT

We have a realistic approach ensuring effective management and control of all chemical substances in products and manufacturing processes. We help our customers and their suppliers understand direct material compliance levels and substance content. In our ODM business, all of our designs are required to have a full material content declaration.

### POLLUTION PREVENTION AND CONTROL

We ensure that proper management systems and controls are in place to restrict or ban contaminants from escaping into the air, ground or water. Our objective is to control pollution levels at sites and make it our priority to abide by all international/local laws and guidelines. All our global manufacturing sites are either ISO14001 certified or have plans to achieve certification.

### CLIMATE CHANGE

Flextronics participates in the Carbon Disclosure Project that leads us to analyze our greenhouse gas emissions and energy consumption in a structured way. **Flextronics has committed to a 15% carbon emission per revenue dollar reduction by 2015** and all of our facilities globally have been geared to fulfill this endeavor. We are also establishing an automated system where customers can retrieve information about carbon emissions for the manufacturing of their products.

### TAKE-BACK AND RECYCLING

We practice take-back, reuse, recycling and ethical disposal of scrap material. This applies to the design, manufacturing and after life elements of the entire product life cycle. We design for disassembly, recyclability and zero e-waste to landfills. We make partnering with ethical recycling and scrap vendors a high priority. Flextronics also provides asset recovery services.

### RESOURCE CONSERVATION

Our resource conservation program focuses on the reduction of energy and water consumption. Flextronics designs and builds energy efficient products which are compatible to renewable sources of recharging. We are also focusing on water recycling and treatment efforts across our sites globally.

## 5 “CLEAN” VALUE PROPOSITIONS

Complementing our 5 pillar environmental framework is our Five CLEAN value propositions, which include:

- **Compliance with all legal and customer requirements**  
Flextronics is dedicated to understand and effectively translate all global legal and customer requirements into actions that will mitigate risks and maximize compliance.
- **Liability and cost protection for Flextronics and our business partners**  
We are dedicated to create win-win agreements with all our business partners. We ensure that roles and responsibilities are clearly defined to minimize risk and exposure.
- **Environmental stewardship**  
We aspire to be stewards of the environment and our communities and to fulfill our business needs in an environmentally responsible manner.
- **Asset recovery**  
Flextronics has established a B2B asset recovery business and will further expand this business to accommodate the expected growth of returned electronic products. This will help ensure that electronics waste does not end up in landfills.
- **New business opportunity**  
The current emphasis on environmental preservation has now opened the doors to new business opportunities. These span the entire “cradle to cradle” life cycle. Flextronics is preparing capabilities and services that will enable new businesses to come to fruition.

## BENEFITS OF 5 X 5 ENVIRONMENTAL STRATEGY

Our 5 X 5 environmental strategy will help mitigate our customers’ environmentally related risks while positioning them as environmentally friendly brands. In return, Flextronics will be viewed as an employer, partner and investment of choice. Equally as important, our environmental strategy will help reduce the electronic industry’s impact on the environment.

### Eleven-step Compliance Process to Going “Green”

- Commitment to Green
- Research new technologies to enable Green – aggressive technology development
- Clear product specifications and targets around green definition
- Design to meet Green product specifications
- Components database with full material content information
- Compliance verification
- Competent and committed suppliers
- Green manufacturing capabilities / sites
- Minimize transportation
- Recycling centers and capabilities
- Benchmark and measure progress







## FLEXTRONICS DESIGN for the ENVIRONMENT (DfE)

Flextronics has a significant product design presence throughout the world. Each design center is required to achieve the same level of environmental competency and certification.

Flextronics' DfE goal is to reduce environmental impacts throughout the full product life cycle and incorporate environmental solutions into the product design to mitigate compliance issues. We have also established an eleven-step closed loop compliance process.

Bolstering our DfE efforts, we have robust specifications on banned and restricted substances that go beyond regulatory requirements.

All Flextronics design centers and manufacturing operations are assessed based on questions relevant to environmental strategy and DfE. Key focus areas include:

- Knowledge and compliance to corporate goals and strategy
- Collection and use of content and compliance data for regulatory, contractual and customer specific requirements
- Training and documentation assessment
- Analysis and optimization capabilities against the 5 pillar corporate environmental framework (hazardous materials, recycling and take-back, pollution control, resource conservation and climate change)
- Regulation and certification focus areas
- Testing focus areas
- Production transfer activities

## FLEXTRONICS' SUSTAINABLE OPERATIONS

All our global sites must undergo a rigorous environmental competency building and a certification process. The majority of our sites are ISO14001 3rd party certified. Annual assessments are carried out to maintain the site's certification status and to ensure continued compliance to both external and internal criteria.

### Environmental Management Systems

Flextronics' environmental management systems are deployed across all manufacturing and logistics sites. These include:

- Effective management and control of all identified chemical substances in products and manufacturing processes
- Electronic products take-back, reuse, recycling, ethical disposal of scrap materials and asset recovery with zero waste
- Manufacturing processes to ensure that our facilities are not contaminating the air, ground and water
- Reducing resource (energy and water) consumption through usage of renewable sources, technology and energy efficient buildings
- Measuring, reporting and reducing Green House Gas (GHG) emissions as well as other environmental metrics such as solid and hazardous waste

A regional environmental lead team is tasked to ensure compliance across our facilities globally. Reinforcing this structure, each individual facility is also required to appoint a site environmental management team to steer towards site compliance. The double fortification will ensure that Flextronics' operations are fully compliant with existing and new environmental regulations as well as our customer requirements globally .

## Clean-Tech Ecosystem

Flextronics is actively involved in the Clean-Tech Ecosystem which includes the following:

- Energy generation
- Energy balance
- Energy storage
- Energy monitoring
- Energy management
- Energy distribution
- Energy conservation

## Flextronics' "Green" Business Partnership

We design and manufacture products that span the Smart Grid (energy efficient) market and are becoming more involved in the renewable energy market. We have recently established manufacturing sites in Malaysia and California dedicated to supporting clean-tech manufacturing.



## FLEXTRONICS' ENVIRONMENTAL BUSINESS MODEL

Flextronics' environmental business model consists of four major steps – Discover, Design, Deliver and Sustain. This closed loop model allows for effective feedback and improvements at any stage of the process.



### DISCOVER

We first monitor external environmental influencers such as regulatory requirements, customer needs, consumer habits, NGOs' inputs, etc.

### DESIGN

Next, we move into the design phase where we craft out strategies / tactical directions.

### DELIVER

We then implement all these strategies in our global operations (design centers, manufacturing operations, reverse logistics centers) and also apply the same strategies across our supply chain.

### SUSTAIN

We maintain and enhance the business model through constant assessments, audits and feedback mechanisms.

# FLEXTRONICS' ENVIRONMENTAL GOVERNANCE MODEL

Our governance structure starts with an Executive Advisory Committee (EAC) that is made up of senior level executives that provide guidance, support and approval of environmental strategies and investments.

The next level - Corporate Environmental Leadership Committee (CELC) - is made up of a senior leader and cross-functional senior managers who are tasked to monitor global environmental activities before translating them into meaningful strategies, processes, systems, tools, metrics and implementation plans.

The main body of CELC is comprised of six functional work groups (FWG's) that are focused on effective competency building and certification throughout each of their functional disciplines internally across all segments and business units, as well as externally throughout our supply chain.



FLEXTRONICS' CO<sub>2</sub> EMISSIONS 2009

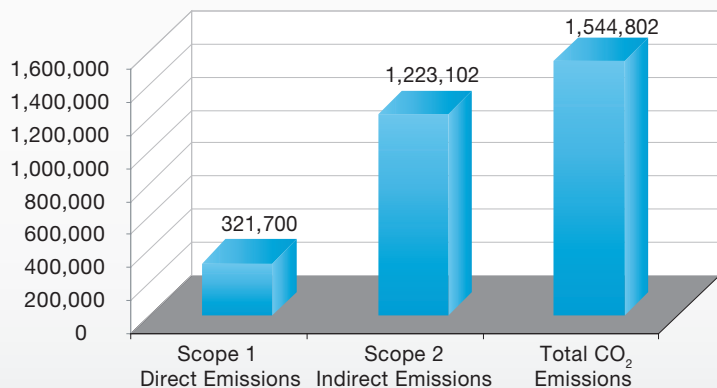
CY 2009	FLEXTRONICS' GLOBAL CO <sub>2</sub> EMISSIONS (in metric tons)		
	Scope 1 Direct Emissions	Scope 2 Indirect Emissions	Total CO <sub>2</sub> Emissions
	321,700	1,223,102	1,544,802
	21%	79%	100%

GLOBAL CO<sub>2</sub> EMISSIONS

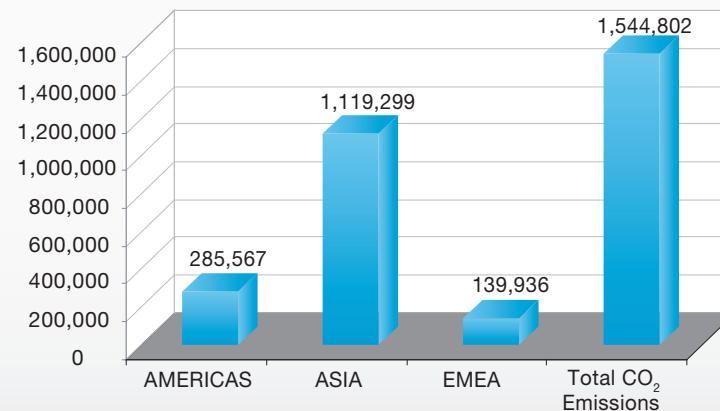
Region	Scope 1 Direct Emissions	Scope 2 Indirect Emissions	Total CO <sub>2</sub> Emissions	%
AMERICAS	71,569	213,998	285,567	18.48%
ASIA	183,645	935,654	1,119,299	72.46%
EMEA	66,486	73,450	139,936	9.06%
<b>Total CO<sub>2</sub> Emissions</b>	<b>321,700</b>	<b>1,223,102</b>	<b>1,544,802</b>	<b>100%</b>

- ▶ Scope 1 Direct Emissions: Stationary combustion / fuel combustion
- ▶ Scope 2 Indirect Emissions: Purchased electricity for own use

Flextronics' CO<sub>2</sub> Global Emissions (in metric tons)



Total CO<sub>2</sub> Emissions Per Region



# FLEXpledge Insight

Flextronics Althofen (Austria) was honored with the TRIGOS Award 2010 in recognition of its energy and waste management efforts.

Flextronics Althofen has long been an advocate of environmental protection programs. In 2006, it established a center to recycle electronics and components waste. Four years later, it started utilizing renewable energy made of CO<sub>2</sub> free wooden chips to provide heating in the facility. This method resulted in 10% reduction in energy consumption.

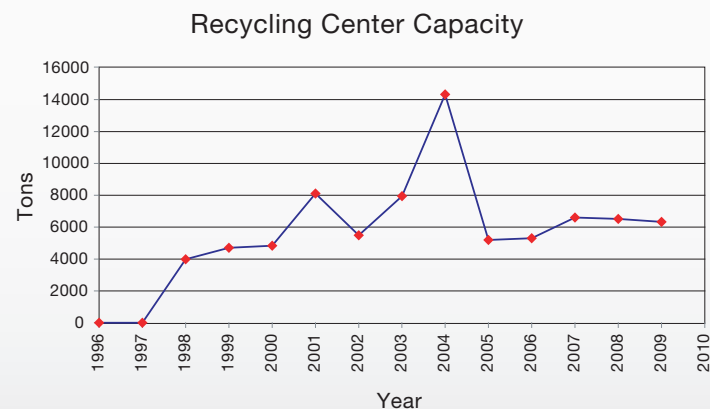


Flextronics Aguascalientes (Mexico) has established its own recycling center. Since 1998, it has recycled 80,000 tons of waste for printing giant Xerox. Its capabilities include 100% industrial scrap control, gray market avoidance and the ability to trace recycled materials. Aside from recycling waste, the facility can also recycle roof insulation, plastic flooring, plastic bricks and pallets.

Material Recycled*		
Year	Tons	% Center Capacity
1996	0	0%
1997	0	0%
1998	3985	20%
1999	4700	24%
2000	4833	24%
2001	8110	41%
2002	5487	27%
2003	7944	40%
2004	14328	72%
2005	5200	26%
2006	5300	27%
2007	6601	33%
2008	6514	33%
2009	6331	32%
<b>Total</b>	<b>79333</b>	

Recycling center capacity (tons) : 20000

- \*It includes:
- ▶ Plastics (ABS, PC, ABS/PC, polyethylene, etc.)
  - ▶ Metals (Ferrous and nonferrous)
  - ▶ Printed Circuit Boards
  - ▶ Fibers (Paper, cardboard)
  - ▶ Wood



Flextronics has built a 1,700 square meter sewage treatment facility at its industrial park located in Zhuhai, Guangdong Province, China.

Completed in August 2007, the sewage treatment facility treats 3,000 tons of sewage daily via its modern “tangency oxidation” methodology. The quality of the discharged water is monitored on a monthly basis to ensure that it passes the STD DB44/26-2001 standard.

## WASTE GENERATION AND WATER CONSUMPTION



WASTE GENERATION AND WATER CONSUMPTION DATA

CY 2009	Waste Generation		Water Consumption
	Non-hazardous Waste (metric tons)	Hazardous Waste (metric tons)	Cubic Meters (m <sup>3</sup> )
	<b>102,896</b>	<b>27,788</b>	<b>13,668,757</b>

WATER CONSUMPTION DATA

Region	Cube Meters (m <sup>3</sup> )	%
AMERICAS	2,709,413	19.82%
ASIA	10,607,008	77.60%
EMEA	352,336	2.58%
<b>Grand Total</b>	<b>13,668,757</b>	<b>100.0%</b>

► About 50% of Flextronics sites recycle their non-hazardous and hazardous waste.



### Water Treatment Plant at Flextronics Guadalajara, Mexico

As part of its environmental protection program, Flextronics Guadalajara has established a "closed loop" water system to better manage and save its water consumption. Fresh water is extracted from deep water wells and distributed throughout the campus and recycled for sanitary and landscaping purposes.

The treatment center enables Flextronics Guadalajara to recycle 9,600 of the 16,300 cubic meters of water extracted from its deep water wells every month. This translates to tens of thousands of dollars in savings annually.

#### WASTE GENERATION DATA

##### Non-hazardous Waste (metric tons)

Region	Metric Tons	%
AMERICAS	39,674	38.56%
ASIA	34,858	33.87%
EMEA	28,365	27.57%
<b>Grand Total</b>	<b>102,896</b>	<b>100%</b>

#### WASTE GENERATION DATA

##### Hazardous Waste (metric tons)

Region	Metric Tons	%
AMERICAS	1,969	7%
ASIA	23,155	83%
EMEA	2,665	10%
<b>Grand Total</b>	<b>27,788</b>	<b>100%</b>



Flextronics recycles materials such as paper, cardboard, PCBs, plastic tubings, etc.

## AWARDS

In November 2009, the Mexican government recognized Flextronics Guadalajara for their leadership and transparency in tracking and reporting greenhouse gas emissions.



Flextronics Zhuhai was awarded the Advanced Energy Saving Company 2009 Award by the local Doumen (China) government.



The Electronics Components Certification Board (ECCB) certified that Multek Zhuhai has developed and implemented Hazardous Substance Process Management (HSPM) procedures and processes.







# Community Partnership

Making a Difference in Communities

Flextronics is committed to building stronger communities in the countries where we operate. We partner with local and international organizations to effect change for the greater good through partnerships and voluntary work.

Our Community Partnership activities are focussed on giving, with greater concern towards disaster relief, medical aid and education. We achieve this via Flextronics Foundation, various Community Involvement initiatives and Tech@Campus program.



## FLEXTRONICS FOUNDATION

Established in March 2002, Flextronics Foundation strives to be a catalyst for positive change in the communities we operate in. The Foundation invests globally by way of making financial grants to educational institutions and non-governmental organizations (NGOs). Flextronics promotes internal participation by encouraging employees to submit and direct grant applications for organizations they are involved in.

The Foundation has contributed significantly to the NGOs listed below. It supported various rebuilding projects among communities who had been affected by natural disasters such as Hurricane Katrina, Sichuan (China) and Haiti earthquakes.



## COMMUNITY INVOLVEMENT



### TEAM SUNSHINE / FlexCares



These two programs provide employees with the opportunity to help those in need through voluntary giving and community service. They bring together resources for the benefit of both internal and external communities. The causes these programs support are within the following scope:

- Employee Volunteer Program**  
 Employees from individual sites donate their time and energy to individual projects/organizations that their local Flextronics site sponsors.
- Neighborhood Partners**  
 Flextronics sites team up with non-profit organizations in their community on a regular basis; donating time, money and resources.
- Employee Sponsorship**  
 This is a resource for employees who are fundraising for certain events such as walk-a-thons, bicycle races and hikes, for organizations that are finding cures for diseases.
- Employer Matching Donations**  
 There are causes that touch the hearts of our employees, such that they choose to organize their own collection drive. On a case to case basis, Flextronics supports and encourages this by matching the employees' contributions for these causes.



Eighty volunteers from Flextronics Tijuana (Mexico) helped build two houses for low-income families in cooperation with Corazón Inc, a non-profit organization that offers shelter and education to needy communities in California (USA) and Mexico. Our volunteers also contributed material support amounting to USD16,000 for the project.



## TECH@CAMPUS (T@C)

Tech@Campus is a program aimed at collaborating with universities to develop technological curriculum in disciplines relevant to the high-tech electronics manufacturing industry and create industry-academia relationships resulting in developing emerging talent. The program is uniquely designed to keep students updated with state-of-the-art technologies through interactive channels such as elective disciplines, workshops, seminars, industry visits, case studies, projects and internship programs.

To date, we have collaborated with the following universities:

1. Guangdong University of Technology, Guangzhou, China
2. Universiti Teknologi Malaysia, Johor Bahru, Malaysia
3. Anna University, Chennai, India
4. Universidad Tecnologica de Jalisco, Guadalajara, Mexico
5. Texas A&M University, USA
6. University of Limerick, Ireland

Flextronics is collaborating with these universities in developing Surface Mount Technology (SMT) course to prepare students for careers in the high-tech electronics manufacturing industry. In 2009, 339 university students enrolled for the SMT course.



Guangdong University of Technology



Universiti Teknologi Malaysia



Anna University



Universidad Tecnologica  
de Jalisco



Texas A&M University



University of Limerick



## TURNING A NEW PAGE IN CHINA'S SOCIAL WORK HISTORY

In late 2006, Richard Wong, VP of Global CSR and Employee Relations, identified a strategic need to meet the aspirations of migrant workers in China. "Migrant workers are our unsung heroes. Ninety percent of our employees are migrant workers -- they've helped China become a manufacturing giant. Unfortunately, while their basic economic needs might have been met, many of their other needs, including emotional and developmental, haven't been sufficiently addressed. Thus, we started looking for a partner organization to help this group of people," says Wong.

Not long after, Wong came to know about the Beijing-based Culture and Communications Center for Facilitators (CCCF) - an NGO committed to migrant worker issues - through the introduction of Ms. Kenzie Kwong (Partner in Leaders' Quest) and Ms. Lan Ying Zhang (Country Director of ActionAid International China).

"Through Kenzie and Lan Ying, I came to know Li Tao, founder of CCCF," Wong explains. "Over a cup of tea at CCCF's headquarters in Beijing's historic Hutong enclave, we poured out our thoughts and found out that we both shared the same dream of helping migrant workers achieve their potential and aspirations."

Shortly after Wong's meeting with Li Tao, we began a partnership with CCCF in sponsoring a photo exhibition and drama performance in major cities throughout China to bring to the forefront the difficulties faced by migrant workers. It was a runaway success. Tier-1 national dailies and TV stations hailed our partnership as "a catalyst for migrant workers to be assimilated in the greater society".

Crowning our successful partnership with CCCF, Flextronics provided seed money to help CCCF set up the Zhuhai Center for Social Work Facilitators in the vicinity of our industrial park in Zhuhai. Launched in May 2009, the Zhuhai Center for Social Work Facilitators is the first officially-registered, non-governmental organization in China that is sponsored by a private company (Flextronics) and backed by the Chinese government.

The Zhuhai center has provided free counseling and consultation services on issues such as labor rights, rental disputes, career development and family issues. The center has also provided emergency relief to needy individuals.

In 2009, more than 230 CCCF staff, volunteers and supporters contributed 855 man-hours towards community service work.

# FLEXpledge Insight



# FLEXpledge and the Supply Chain

As a significant buyer of components and materials from global suppliers, Flextronics is committed to continuously monitor and drive compliance throughout its entire supply chain. All constituents doing business with Flextronics must adhere to Flextronics' CSER requirements.



## SUPPLY CHAIN CSER PROGRAM

A well-managed supply chain is vital to the success of EMS providers including Flextronics. We work with a large worldwide supply chain of approximately 20,000 suppliers that comprise of direct materials suppliers, indirect materials suppliers, vertically-integrated material suppliers and non-production procurement suppliers.

### ETHICAL SUPPLY CHAIN PRACTICES

All employees working in procurement-related functions are required to adhere to Flextronics' Procurement Practices Guidelines. This helps ensure fair and ethical business practices when dealing with our supply chain.

We also expect our suppliers to abide by Flextronics' Supplier Practices Guidelines and ensure that they comply with EICC's Code of Conduct, with relevant focus on child labor, hazardous materials avoidance, working conditions and non-ethical conduct.

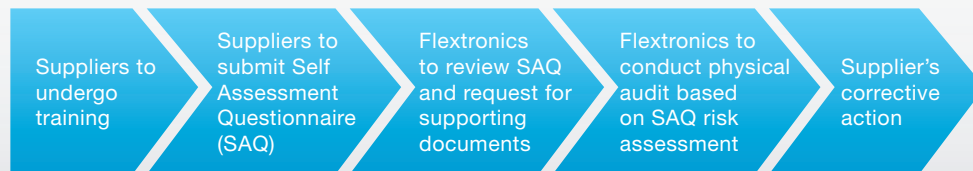


Flextronics' Supplier CSR Management Program revolves around two areas:

- Assessment of current and existing Flextronics suppliers
- Selection and qualification of new Flextronics suppliers

Our assessment of suppliers is modeled after EICC's Code of Conduct. Non-compliant suppliers will be held accountable and requested to submit corrective action report to remedy the gaps.

The flowchart below summarizes the assessment process:



## SUPPLIER CSR MANAGEMENT PROGRAM







### EXISTING SUPPLIER ANALYSIS

To ensure full compliance, Flextronics suppliers were analyzed in two distinct phases in 2008 and 2009. Please see chart below.

#### Phase 1 (2008)

In Phase 1, Flextronics analyzed 298 preferred suppliers and high volume suppliers in “high risk countries”.

Summary	Average Score	Labor & Ethics	Health & Safety	Environmental Responsibility
Summary	4.18	4.40	4.22	4.25

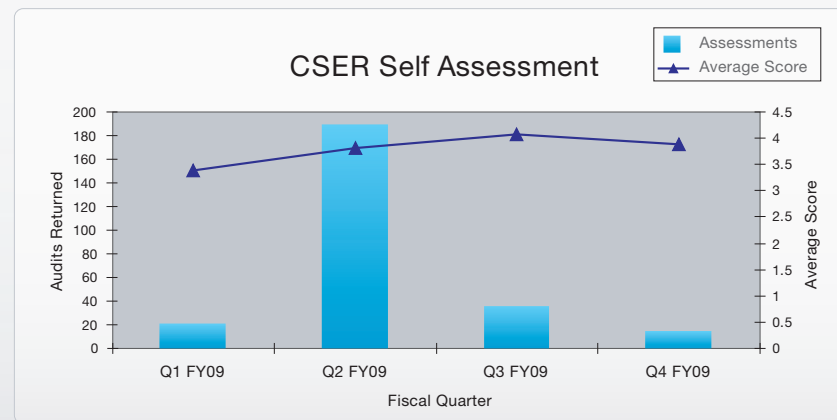
The chart above shows the average results achieved by suppliers in Phase 1.

Ratings: 1 = Worst, 5 = Best

#### Phase 2 (2009)

Focused on analyzing high volume suppliers in high-risk countries and high-risk manufacturing technologies such as cable assembly or sub-assembly suppliers.

In Phase 2, Flextronics identified 49 suppliers deemed to be at “high risk” after assessing their Self Audit Questionnaire results in Phase 1. Flextronics then worked with these suppliers to implement corrective actions that focused on health and safety areas.



### SELECTION AND QUALIFICATION OF NEW SUPPLIERS

Most of the suppliers that we work with are selected and qualified by our customers. However, there are a few Flextronics-managed suppliers that are qualified and selected based on the following criteria: financial stability, quality, CSER implementation, Product Environmental Compliance (PEC) and security assessment. The matrix below provides a snapshot of Flextronics' selection and qualification process:

Type of Assessment Type of Supplier	Pre-selection	Financial Assessment	SAQ Quality	SAQ CSER	SAQ PEC	SAQ Security	Process Assessment	Segment Specific Requirement	On-Site Audit	Distributor/Broker Assessment
A New Supplier to Flextronics	A	A	A	A	A	A	A	A	R	
B Re-Initiating Disqualified Suppliers	A	A	A	A	A	A	A	A	A	
C Change of Ownership (from customer owned to Flextronics owned)		A	A	A	A	A	A	A	R	
D Approved Supplier Supplying to New Segment			U	U	U	U	U	U	R	
E Approved Supplier Supplying New Product to Existing Segment			U	U	U	U	U	U	R	
F Approved Supplier Major Process Change			U	U	U	U	U	U	R	
G Approved Supplier Change of Manufacturing Location			A	A	A	A	A	A	R	
H Distributor/Broker	A	A		A	U	A			R	A

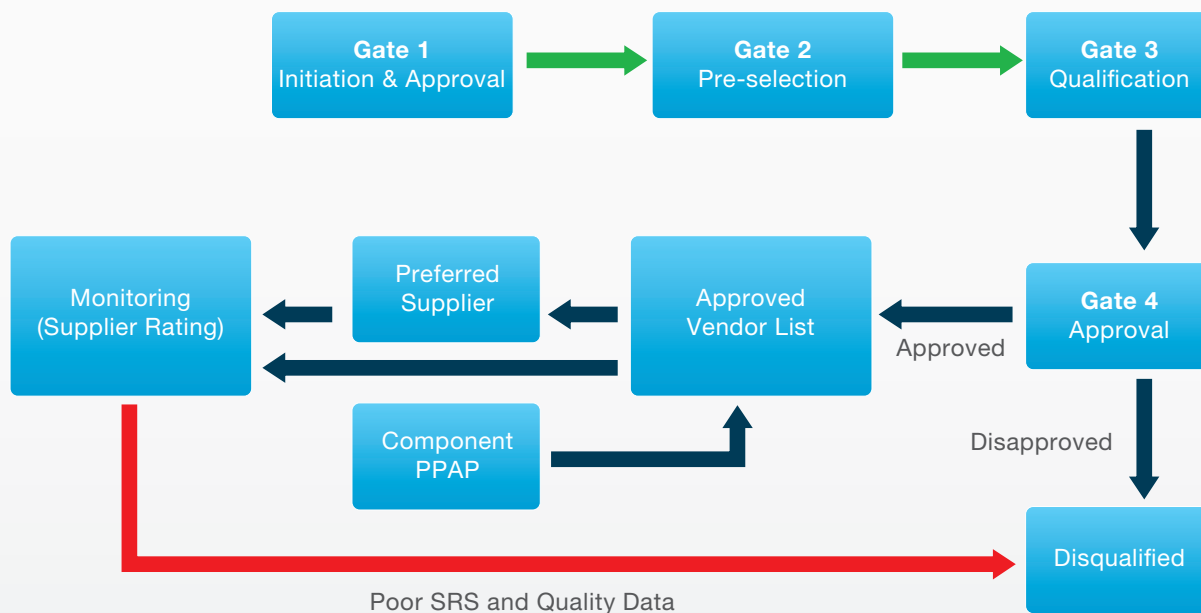
**Legend**

A = Action Required,  
 U = Update if Required,  
 R = Risk Based  
 PEC = Product Environmental Compliance

Note: A separate Quality Assessment Questionnaire is to be used when assessing a Distributor or Broker.

## CSR AND PRODUCT ENVIRONMENTAL COMPLIANCE ASSESSMENTS

CSR and Product Environmental Compliance (PEC) assessments are critical in the selection of new suppliers. The process flow used by Flextronics for new supplier selection and qualification is similar to the CSR assessment flow used to assess existing suppliers. The following chart depicts the flow:



## SUPPLIER ENVIRONMENTAL COMPLIANCE PROGRAM

Environmental compliance has always been an integral part of Flextronics. Besides complying with all local and international environmental laws and regulations, we also abide by the Restriction of Hazardous Substances (RoHS) directive and Waste Electrical and Electronics Equipment (WEEE) requirements. Here's a snapshot of our old and new supplier environmental compliance programs:

### ORIGINAL COMPLIANCE PROGRAM (PRIOR TO 2009)

The original program focused on:

#### A. TRAINING

Flextronics trained 2000 procurement and environmental data management personnel on environmental requirements, processes and liabilities. An Environmental Supplier Manual was also created to educate suppliers on how to comply with Flextronics' environmental requirements and systems. In the Original Design and Manufacturing (ODM) business arena, the supplier training was more comprehensive. It covered basic material training, homogeneous substance training and online Full Material Content (FMC) declaration system training.

#### B. ELECTRONICS MANUFACTURING SERVICES (EMS) COMPONENT DATABASE MANAGEMENT

Some customers design their own products and Flextronics builds it for them. Besides building their products, Flextronics went a step further by helping them manage their components database using a simplified compliance solution called "Level 1". Prior to 2009, we collected and managed a database of over 1 million components from over 8000 suppliers.

#### C. ORIGINAL DESIGN AND MANUFACTURING (ODM) MATERIAL CONTENT MANAGEMENT

Flextronics also provides design and manufacturing services for customers. Such services require a higher level of due diligence. As such, Flextronics designed a FMC solution called "Level 2" to accommodate this due diligence and to eliminate non-compliance risks. This solution collected the material content of more than 137,000 parts from 1,035 suppliers.

### NEW COMPLIANCE PROGRAM (SINCE 2009)

With the enactment of new environmental regulations that are being churned out at an exponential rate, Flextronics found that the original program (used prior to 2009) was no longer an efficient vehicle to collect data.

In May 2009, Flextronics deployed an updated Full Material Content (FMC) solution to succeed "Level 2". The updated version enlists FMC at homogeneous level for all substances to 100 percent of a part weight. To that end, suppliers are required to input data online via an automated declaration system.

Suppliers can input data into the FMC solution via an automated online declaration system. Flextronics has trained and qualified more than 500 suppliers on operating this system so that they can easily declare components when the need arises. Since May 2009, we have collected more than 9,034 parts declaration from 236 suppliers.

This FMC process is the future of environmental data compliance. Flextronics has taken a bold step in developing this system and we invite our suppliers and customers to help us make data declarations as efficient and simple as possible.

## FLEXTRONICS

The screenshot shows the Flextronics Suppliers Environmental Compliance MFR Dashboard. The interface includes a navigation bar with 'Suppliers', 'Home', 'Environmental Compliance', and 'Change Password'. The main content area is titled 'Environmental Compliance' and features a 'Welcome' message and an 'MFR Dashboard'. A 'Welcome Screen' is visible on the left with a 'Documentation' link. A 'What would you like to do?' section offers 'Manage Open Reqs' and 'Review Completed'. The central part of the dashboard displays a table for 'Environmental Compliance' with columns for 'Material Content', 'Declaration Status', and 'Declaration Date'. The table lists various material content items and their corresponding declaration statuses and dates.

Online Full Material Content (FMC) Declaration Page



## SUPPLY CHAIN CSER GOALS FOR 2010 & 2011

- To encourage more suppliers to utilize the Full Material Content (FMC) solution in order to meet customer requirements.
- Carry out CSR audits on 115 Flextronics-owned suppliers in Asia to ensure high level of CSER compliance.
- Initiate and engage the supply chain in greenhouse gas reduction initiatives.
- Collaborate with our customers in driving CSER activities and improvement programs across the entire supply chain.



## Epilogue

I would like to thank you for your interest in our Corporate Social and Environmental Responsibility (CSE) Sustainability Report.

FLEXpledge transcends basic corporate responsibility. It enables us to build vibrant and sustainable communities inside and outside Flextronics. It also allows us to attract, retain and mobilize talent, customers, suppliers and investors, thus further widening our competitive edge.

In this report, we have outlined the many strategic initiatives that we have undertaken to bring FLEXpledge into reality. Our FLEXpledge roadmap has clearly laid out the path for achieving our vision of becoming a sustainability steward in the industry. We hope that our commitment to ethics and governance, people, environment and community partnership can be seen, heard and felt by our employees, partners, investors and stakeholders.

We are extremely proud of our accomplishments, but sustainability is a journey. We strive to make FLEXpledge the way of life at Flextronics and a key part of our corporate DNA. With support from our employees and other stakeholders, we are confident that we will achieve our goals. We look forward to sharing with you our results in our next report.

Paul Humphries  
FLEXpledge Corporate Sponsor  
Executive Vice President  
Worldwide Human Resources and Management Systems



Flextronics Althofen (Austria)

**AMERICAS:** Brazil, Canada, Mexico, United States  
**ASIA:** China, Hong Kong, India, Indonesia, Japan,  
Korea, Malaysia, Singapore, Taiwan  
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The Netherlands, Norway, Poland, Romania,  
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