



## Corporate Social and Environmental Responsibility Program Sustainability Report 2010 / 2011

## MOST ADMIRABLE. HIGHLY INFLUENTIAL. TRULY CARING.

A Fortune 500 company:

- *FORTUNE China* rated Flextronics as one of the “World’s Most Admired Companies” in 2012
- Ranked #46 in the list of Top-100 Foreign Companies in 2011 by the China CSR Research Center, an authoritative body that promotes holistic CSR practices among local and foreign companies in China
  - \* Rating criteria was based on various attributes, including: Total Investment and Number of Employees in China; Export Value; Utilization of Local Supply Chain; Product and Service Quality; Innovation; Brand Image; Corporate Social and Environmental Responsibility (CSER).
- Ranked #102 in *Newsweek* magazine’s 2011 Top 500 US Green Companies
- *Fortune* magazine has continuously rated Flextronics 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.



Flextronics facility in Port of Tanjung Pelepas (Johor), Malaysia.

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## From the CEO



Welcome to Flextronics' second Corporate Social and Environmental Responsibility (CSER) Sustainability Report.

One of the key challenges in managing a company with hundreds of thousands of employees is to embed CSER at every layer in every site globally. I made excellence in CSER one of my personal strategic goals and have worked to ensure its importance as a vital part of our company's culture – one that we proudly identify as a sustainable competitive advantage. Our culture and business model work hand-in-hand to ensure simplicity, flexibility, competitiveness and above all – sustainability.

Over the last few years, our CSER program has expanded tremendously. We are fortunate to have received many awards and generated a considerable amount of positive interest from the media for these efforts. We are grateful for those accolades but we do not intend to rest on our laurels. We are truly committed to practices that serve the best interests of our people, shareholders, customers and our environment. These

practices, which will be thoroughly detailed in this report, ensure that the ethics and integrity of our organization are beyond reproach. We mandate compliance with all laws including environmental and labor rights, so that our people and the communities where we operate in are protected. With that intent, we implement the best corporate sustainability practices in all aspects of our business. We ensure that our internal and external stakeholders understand, and benefit from, our social and environmental accountability programs. The progress and continuity of our corporate citizenship commitment is strategically important to our long term success.

I am extremely proud of our team for successfully and passionately driving our initiatives to ensure that Flextronics is meeting all of our CSER commitments consistently and at industry leading standards. I would also like to acknowledge the important involvement and input from our external contributors, namely Alexandra Harney, the well-known author of *The China Price: The True Cost of Chinese Competitive Advantage* and an advocate of socio-economic issues in China and Japan, Li Tao, Beijing's Chief Collaborator of the Social Work Development Centre, and Yu Zhihong, Editor in Chief of *WTO Tribune*, China. Their views, especially in areas concerning migrant talent, who make up almost 85 percent of our employee base in China, have given us a better perspective in dealing with our employees in the country.

We continue to learn and grow from our experiences and constantly reaffirm our commitment to serve our employees and communities at the highest levels of good corporate citizenship. I am extremely proud of our leadership in these areas and my team and I are dedicated to advancing these efforts without fail.

*Michael McNamara*  
Chief Executive Officer





## About Flextronics

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.



**Meet Flextronics:**

Download Tag app from <http://gettag.mobi>

Flextronics organizes itself into four main groups:

<p><b>High Reliability Solutions:</b></p> <p><b>Medical</b></p> <ul style="list-style-type: none"> <li>▪ Consumer Health &amp; Drug Delivery</li> <li>▪ Disposable Devices</li> <li>▪ Medical Equipment</li> </ul> <p><b>Automotive</b></p> <ul style="list-style-type: none"> <li>▪ Connectivity</li> <li>▪ Lighting</li> <li>▪ Power</li> <li>▪ Electronic Control Units</li> </ul> <p><b>Aerospace &amp; Defense</b></p>	<p><b>Integrated Network Solutions:</b></p> <ul style="list-style-type: none"> <li>▪ Routers &amp; Switches</li> <li>▪ Base Stations</li> <li>▪ Servers &amp; Storage</li> <li>▪ Optical Switches</li> <li>▪ Home &amp; Business Access</li> </ul>
<p><b>High Velocity Solutions:</b></p> <p><b>Mobile</b></p> <ul style="list-style-type: none"> <li>▪ Smart &amp; Mobile Phones</li> <li>▪ Wireless Data Cards &amp; Modules</li> </ul> <p><b>Consumer</b></p> <ul style="list-style-type: none"> <li>▪ Gaming: Consoles &amp; Accessories</li> </ul> <p><b>Computing</b></p> <ul style="list-style-type: none"> <li>▪ EMS Computing</li> <li>▪ Printers</li> <li>▪ Tablets</li> </ul>	<p><b>Industrial &amp; Emerging Industries:</b></p> <ul style="list-style-type: none"> <li>▪ Semiconductor Capital Equipment</li> <li>▪ Test &amp; Measurement</li> <li>▪ Renewable Energy (Solar &amp; Wind)</li> <li>▪ LED Lighting</li> <li>▪ Office Automation</li> <li>▪ Smart Meters &amp; Controls</li> <li>▪ Home Appliances</li> <li>▪ Kiosk &amp; Self Service Solutions</li> <li>▪ Building Automation &amp; Security</li> </ul>

**4 Key Business Groups**

### 3 About The Flextronics Pledge



Of the many achievements that we are extremely proud of, The Flextronics Pledge ranks high on my list. The Flextronics Pledge is the heart and soul of our business sustainability which serves us in three ways:

First, CSER helps us to secure and retain a moral license to operate. Communities around the world are willing to partner with Flextronics because The Flextronics Pledge ensures that we conduct business ethically, treat our people respectfully, protect the environment relentlessly and build up communities around us continuously.

Secondly, The Flextronics Pledge aids us in building a positive working environment wherever we operate. This is especially important considering today's changing workforce demographics. Competition for talent is intensifying globally. With a healthy community atmosphere, Flextronics draws and retains the best talent, which in turn improves our business sustainability.

Thirdly, The Flextronics Pledge assists us in creating a powerful positive feedback chain which is instrumental for attracting and engaging new talent.

Although we have yet to reach the stewardship stage, we have made significant headway in many areas. For example, we have invested US\$9 million to enhance our employee facilities in Zhuhai, Guangdong Province. This investment brought remarkable returns, in terms of increased employee engagement rate and reduced attrition rate. As you will see from Alexandra Harney's foreword, we are aware that demographics and aspirations have changed in China. We are proactively taking steps to respond to these changes to remain as the employer, supplier and investment of choice in China. Over in Manaus, Brazil, our facility is rated as one of the top corporations to work for, with less than 0.1 percent attrition rate annually.

I am confident that we are on track to achieving The Flextronics Pledge roadmap targets, considering the steps that we have taken in the past years.

*Paul Humphries*

Executive Vice President, Human Resources

# About The Flextronics Pledge

## 3.1 The Flextronics Pledge Overview

The Flextronics Pledge's four cornerstones - People, Environment, Ethics and Governance, and Community Partnership – form the foundation of Flextronics' innovation and proactive solutions. "Beyond Responsibility, Building Community" summarizes the guiding principle behind The Flextronics Pledge. In that, Flextronics goes beyond meeting responsibilities by looking at various ways to enhance its corporate citizenship and workplace performance in a sustainable way. Flextronics is committed to ensuring eco-friendly manufacturing processes, promoting inclusive growth for our people, encouraging sustainable communities, as well as bringing about economic-regeneration through close collaboration with our supply chains.

Through The Flextronics Pledge, Flextronics continues to explore innovative ways of making positive differences within the communities we operate in. By integrating responsibility and transparency into our business, Flextronics aims to build positive relationships and trust with our stakeholders. The Flextronics Pledge is the catalyst that helps us to achieve that goal and deliver sustainable impact on the global communities in which we live and work to become a trusted employer,

partner and investment of choice.

The Flextronics Pledge is also interwoven into the key values that drive Flextronics' actions. It embodies the spirit of our corporate commitment to build a sustainable framework for social, economic and environmental activities that are integral to, and consistent with, our purpose and values. The Flextronics Pledge calls for us to identify our stakeholders' perspectives and interests, create a timeline for action, and generate a process for reviewing and assuring outcomes.

Complementing The Flextronics Pledge are risk management tools and robust systems that govern every aspect of our CSER program. The latter ensures that policies and directions are effectively and consistently embedded, implemented and monitored across Flextronics' global facilities. The tools and systems are critical to Flextronics' sustainability roadmap that is designed to mitigate risk while being proactive and strategic in nature. This systematic approach acts as our CSER compass, allowing us to respond to sustainability challenges towards positive social, economic and environmental transformation.

### The Flextronics Pledge Cornerstones

#### Environment

- Global Environment Leadership programs

#### Community Partnership

- Flextronics Foundation
- Community Involvement
- Employee Matching Donations
- Tech@Campus

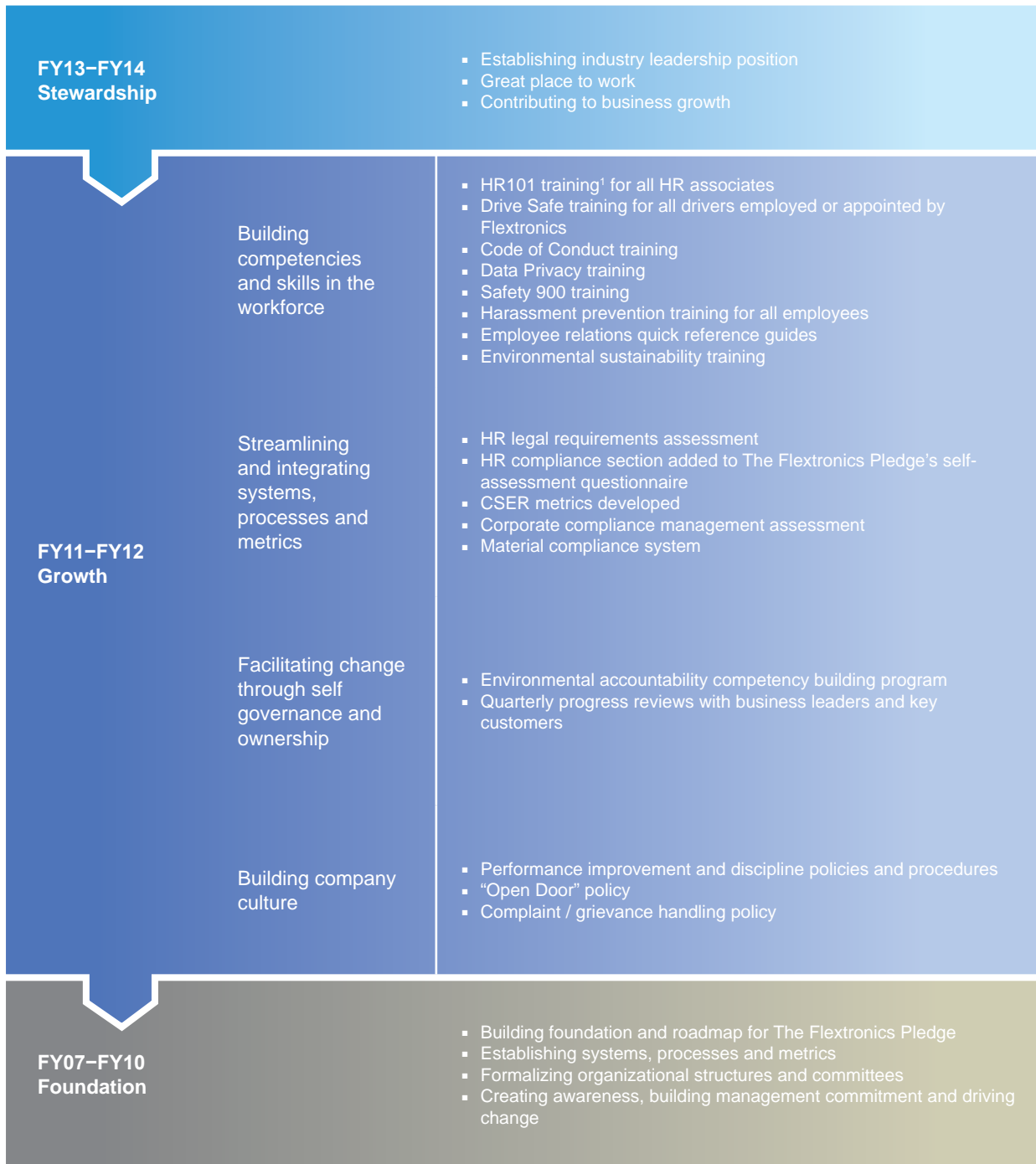
#### Our People

- Human and Labor Rights
- Health and Safety
- Learning and Development

#### Ethics & Governance

- Code of Conduct
- Flextronics Ethics Hotline

### 3.2 The Flextronics Pledge Roadmap



<sup>1</sup>HR101 aims to unify our HR community's understanding of Flextronics' HR philosophy and practices.



### 3.3 The Flextronics Pledge: Leading the way with EICC and GBI

#### 3.3.1 Electronic Industry Citizenship Coalition (EICC)



Electronic Industry Citizenship Coalition (EICC) is a non-profit, membership-driven global association aimed at forming a single code of conduct responsible for the insurance of a corporately responsible supply chain within the information and communications technology sector.

As a founding member of EICC, Flextronics works diligently to ensure that every link of its global electronics supply chain contributes positively to the environmental soundness of the products it produces, and at the same time strives to improve the working and environmental conditions across its supply chain network.

The following five focus areas of EICC form the cornerstones of The Flextronics Pledge:

##### 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

##### Environment

- Permit and reporting
- Pollution prevention
- Hazardous substances
- Wastewater
- Solid waste
- Air emissions
- Product content

##### 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
- Humane treatment
- Non-discrimination
- Freedom of engagement with management

##### Ethics

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

#### 3.3.2 Global Business Initiative on Human Rights (GBI)




GBI is a unique business-led initiative focused on advancing human rights in a business context around the world – with a focus on emerging and developing markets. GBI strives to bring together business leaders to share good practices, while identifying barriers to the advancement of human rights and providing input for international policy developments. GBI works together with the UN Global Compact Office and is supported by the Swiss Government. GBI is also a platform to promote the

adoption of the United Nations' Guiding Principles on Business and Human Rights which was endorsed by the UN Human Rights Council in June 2011 by businesses and corporations.

Flextronics has been a member of GBI since March 2, 2010. The move solidifies our commitment towards respecting and protecting the rights and dignity of our employees. Flextronics will continue to map and carry out our practices and policies to ensure compliance with the UN Guiding Principles.



## 4 CSER Deployment and Management



**Creating Awareness**

- Educate site leaders on Flextronics' CSER program before they train their operations personnel



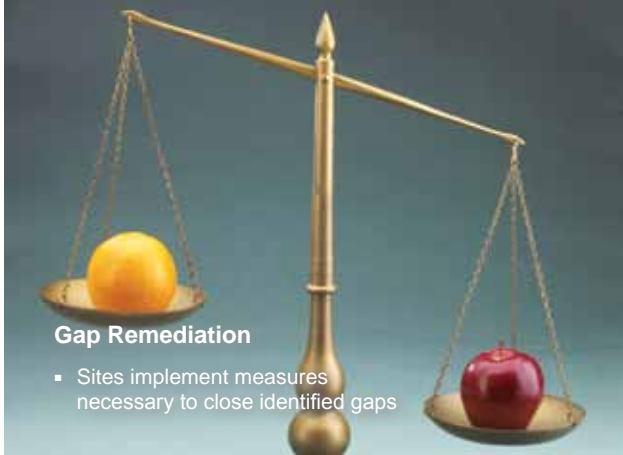
**Employee Training**

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



**Program Assessment**

- Carry out site-based assessments to identify gaps



**Gap Remediation**

- Sites implement measures necessary to close identified gaps



**Sustainability Assurance**

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



**Assessment**

- Ensure successful gap closure



**Competency / Certification**

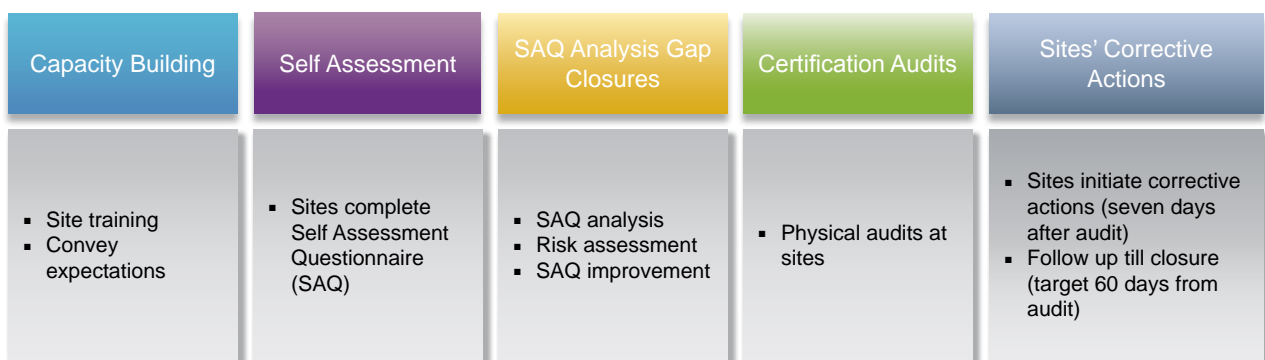
- Sites are certified for demonstrating compliance to the standards

## 4.1 CSER Deployment

### 4.1.1 The Flextronics Pledge Certification Process

All our global sites aim to have The Flextronics Pledge certification by FY14. In order to be certified, all sites must adhere to the compliance process shown in the diagram below and attain audit scores of between 96 to 100 percent.

#### The Flextronics Pledge Compliance Process



### 4.1.2 The Flextronics Pledge Assessment Categories and Criteria

#### Labor

- Freely chosen employment
- Working hours
- Child labor avoidance
- Wages and benefits
- Humane treatment
- Non-discrimination

#### Environmental Health and Safety (EHS)

- Occupational safety
- Emergency preparedness
- Safety in dorms, kitchens, canteens
- Physically demanding work
- Machine safeguarding
- Pollution prevention
- Product Environmental Compliance (RoHS, etc)

#### Ethics and Governance

- Code of Conduct
- Anonymous reporting
- Business integrity
- Disclosure of information and intellectual property

#### Management Systems

- Monitoring legal requirements
- Training
- Documentation & records
- Communication
- Audits and corrective actions
- Management reviews

#### Community Partnerships

- Site outreach programs
- Promotion of The Flextronics Pledge to the community

#### On-Site Contractor Control

- Training of contractors
- Contractor reviews and assessments

### 4.1.3 The Flextronics Pledge Certification Results

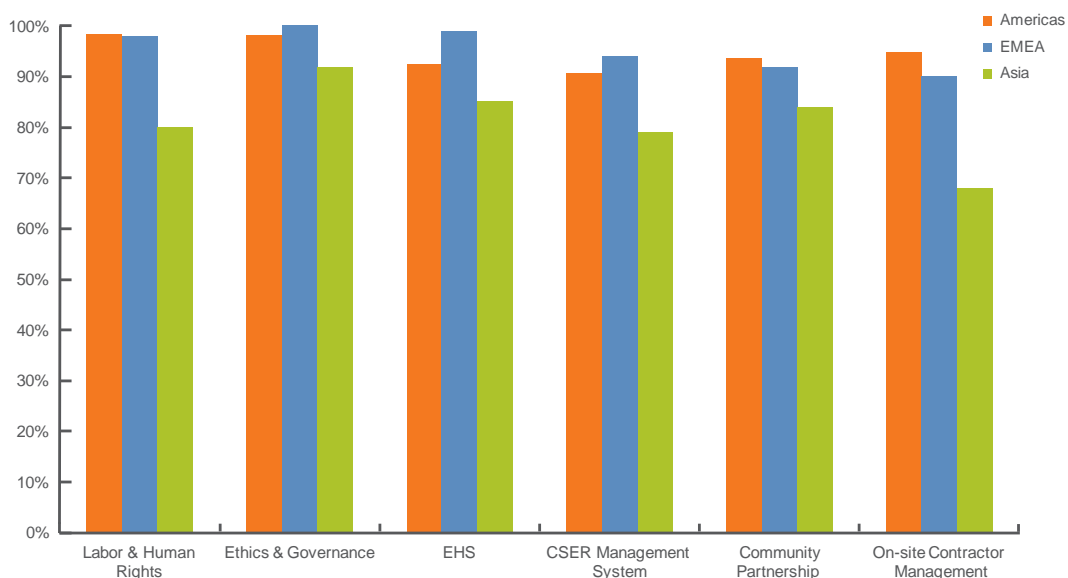
Flextronics has been conducting The Flextronics Pledge certification audits on its sites globally since this process was introduced in 2009. Audits are conducted by the corporate regional CSER teams upon successful implementation of The Flextronics Pledge requirements and passing the required score on their self-assessments.

The Flextronics Pledge certification assesses the overall implementation and adherence of the CSER management system. It also evaluates the establishment of Plan-Do-Check-Act / Review process. Specifically, the certification audit covers six criteria:

1. Labor / Human Rights Practices
2. Ethics & Governance
3. Environmental, Health & Safety (EHS)
4. Community Partnership
5. On-site Contractor Management
6. The overall CSER Management System

Globally, 35 sites have been certified to date (17 in the Americas, 16 in EMEA and 2 in Asia).

**The 2011 Flextronics Pledge Audit Scores**



\* Each criteria has a full score of 100 percent.

We are currently focused on improving The Flextronics Pledge audit scores in Asia by addressing the following issues:

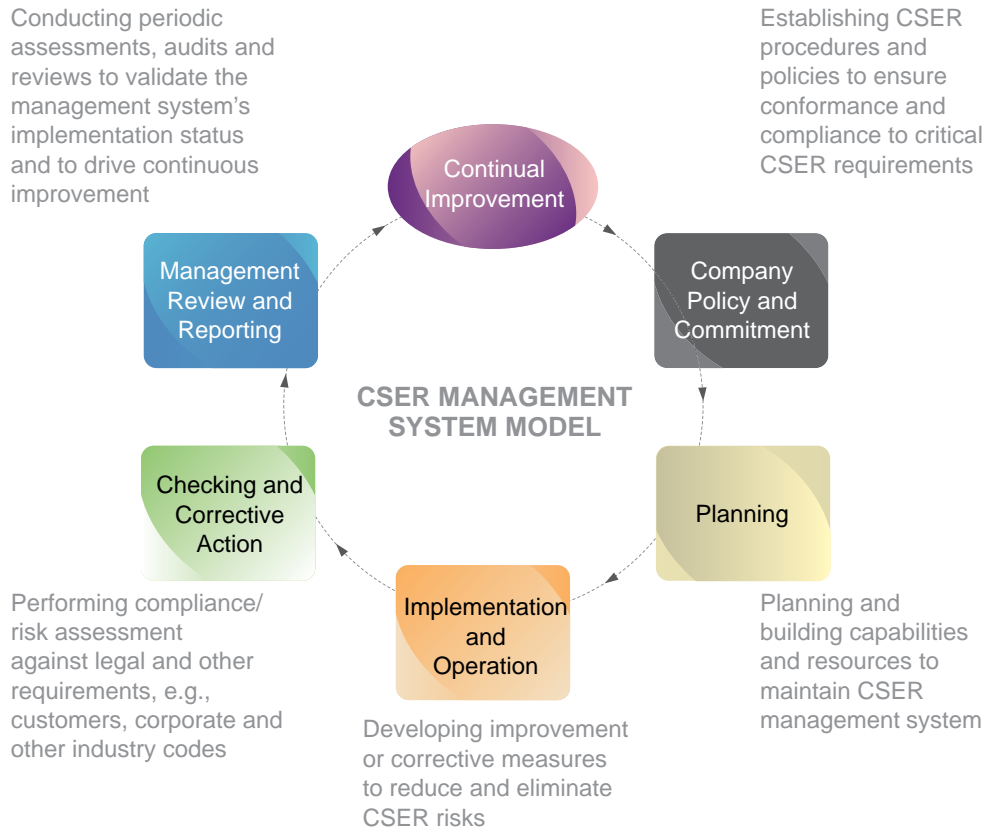
1. Delayed or partial implementation of the CSER management system
2. Delayed or partial adoption of health and safety best practices
3. Structural and systemic issues in some countries.

All Flextronics sites are expected to attain The Flextronics Pledge certification. To achieve this goal, the corporate CSER leads conduct regular visits to the sites, to provide guidance and coaching. These CSER leads have also developed a toolkit containing policies, standards and procedures to aid the sites in strengthening their management systems.

The evaluation process continues to the post-certification stage to ensure continuous improvement and full compliance. This process also guides the translation of The Flextronics Pledge principles into concrete actions.



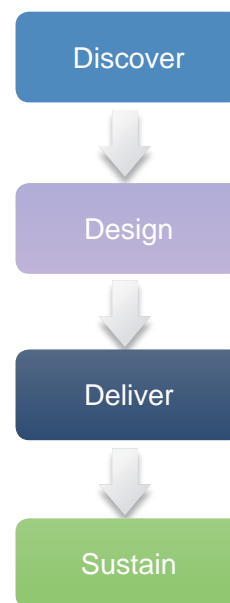
## 4.2 CSER Management



### 4.2.1 Operating Process

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

- The Discover phase involves monitoring external global market drivers such as regulatory requirements, customer needs, consumer habits, NGO feedback, etc.
- The Design phase entails crafting out strategies and tactical directions.
- The Deliver phase sees us implementing all the strategies across our global operations and supply chain.
- The Sustain phase involves maintaining and enhancing the business model through constant assessments, audits and feedback mechanisms.



## Stakeholder Engagement

Flextronics actively engages its internal and external stakeholders. We advocate open communication and provide employees at all levels with consistent, timely and accurate information. Externally, Flextronics collaborates with non-governmental organizations (NGOs) and industry groups. These include Electronics Industry Citizenship Coalition (EICC), The American Electronics Association (AeA), Global Strategic Initiative (GSI), Global e-Sustainability Initiative (GeSI), Global Business Initiative on Human Rights (GBI), Students and Scholars Against Corporate Misbehavior (SACOM), Finnwatch and Center for Research on Multinational Corporations (SOMO). The goal is to allow Flextronics and all these organizations to better collaborate, communicate and enhance transparency in order to improve labor, human rights and environmental conditions.



## Our People

Building a Community with  
Respect and Dignity

- 6.1 Flextronics' Human Resource  
Management Strategy
- 6.2 Health and Safety
- 6.3 Human and Labor Rights  
*Empowering the Hearing-Impaired*





### Foreword by Alexandra Harney

China's migrant workforce's mindset has changed more in the last five years than at any time in the past 30 years. The tens of thousands of young workers who sit on trains, boats and buses for up to 24 hours to reach Flextronics' factories today, are less motivated by money, faster to complain, and harder to understand than ever before.

Demographics have given Chinese workers more leverage. China's family planning policy, introduced in 1979, has lowered the country's birth rate to 1.5 children per woman, just above that of Japan. As a result, in the last several years, the lines of applicants that once ran around the block at many factories have shortened, and in many cases even disappeared. There are simply not as many people around to work in factories: the number of Chinese between the ages of 15 to 19 peaked in 2005.

Just as important as the actual number of workers is their mindset. Growing up in smaller families in an ever-wealthier China, today's migrants have a greater sense of their own value. Their parents have higher hopes for them.

And workers have more options. A job assembling printers in a

coastal factory is no longer the only choice for a young man or woman with a junior high school or high school diploma. There are also opportunities to work in stores, restaurants, hotels, hospitals and beauty salons. Factory work, regardless of whether the factory is owned by a Nasdaq-listed multinational or a local businessman, has quickly acquired a social stigma, particularly among people born after 1990. I regularly meet workers who tell me they never want to work in a factory. But many admit the other options are also not ideal.

Companies with a manufacturing presence in China ride on the knife's edge of these rapid and confusing changes. With double-digit wage rises and strikes increasingly common, understanding the workforce is no longer the job of a handful of labor activists and corporate social responsibility (CSR) executives. It is essential knowledge for any company serious about remaining globally competitive.

The implications for companies employing people in China are manifold. First, companies need to adjust to the idea that in many ways, Chinese workers have become more like their counterparts in other countries.

They know their legal rights. They stand up for themselves. And their expectations are only rising. That means that wage inflation is here to stay. But so are sit-ins, strikes and other protest actions.

Second, Chinese migrant talent are much more mobile than their counterparts in other countries. Many think nothing of changing employers more than once a year, particularly if the salary drops because of a slowdown in the business. That means that high turnover is a fact of life in China. Workers are slippery and their slipperiness is costly for employers who have to train their replacements.

Third, Chinese workers are hungry for advancement and status. Employers that tap into these desires through, for example, programs that enable workers to see a path to promotion or entrepreneurial pursuits will retain their staff for longer while achieving higher productivity.

For companies like Flextronics that employ migrants in China, the conversation must be even bigger than CSR and sustainability. Legal and competitive working hours, wages and conditions are the minimum standard. The discussion now must be about finding ways to understand, inspire and retain this changing Chinese workforce.







Alexandra is the author of *The China Price: The True Cost of Chinese Competitive Advantage* (Penguin Press, 2008) and a respected voice on socio-economic issues in China and Japan. *The China Price* was named the best book of the year on globalization by *Library Journal*.

A frequent speaker on economic and social issues in China and Japan, Alexandra spent seven years as a correspondent and editor at *The Financial Times*, covering China and Japan. She has also written for the *Atlantic*, *the New York Times*, *the Wall Street Journal*, *Time Magazine*, *Forbes*, *Slate*, *the China Economic Quarterly* and *Foreign Policy*.

A Mandarin and Japanese speaker, Alexandra is the co-founder of Visibility Media, which conducts research for investors and institutions about economic, business and social issues in Asia, a contributing editor at *the Economist Intelligence Unit* and a regular commentator in the media, including the BBC, NPR and Japanese television.

Alexandra graduated cum laude, Phi Beta Kappa from Princeton University with a degree from the Woodrow Wilson School of Public and International Affairs. She studied Japanese security policy at Tokyo University's graduate school on a Monbushio fellowship.

Alexandra was named an Asia Society's Asia 21 fellow. In 2010, the American Chamber of Commerce in Hong Kong named her the Young Achiever of the Year. She is a term member of the Council on Foreign Relations and an associate fellow at the Asia Society, and sits on the Internationalization Advisory Board at the University of Central Florida's Center for Global Perspectives.

More information about Alexandra Harney can be found at <http://www.alexandraharney.com>.



The story of Ai Zheng's initial struggle is common across China. There are over 240 million migrant talent in China<sup>2</sup> often living a lonely and harsh existence. Despite some reforms, they are often denied basic rights to health and education services, and are vulnerable to exploitative working conditions.

Migrant talent often journey up to three days by train to work in factories in coastal cities, just like the ones Flextronics operates. Eighty-five thousand Flextronics employees in China are migrant talent.

Flextronics recognizes their immense contribution and has taken steps to make them feel at home while providing them with a sense of belonging and looking after their emotional and developmental needs.

Flextronics sees its employees as integral partners in the organization's future and success. We also recognize that employee morale and culture are inextricably linked to productivity, recruitment and retention. Echoing Alexandra Harney's words, employee engagement is vital especially in developing countries such as China.

This section discusses how Flextronics recognizes the power of true employee engagement and gives our employees a work environment in which they can achieve their goals and advance in their careers by tapping into various programs and initiatives.



<sup>2</sup> Source: Financial Times

## 6.1 Flextronics' Human Resource Management Strategy

We aim to develop a comprehensive human resource strategy that reinforces a high performance, entrepreneurial culture while simultaneously creating an environment that allows employees to achieve their personal and professional aspirations through the following systematic approach:

- A. Time to Acquisition:** Attracting and retaining talent by providing a conducive environment that fosters career growth and a caring and supportive teaming environment
- B. Time to Performance:** Establishing learning and career development programs that empower our people to achieve their dreams and aspirations
- C. Time to Engagement:** Once we have identified the right talent, this strategy addresses how we engage, inspire, and retain them. It also examines how we engage employees to serve the local community and in the process, find a sense of belonging to the community
- D. Time to Transformation:** This strategy strives to transform Flextronics into a great place to work while strengthening the human resources function to become a cost, quality and customer-focused strategic business partner



### My Career, My Team.



The Flextronics experience promises employees great careers and a collaborative team environment to help them achieve both professional and personal goals.



“Our goal has been clear from day one – it’s our people who can make a positive difference. Therefore, obtaining high quality employees, training them to be the best, and retaining them are crucial to the success of Flextronics.”

**Paul Humphries**  
Executive Vice President of Human Resources

A. Time to Acquisition

As business grows, the pressure to create a sustainable talent pipeline increases. At Flextronics, we address this challenge by establishing an agile and robust HR strategy in acquiring and managing talent. It involves hiring the right quantity and quality of people at the right cost and at the right time. All these will help us to achieve the following goals:

- Create a conducive working environment that is able to attract people to work at Flextronics
- Create appropriate and effective channels to feed the talent pipeline
- Develop the right tools to support the staffing process and ensure that we hire the best talent

**Testimonial**

“Coming from a tiny, rural village, I felt a little apprehensive when I first stepped into Flextronics Zhuhai’s industrial park. Everything looked enormous and intimidating – the buildings, production floors and even machines towered over me. I suddenly felt tiny, surrounded by a sea of strangers. Fortunately, all my earlier anxieties ebbed away as I began work. My superiors and colleagues were extremely supportive, collaborative, and even candid. I was able to raise various concerns and sensitive issues freely – something I wouldn’t have dared do in my previous jobs. Instead of being reprimanded, I was given

clarification and even solutions to the issues raised. All in all, the team culture at Flextronics is great – I feel valued as an individual and as a team member. Moreover, I know a solid career path awaits me at Flextronics and I’m seizing every opportunity to progress upwards. I feel empowered as I’m no longer a frightened country boy...”

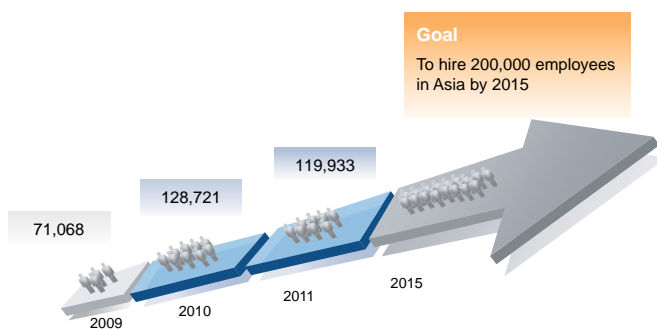
**Yuanli Han**  
**Operator**  
**Flextronics Zhuhai, China**



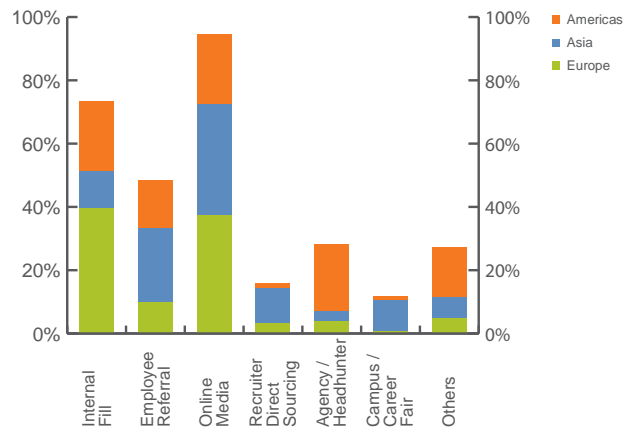
**Recruitment Channels**

Flextronics’ workforce is growing rapidly in Asia - we recruit talent via internal staffing centers, employee referral program, campus recruitment, job portals, agencies and fairs.

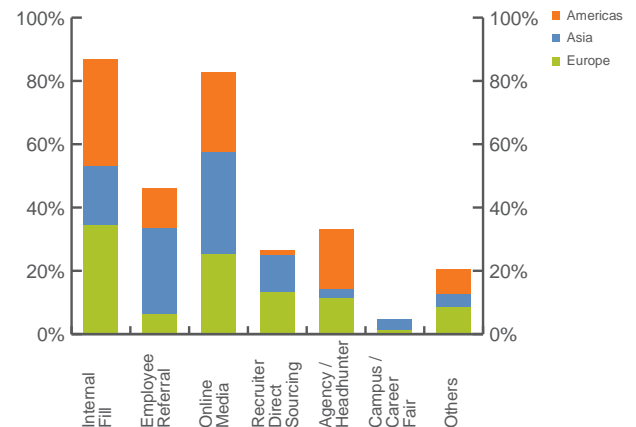
**Flextronics’ Workforce Growth in Asia**



**2010 Flextronics Global Source of Hire**



**2011 Flextronics Global Source of Hire**







### Did you know...?

- To select and build a quality talent pipeline, Flextronics has assessed more than 4,700 potential employees based on the predictive index tool that measures work-related behaviors and motivating factors that impact job performance.
- We have successfully integrated over 81,000 employees from the various companies we acquired over the years.
- Our staffing centers in China decreased our talent search fees by over 80 percent. Today, 99 percent of our new hires in China are processed through these centers.
- To strengthen our talent pipeline, we have partnered with the following universities in China: Tsinghua University, Huazhong University of Science and Technology and Guangdong University of Technology.
- 60 percent of all candidates referred to us via the Employee Referral Program have been successfully hired.

**B. Time to Performance**

Flextronics recognizes the need to foster our people’s professional growth and development so that they can perform well in their career. From the first day of work, our employees are given the resources and support they need to succeed. We advocate continuous learning and have established numerous development programs designed to enhance employees’ proficiencies and prepare them for a promising career with the company. In return, our people are well prepared to support and lead our rapid business growth.

**BI. Learning and Organizational Effectiveness (OE)**

Many strategic learning and development programs have been built to empower employees, some of which are highlighted below:

Target Audience	Direct Labor		Indirect Labor				University Relations	Learning Vision & Strategy
Learning Programs	Onboarding	Technical / Functional Skills	Systems & Process	Management & Team Skills	Leadership & Business Skills	Customer Skills		
<b>Offerings*</b>	<ul style="list-style-type: none"> <li>• NEE</li> <li>• Leadership Success Accelerator</li> </ul>	<ul style="list-style-type: none"> <li>• Site / Product Specific Programs</li> <li>• CAP</li> </ul>	<ul style="list-style-type: none"> <li>• IT</li> <li>• CSER</li> </ul>	<ul style="list-style-type: none"> <li>• Targeted Selection</li> <li>• Goal Setting</li> <li>• Managing Performance POM</li> <li>• Developing Your Direct Reports Gateway</li> </ul>	<ul style="list-style-type: none"> <li>• FLP</li> <li>• ELP</li> <li>• BLP</li> <li>• Flex Factory</li> <li>• Creating Value Through Negotiations</li> <li>• FlexService</li> <li>• LAP</li> <li>• Key Executive Talent Program</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Service Fundamentals</li> <li>• Listening to Your Customers</li> </ul>		
<b>Disciplines*</b>	Process & Product Engineering	Test Engineering	Industrial Engineering	IPC	Mechanicals	Plastics Molding		
	Quality / Lean & Six Sigma	Operations & Supply Chain Management	Human Resources	Finance	Project & Program Management	Business Development		
	Communication	Leadership & Strategic	Change Management	Compliance				
<b>Approaches</b>	<b>Formal</b> <ul style="list-style-type: none"> <li>• Instructor-led Skill-Based</li> <li>• eLearning – FlexU, SkillSoft</li> <li>• Global English, eCornell</li> <li>• Feedback-intensive Development Programs</li> </ul>		<b>Developmental</b> <ul style="list-style-type: none"> <li>• Ex-pat Assignments</li> <li>• Job Rotations</li> <li>• Strategic Projects</li> <li>• Stretch Assignments</li> <li>• Increase in Job Scope</li> </ul>		<b>Collaborative</b> <ul style="list-style-type: none"> <li>• Internal or External Coaches / Mentors</li> <li>• Cohort Development Programs</li> <li>• Leader Exchanges</li> </ul>		<b>Informal</b> <ul style="list-style-type: none"> <li>• Books 24x7</li> <li>• Conferences</li> <li>• Off-the-job Experiences</li> </ul>	
<b>Tools &amp; Technology</b>	Learning Management System		Content Management & Development			Reports & Analytics		
<b>Culture</b>	Executive Support		Performance Management	Development Planning	Knowledge Sharing			

**BII. Flex Talent**

Flex Talent was developed to help employees accelerate their career and further develop their skill sets. This tool provides managers and their staff with a comprehensive view of their performance and career progression. Managers can access their staff’s performance, track their progress, and review their career development and progression plan. Flex Talent also includes a “360-degree” performance review and feedback process. This assessment program covers all the areas in which an employee interacts and collects feedback from all those involved. An immediate supervisor rates an employee, who is also reviewed by co-workers, customers, subordinates and others inside the company.

Flex Talent also incorporates a succession planning process of identifying key talents within each department and develops them to assume leadership positions when the existing leaders’ term ends. Succession Planning is a comprehensive plan to address both current and future leadership needs while maintaining the existing merit principles.

### BIII. Business Leaders Program (BLP)

The Business Leaders Program (BLP) was designed to help our business-level leaders (Directors and VPs) build their personal, strategic and people leadership skills in order to balance the complex, long-term and visionary aspects of leadership while managing the day-to-day operations. Specifically, at the end of the program, participants will be able to:

- Understand the impact of their current leadership style/skills and formulate plans for individual development
- Increase appreciation of their role as a leader in shaping, reinforcing and evolving our culture
- Apply a framework for strategic leadership within their team and organization
- Apply systems thinking to business situations
- Adopt tools to support innovation and be able to generate innovation in their area
- Apply a strategic approach to leading change and building capability in working with and leading others through change
- Gain coaching skills and tools
- Understand how to build effective teams.

To date, over 98 leaders have benefitted from this program, which was piloted in late 2010.

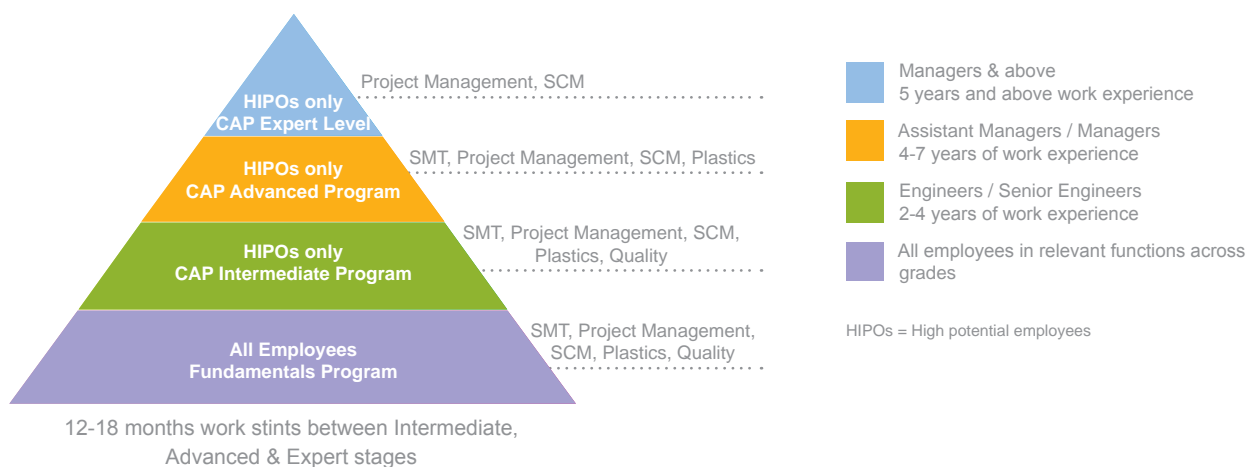
### BIV. Capability Acceleration Program (CAP)

The Capability Acceleration Program (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<sup>3</sup>, 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 who will help the organization achieve 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.

In 2010 and 2011, 1,096 employees enrolled in CAP programs and 304 employees were awarded CAP certifications.



<sup>3</sup>The Test Engineering Mobile Fundamental Level program was launched in early 2012. The program consists of 10 modules which are a blend of instructor-led training and online sessions targeted at engineering employees or fresh university hires who are responsible for test engineering in the mobile domain.

**BV. Emerging Leaders Program (ELP)**

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 improvements, 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. As of 2011, 720 leaders have completed this program.

**BVI. Frontline Leaders Program (FLP)**

This program equips frontline leaders with basic supervisory skills to help them effectively lead, motivate and develop their direct labor employees. Over 45 leaders have benefitted from this program, which was piloted in late 2010.

**BVII. Leader Success Accelerator (LSA)**

The Leader Success Accelerator (LSA) program is a special on-boarding initiative targeted at newly-hired or transitional senior leaders. This program aims to:

- Accelerate leadership proficiency levels
- Acclimate new leaders with Flextronics' culture
- Take advantage of valuable networking opportunities
- Avoid pitfalls and barriers that often derail leaders in transition
- Improve time-to-productivity.

**BVIII. Lunch & Learn Program**

This is an informal learning session held during lunch hour to educate and inspire business leaders. Various topics including CSER and customer care are shared during these sessions.

**BIX. Total Rewards**

The Flextronics Total Rewards philosophy is based on a differentiated "Reward for Performance" model with the sole purpose of enabling the business to maximize operational performance, including creating shareholder value. This rewards philosophy is rooted in our commitment to internal pay equity and fairness, as well as external market competitiveness. Our core values, leadership traits and value propositions foster a flexible working environment that rewards individual achievement and recognizes diversity and social responsibility, ultimately allowing Flextronics to attract, retain and motivate employees.



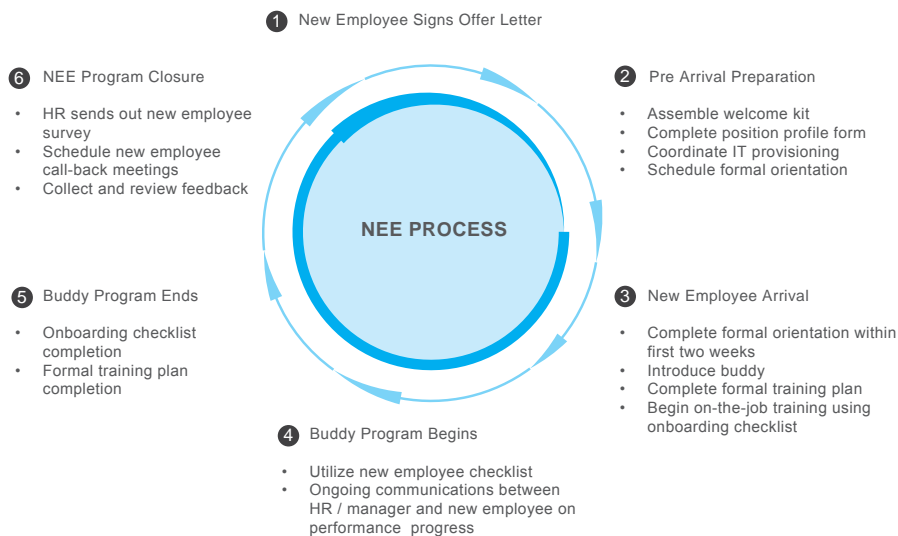
C. Time to Engagement

Once we have identified the right talent, this strategy addresses how we keep people on board and significantly reduce the negative impact and high cost of attrition.



CI. New Employee Experience (NEE)

Employees are most vulnerable when they first join the company. A good first impression of the company often determines their decision to stay. As a result of this, we have designed a New Employee Experience (NEE) program which is intended to capture the hearts and minds of our employees when they first enter the company. The program is divided into three major parts: pre-arrival, formal orientation and a structured coaching-mentor program that is intended to “wow” employees and make their Flextronics experience one that is truly memorable and representative of the company’s culture and values.



## CII. Learning and Development

Flextronics actively promotes continuous learning by encouraging employees to develop and advance their career through Flex University, in addition to many other specialized training opportunities. Flextronics-provided learning and development programs help pave the way to employee success. For instance, the Emerging Leaders Program (ELP) provides first-time leaders with the knowledge, tools, and opportunities to enhance their leadership skills to better manage their teams, drive improved business results, and demonstrate Flextronics leadership traits and behaviors.

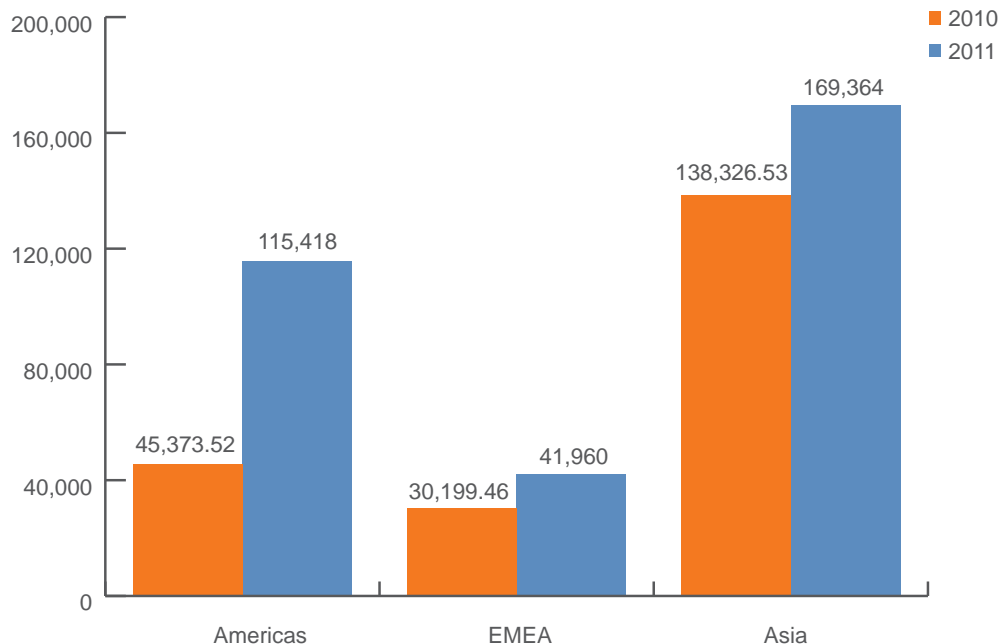
### Flex University (FlexU)

Well-trained employees are integral to our success. Flextronics has amalgamated training information and delivery options as one integrated learning management system, called FlexU. This platform provides a comprehensive solution for Flextronics' training and administration needs. All Flextronics employees have access to over 633 courses offered via FlexU. The university delivers job knowledge across a variety of topics ranging from manufacturing operations to professional development, computer skills, and lean manufacturing. It also houses an online library (Knowledge Bank) that contains common reference documents, training materials and reports.

To expand on FlexU's program offerings, Flextronics established a partnership with Cornell University in October 2009. The partnership aims to enhance employees' leadership and management skills through 75 online courses that cover 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.



2010 / 2011 Flex University Training Hours



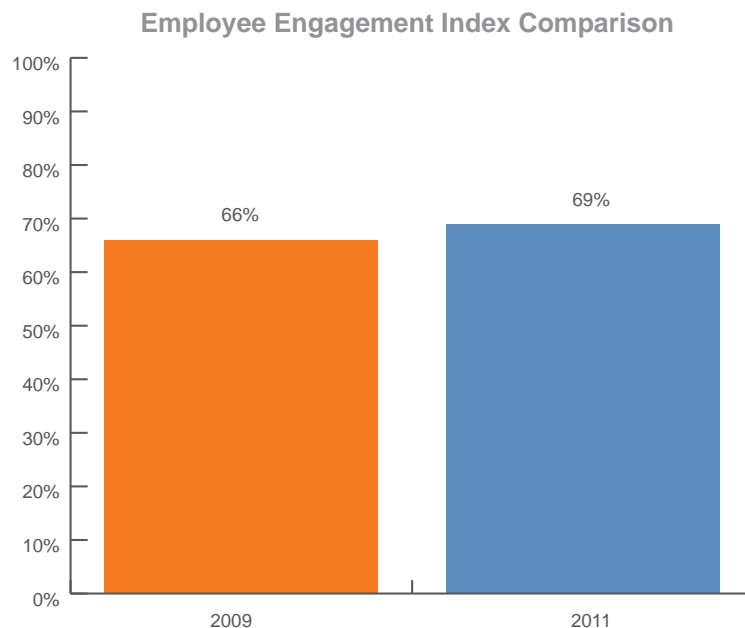
### CIII. Performance-based Culture

The culture of success is driven by a passion and desire to innovate and think outside the box. Commitment, leadership and innovation are rewarded by fostering a climate of learning and self-improvement while respecting human and labor rights. We define exactly what behaviors we want to see exhibited in consistency with the values of the organization and establish best practice processes and structures to drive these behaviors. In the process, we communicate with, coach and train our employees. We reward our employees accordingly in terms of bonus and incentive compensation plans, as well as internal awards and recognition programs.

#### Communications and Employee Engagement

Overall, the engagement programs are based on encouraging open communications and enforcing an “open-door” policy in the day-to-day operations. Transparency is promoted throughout the organization by providing employees at all levels with consistent and accurate information. We have made various communication channels available, to enable employees to discuss and air any grievances in a safe and anonymous (if desired) manner. The communication channels include:

- Online anonymous reporting and forum discussions
- Suggestion boxes
- Blogs
- Coffee talks and town hall meetings
- Newsletters
- Employee engagement surveys
- Internal social media portal
- “Talk2Me” structured roundtable employee sessions.



The global employee survey in 2011 indicated an improvement compared to 2009 results. The overall engagement rating increased by three per cent, and was attributed to the following:

- More employees indicated a strong sense of commitment to the company
- More employees indicated a willingness to transcend the call of duty to get the job done
- Higher satisfaction from receiving company information in a timely and regular manner

The survey results also indicated desired improvements in the areas of reward and recognition, as well as career planning and development. In that regard, we are elevating our efforts in promoting and implementing pay-for-performance approach, job enrichment methodology and “Flex Talent” to facilitate managers’ career planning and development discussions with their employees.

## Testimonial



My name is Maria Rios Ramos. I joined Flextronics as a temporary operator stationed at the printed circuit board assembly line right after junior high school without any work experience. I recall how nervous and overwhelmed I was on my first day at work at the sight of endless lines of machines. As I underwent training, I started to learn the different aspects of work at the factory. I was soon promoted to become a universal operator.

I had basic computer operating knowledge and harbored a dream of becoming a Data Entry Clerk. An opportunity struck when my supervisor informed me of a data entry clerk vacancy at the warehouse. I applied for the position and was elated when my application was accepted. I didn't realize that warehouse operation was a lot more complicated than I thought. I had to follow up on purchase orders, employee payroll issues and deal with suppliers. Feeling unequipped, I

sensed a strong need to further empower myself by improving my skills, but I realized that would cost money and time away from my five-year old son.

One day, I discovered that Flextronics was offering an on-site high school education scholarship program. About 200 employees applied and I was one of the lucky ones to get the scholarship; credit it to my supervisor who supported me through the internal selection process. I have never looked back since then; I gave my undivided attention to obtain my high school diploma. After two years of hard work, I graduated along with 89 other colleagues. This opened the door to career progression, which led to my financial stability.

I'm also proud to say that I have managed to overcome my timidity and have become more sociable. I also developed a stronger sense of responsibility in everything I do. My son is my biggest source of motivation and today, I am more equipped to provide him with a better future. I'm glad to work for this corporation as Flextronics has provided a better life for me and my family.

**Maria Rios Ramos**  
**Warehouse Clerk**  
**Guadalajara South Campus**



## D. Time to Transformation

"Time to Transformation" focuses on establishing Flextronics as a great place to work while transforming the human resource function into a cost, quality and customer-focused strategic business partner.

This Human Resource Management Strategy also bolsters our vision of "creating a company of limitless scale". In that regard, Flextronics human resource organization has strengthened its infrastructure and streamlined its operations by putting in place various tools which include:

### DI. HR Shared Services Centers (HRSSC)

This HRSSC solution provides cost-effective, back-office support services to global HR functions allowing HR business partners and practitioners to focus on other value-added priorities. At present, Flextronics has set up shared services centers in Mexico, India and China.

### DII. Workday

This Global Human Resources Information System provides centralized access to the management of employee data including transaction workflow and reporting by employees and HR managers. Workday has replaced over 80 existing HR information systems.

### DIII. HR Competency Model

The HR Competency Model aims to develop core competencies among HR practitioners that will add value to and support the company's goals.

### DIV. HR Compliance

Processes and management systems have been developed and deployed as part of the HR compliance program. This includes gap assessments, development of internal controls, training programs, tools and corrective actions to ensure 100 percent compliance.

### DV. HR Lean

Flextronics builds a culture of continuous improvement by sponsoring and providing training programs that educate the HR team about lean initiatives and encourage the team to develop action plans to ensure improvement. In the last three years, Flextronics' HR has participated in 94 lean projects, providing considerable hard and soft savings.



## 6.2 Health and Safety

We are committed to providing our employees with a healthy and safe workplace. Our goal is to instill robust safety measures 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 / unnatural disasters and establishing contingency plans that will minimize the impact on our employees and assets. These plans include investing in fire suppression equipment, chemical spills containment equipment, first aid equipment, etc.
- Implementing industrial hygiene programs that will minimize the impact on our employees and assets. 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.

### A. Safety 900 Program

Safety 900 is designed to continuously improve our workplace environment, reducing 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 program has proven to be highly effective in raising health and safety awareness across the organization, resulting in reduced accident rates. Safety 900 has also allowed us the flexibility to further develop and deploy individual safety programs to strengthen our overall performance.

#### AI. Safety 900 Assessment Process

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

#### All. Benefits of the Safety 900 Program

- Reduced accidents
- Increased managerial involvement in day-to-day operations
- Increased employee involvement, inclusion and motivation
- Improved organizational understanding of health and safety issues
- Improved regulatory compliance



- Improved CSER compliance
- Improved employee understanding of customer requirements
- Improved internal and external reporting

**AIII. 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" (eg. welding etc.)
- Noise management
- Motorized trucks and material handling equipment
- Contractor control
- Manual handling

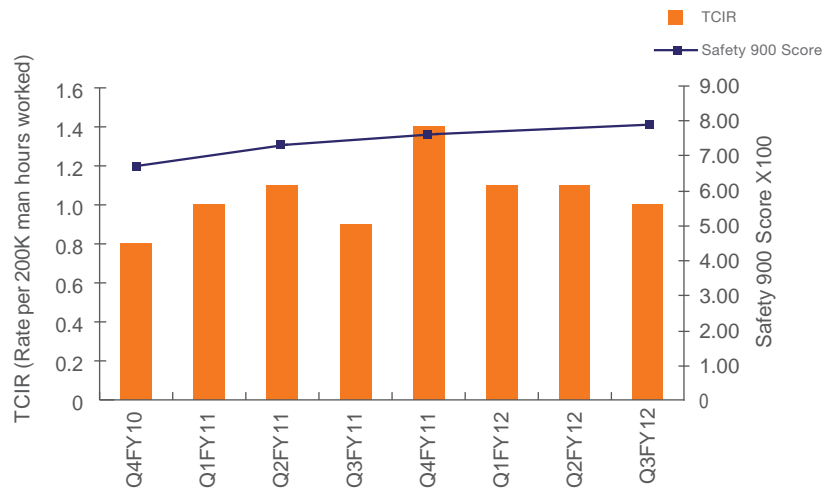
Over the past year, there has been a marked improvement in incident rates for all European sites, especially Germany, UK and Austria, which have recorded significant progress in health and safety areas - as indicated by the EMEA Safety 900 Score chart.

The progress can be attributed to various reasons, including:

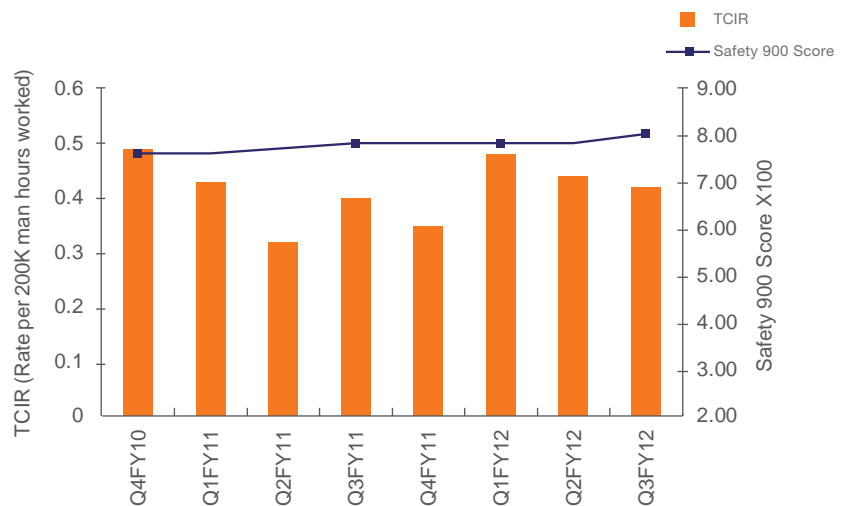
1. Increased focus by sites on health and safety aspects
2. Sites' willingness to engage corporate and regional leads, resulting in successful implementation of Flextronics' health and safety requirements
3. The Flextronics Pledge auditing process that incorporates health and safety requirements.

The drop in score for Q4FY11 to Q2FY12 can be solely attributed to a spike in accidents at Multek operations. These accidents were caused by micro drill bits handled by operators. The situation is under continuous review to avoid future incidents.

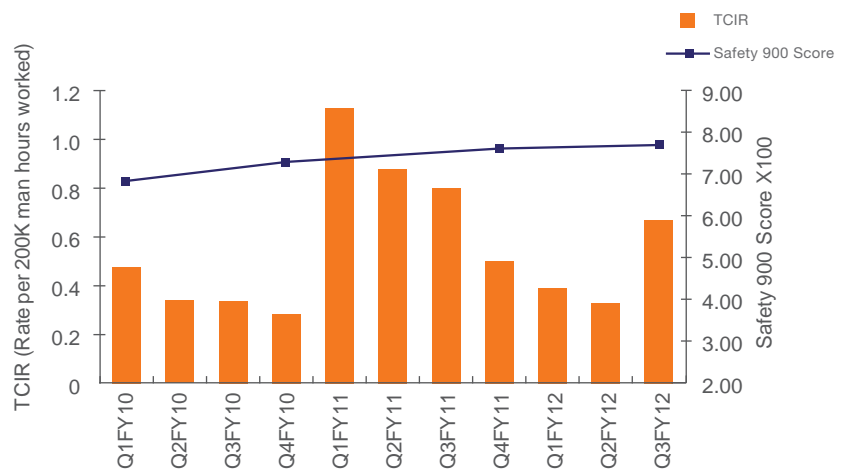
**Americas Safety 900 Score vs Total Case Incident Rate**



**APAC Safety 900 Score vs Total Case Incident Rate**



**EMEA Safety 900 Score vs Total Case Incident Rate**



## 6.3 Human and Labor Rights

One of our priorities is to provide our employees with a conducive environment in which they can learn and improve themselves as they advance their careers and achieve their life goals.

Our engagement with Global Business Initiative on Human Rights (GBI) has aided our pursuit to continuously enhance our best practices. In tandem with our commitment to build a community with respect and dignity, we have also:

- Invested millions 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
- Conducted regular employee communication sessions to facilitate dialogues between senior leadership and employees
- Held 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.

At Flextronics we are committed to respecting the Labor and Human Rights of all our employees through the following principles which are clearly spelled out in our Flextronics Code of Business Conduct and Ethics (CoBCE):

- **Freely Chosen Employment.** Our employees work at Flextronics of their own free will and are free to leave the company upon reasonable notice under the terms of their labor contract. Our employment contracts are voluntary agreements and are free from forced, bonded, any form of slavery or involuntary imprisonment jobs. We will ensure that any risk of human trafficking is mitigated at our operations and at our supply chain.
- **No Child Labor.** We will comply with all appropriate local and international regulations on the restriction on the employment of child labor.
- **Benefits and Wages.** We will ensure that the compensation and benefits for our employees comply or exceed the minimum legal requirements of the country where employees are employed.
- **Working Hours.** We will comply with local working hours requirements or the EICC guideline, whichever is lower. Overtime work is voluntary and employees are compensated for overtime work in accordance with local laws.
- **Equal Opportunity and No Discrimination.** We will ensure our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the basis of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.
- **Harassment and Abuse.** We will not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees, suppliers or vendors.
- **Freedom of Engagement with Management.** We will provide the means for employees to freely voice their concerns and opinions and to engage with management without fear of reprisals and retribution. We will respect employees’ engagement rights in accordance with local laws.
- **Health and Safety.** We are committed to providing a healthy and safe working place for all.



Flextronics Shenzhen, China received the Certificate of Good-Faith Enterprise, awarded by Shenzhen City Labor Bureau in 2010



## A. Empowering the Hearing-Impaired

### Overview

Hearing-impaired (HI) individuals face many difficulties in entering and keeping themselves in the workforce. Gainfully employed individuals, on the other hand, are often shackled to unfulfilling roles, and deprived of challenges. Despite the woeful circumstances, they stay on because other alternatives are seen as hard to come by.

More corporations are progressing towards diversity and are taking a more enlightened stance in hiring and accommodating the HI individuals. Flextronics Mexico and Flextronics Global Shared Services Center (GSSC) India exemplify such companies. These sites provide a customized HI employee orientation, complemented by continuous learning programs for HI staff. Mexican sign language classes have been established for employees in Mexico, to help facilitate interaction between HI employees and their colleagues.



### Creating Opportunities for the Physically Disadvantaged

Amala's experiences highlight the difficulties that hearing impaired individuals encounter when entering the workplace. Born in a low-income family, Amala's parents treated her with disdain. Her non-privileged life set her back but resilience and determination propelled her to study hard. She eventually graduated with a Bachelor of Commerce degree.

Amala was recruited in December 2010 by Flextronics Global Shared Services Center (GSSC) in Chennai, India. Joining its Accounts Payable department was a life-changing experience for her.

Amala's journey with Flextronics was documented by Hwang Yi Ching, an MBA student with the Monterey Institute of International Studies. Hwang was posted to Flextronics GSSC as part of her internship program with V-Shesh, a for-profit social enterprise providing employment services for the psychically disadvantaged.

### Flextronics GSSC India: An equal opportunity employer

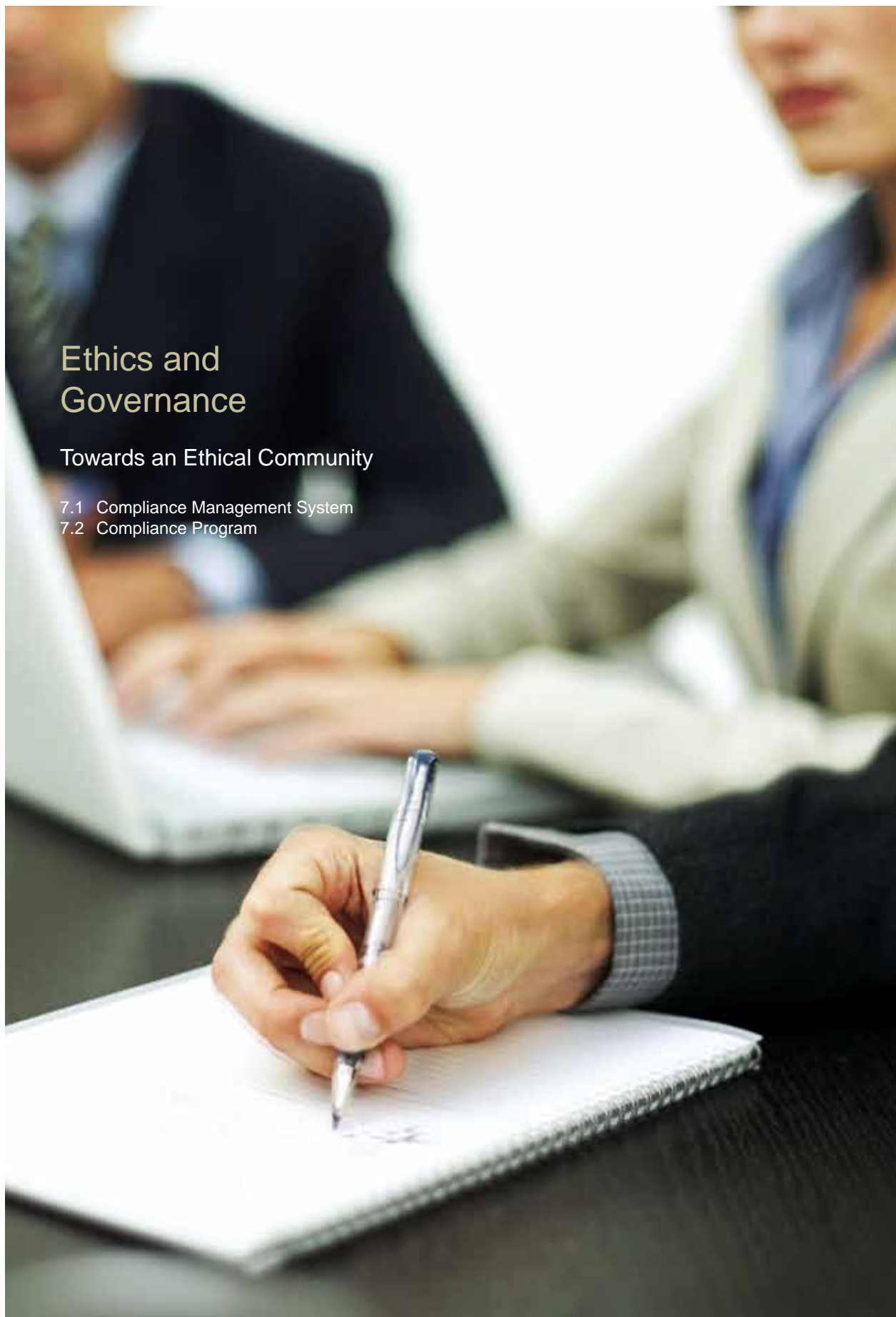
The Flextronics GSSC India management team is fully committed to providing equal opportunity and building an inclusive work environment. They set no boundaries in hiring physically disadvantaged individuals, including people with cerebral palsy and hearing impaired. The hiring plan was well engineered, having considered various factors such as communications barriers, training mediums, special work platforms, amongst others.

Some of the successful steps taken by Flextronics GSSC:

- Hiring sign language interpreters.
- Created "Phased Training Methodology", which guides participants on how to tailor work assignments and job complexities according to individual's abilities.
- Using visuals and written communications in meetings, and ensure that meeting minutes are availed.
- Established a "buddy system", wherein "buddies" are asked to mentor psychically disadvantaged colleagues and aid them in their assimilation endeavors.



One Plan, One Flex, One Team: Drawing our global teams closer to create value that increases customer competitiveness.



## Ethics and Governance

### Towards an Ethical Community

- 7.1 Compliance Management System
- 7.2 Compliance Program

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 Conduct weaves that commitment into principles, standards and responsibilities that help guide our behavior and decision making processes. The Code of Conduct prohibits unethical behaviors such as conflicts of interest, kickbacks, bribery, fraud, improper accounting, and 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 bolsters our commitment to ethics and integrity and is ingrained in our daily operations. The global teams in 15 compliance areas ensure that employees are trained in regulatory requirements and procedures related to their job scope, making compliance an integral part of daily activities. We monitor and assess compliance and investigate each allegation of non-compliance.

When problems are detected, we analyze the root cause and modify the relevant internal control system to prevent a possible recurrence. We track the company's compliance performance and report the progress on a quarterly basis to our Executive Management team and the Audit Committee of our Board of Directors.

## 7.1 Compliance Management System

Flextronics' Corporate Compliance function 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.

Every Compliance Director is accountable for monitoring and managing their own internal control system, which includes writing policies and procedures, training and assessing respective areas.



## 7.2 Compliance Program

- The Audit Committee is chartered by the Board of Directors to oversee the compliance program
- The Chief Compliance Officer (Assistant General Counsel) reports the compliance program status to the Audit Committee on a quarterly basis
- The Executive Sponsors ensure the implementation of the compliance program while providing feedback and support on the scope and content of the compliance function
- The Vice President of Corporate Compliance is responsible for managing the Corporate Compliance Function
- Regional Compliance Officers (lead lawyers from each region) report and oversee their respective regions
- 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 relevant to their business organization



### A. INTEGRITY™

Integrity at work means doing the right thing. We encourage our employees to ask themselves the following three questions if they are uncertain about what integrity at work means to them:

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?



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.

Through our INTEGRITY campaign, we emphasize the importance of employees making the right choices, even if the choice is difficult or costly. Flextronics conducts an Integrity Survey annually through the Compliance and Ethics Leadership Council. This survey is designed to measure our employees' perception of the ethics and integrity culture at Flextronics.



**B. Flextronics' Ethics Hotline**

We enable all stakeholders to report suspected business misconduct quickly, easily and confidently. Reports can be made via phone or the Flextronics' Ethics Hotline ([www.flexethicshotline.com](http://www.flexethicshotline.com)), where one may choose to remain anonymous.

The Ethics Hotline enables Flextronics to investigate misconduct, manage these responsibly, and implement measures to prevent similar issues from recurring. Managed by a third party, the Hotline is available to all stakeholders globally, 24 hours a day.

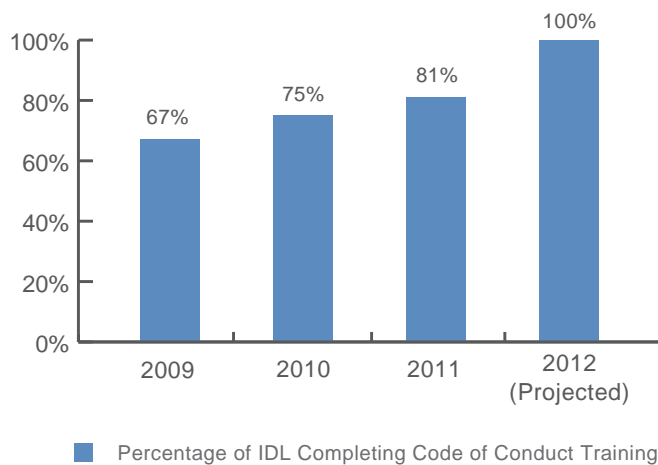
**C. Flextronics' Code of Conduct**

Flextronics' Code of Conduct effectively communicates our values of ethics and integrity. It provides support and tools to aid employee decision making and is available in over a dozen languages.

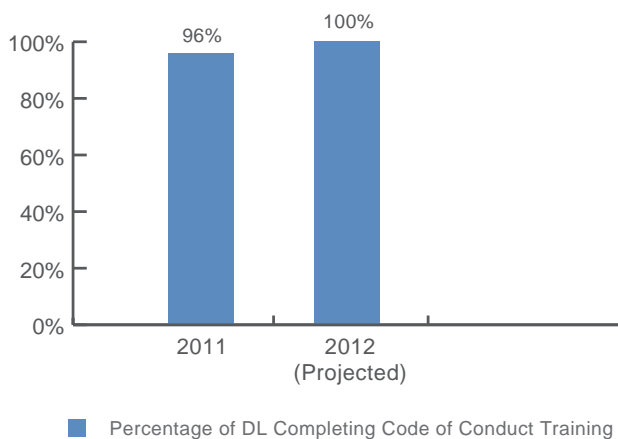
We have implemented a five-year initiative to train our employees on the Code of Conduct. Employees with computers at the workplace can easily access the online training course while those without computers undergo classroom training.

Both courses are available in local languages and we began measuring our worldwide course completion rates in 2011.

**Indirect Labor (IDL) Trained in the Code of Conduct**

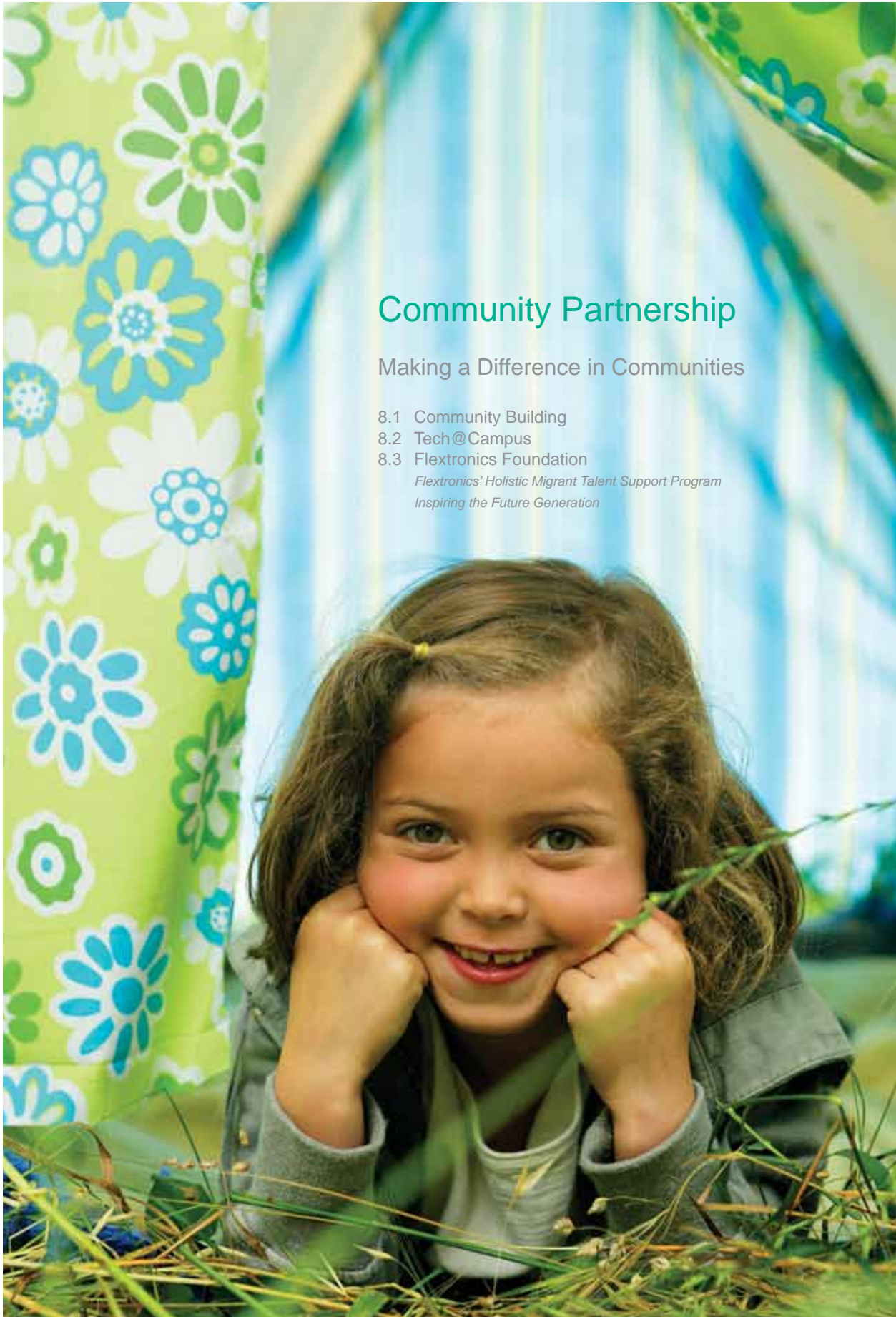


**Direct Labor (DL) Trained in the Code of Conduct**



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 across all Flextronics locations.

*Mike McNamara  
Chief Executive Officer*



## Community Partnership

Making a Difference in Communities

- 8.1 Community Building
- 8.2 Tech@Campus
- 8.3 Flextronics Foundation
  - Flextronics' Holistic Migrant Talent Support Program*
  - Inspiring the Future Generation*

Flextronics's community partnership program entails a broad concern for the welfare of the community. We partner with local and international non-governmental organizations to effect change for the greater good through voluntary efforts revolving around disaster relief, medical aid and educational grants / scholarships which have led us to establish the following:

1. Community Building programs
2. Tech@Campus program
3. Flextronics Foundation

## 8.1 Community Building

### A. Flextronics Cares

Flextronics Cares, a Flextronics corporate community building program offers a unique way for our employees in Europe and the Americas to demonstrate their commitment to CSER values. In Asia, this initiative is known as Team Sunshine. The program was established to provide a team-based platform for employees to foster camaraderie, rally help for those in dire need and to be involved in the community. Explicitly, this community building program focuses on:

- Ensuring that each global site has a community partnership team with uniform guidelines and well-orchestrated CSER activities
- Engaging our employees and building strong employee relations
- Giving back to the community where we operate
- Internally and externally reinforcing Flextronics' commitment to corporate and social responsibility.

#### Examples of Flextronics Cares & Team Sunshine Programs initiated in 2010 / 2011

Location	Programs
Flextronics Austin (US)	<ul style="list-style-type: none"> <li>• Held a Spring Project at the Umlauf Sculpture Garden and Museum in partnership with United Way Capital Area</li> </ul>
Flextronics Charlotte (US)	<ul style="list-style-type: none"> <li>• Collected food and supplies at its annual Food Drive for families in need</li> </ul>
Flextronics Louisville (US)	<ul style="list-style-type: none"> <li>• Raised funds for Make a Child Smile Organization</li> <li>• Raised funds at the Stroll &amp; Roll – Spina Bifida Awareness Walk for the Spina Bifida Association of Kentucky, Inc.</li> </ul>
Flextronics Memphis (US)	<ul style="list-style-type: none"> <li>• Held face painting activities to raise funds for the Breast Cancer Awareness Month. All proceeds went to Race for the Cure Foundation.</li> </ul>
Flextronics Stafford (US)	<ul style="list-style-type: none"> <li>• Hosted a blood donation drive in collaboration with the Gulf Coast Regional Blood Center</li> </ul>
Flextronics Newmarket (Canada)	<ul style="list-style-type: none"> <li>• Raised funds for the Sick Kid's Children Hospital at the annual Sick Kid's Heal Wave Valley Ball Tournament</li> <li>• Raised funds in its annual United Way Campaign through payroll deductions and fund raising activities such as bake sales, games and raffles</li> </ul>
Flextronics Zhuhai (China)	<ul style="list-style-type: none"> <li>• Collected RMB 12,191 from employees through a tree-planting charity drive; combined with management contributions, the site raised a total of RMB 35,000 to aid the educational needs of ten underprivileged students in neighboring communities</li> <li>• Established Flextronics Volunteers Association to increase community service efforts</li> <li>• Formed the Dormitory Management Committee to engage employees in after-work activities</li> </ul>

## 8.2 Tech@Campus

Tech@Campus is a program aimed at collaborating with universities to develop technological curricula in disciplines relevant to the high-tech electronics manufacturing industry and create industry-academia relationships towards 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:

- Tsinghua University (China)
- Huazhong University of Science and Technology (China)
- Guangdong University of Technology, Guangzhou (China)
- Universiti Teknologi Malaysia, Johor Bahru (Malaysia)
- Anna University, Chennai (India)
- Universidad Technologica de Jalisco, Guadalajara (Mexico)
- Texas A&M University (USA)
- University of Limerick (Ireland)



In the long run, we are planning to bring the Tech@Campus program to technical schools around the world, in addition to universities.





## 8.3 Flextronics Foundation

Established in March 2002, Flextronics Foundation is a private entity that provides financial aid to deserving NGOs worldwide, acting as a catalyst for positive change in global communities.

The Foundation is focused on being an asset to these communities through educational grants / scholarships, as well as disaster and medical relief. Emphasis is placed on programs that serve the needs of people in communities where employees, suppliers and customers of Flextronics live and work.

### 2010 / 2011 Projects Supported by Flextronics Foundation

NGOs	Causes
Aguascalientes Technology Institute, Mexico	Education Scholarship
Aim High for High School, US	Learning & Development
American Heart Association, US	2010 Start! Heart Walk: Fighting Heart Disease
American Red Cross (Silicon Valley), US	Japan Earthquake Relief
American Red Cross (Central Texas), US	Texas Wildfire Relief
Ashoka Foundation, Hungary	Youth Leadership Development Program
Austin Achievement Zone, US	Beginning Implementation
Social Work Development Center for Facilitators (SDCF) - Beijing / Zhuhai, China	China Migrant Talent Care Program
Centro de Enseñanza Técnica Industrial Plantel Colomos (CETI), Mexico	Computers for Mechatronics Design Laboratory
Child Advocates of Silicon Valley, US	Middle School Foster Youth Education Advocacy
Ciudad Juarez Technological Institute, Mexico	Education Scholarship
Coahuila Technological University, Mexico	Education Scholarship
National Technical Professional School, Mexico	Education Scholarship
County Emergency Hospital, Romania	Chemotherapy Facilities Upgrade
Discovery Place, US	Mobile Science Program
Girlstart, US	Expansion of Science, Technology, Engineering and Math Education Programs for Girls
Generation Foundation, Hungary	Youth Group Technical and Socio-cultural Projects Scholarship
GPACI Hospital, Brazil	Medical Equipment for Cancer Treatment of Children
Granville Education Foundation, US	Classroom Technology Grant for Teachers
Habitat for Humanity International	Haiti Recovery Effort
Habitat for Humanity International	HFHI / ADRA Qinghai Earthquake Response
Hand in Hand, India	Women Empowerment through Improving Health and Hygiene
Labor Education and Service Network (LESN), China	China Migrant Talent Care Program
Millington Crisis Center, US	Shelby County Disaster Relief
Minnesota State Colleges and University Foundation, US	Electronic Engineering Scholarship
Morgan Adams Foundation, US	Microarray Gene Chip Project
National MS Society, US	Improving Access to Electronics Information Project
Oxfam, Hong Kong	Poverty Alleviation and Emergency Relief in Asia (particularly China)
Plano ISD Education Foundation, US	Educators Program
Resource Area for Teaching (RAFT), US	Hands-on Activities for Inquiring Minds, Science and Math Activity Kits
Silicon Valley Education Foundation, US	Stepping Up to Algebra (SUTA)
SJB Child Development Centers, US	Parents and Families on Kindergarten and School Readiness
Tech Museum of Innovation, US	The Tech Challenge Engineering Design Project



NGOs	Causes
Tertiary Education Research Center (TERC), US	Investigations Workshops for Transforming Math
The Health Adventure, US	Super Science Saturdays
Tijuana Technological University, Mexico	Education Scholarship
Tower Foundation, US	Engineering Scholarship Program
United Way Capital Area, US	Youth Program Quality Initiative
Walden West Foundation, US	"Green" Science Learning Laboratory

A. Flextronics' Holistic Migrant Talent Support Program

<p><i>Partner NGO: Migrant Workers Center – Partnering with Social Work Development Center for Facilitators (SDCF)</i></p>		
<p><i>Pre-departure training – Partnering with Labor Education and Service Network (LESN)</i></p>		
<p><i>Left-behind children – Partnering with INNO Community Development Organization (INNO)</i></p>		
<p><i>Online career development programs</i></p>		
<p><i>Tech@Campus for vocational schools</i></p>		

## The China Experience

After 30 years of reform, China has made remarkable economic achievements. However, the fast-growing nation is also plagued by inequality in wealth distribution, resulting in the increased gap between the rich and poor, widening the divide between urban and rural areas, which has led to numerous social conflicts.

China's 12th Five-Year Development Plan (2011-2015), which aspires to protect and improve the welfare of its people, views the nation's economic transformation as the fundamental starting point to a well-managed wealth distribution initiative / process for the benefit of its people.

China is playing a vital role in the global supply chain system; however, it has to address several concerns, namely urbanization, the plight of its migrant talent and environmental issues in order to achieve sustainable development. Thus, Flextronics in China is inseparable from the social and environmental issues affecting the nation.

We are very pleased to see Flextronics' determination and hard work in the social and environmental arena. We note, with pleasure, the remarkable results achieved by the company, especially in taking care of the needs of migrant talent in China. Flextronics has many innovative measures and actions in place to help migrant talent while enhancing its human resources function to increase market competitiveness.

Issues pertaining to migrant talent will be in discussion for a long time as China accelerates its urbanization process. We hope Flextronics, together with the government and NGOs, will promote new ideas and ways to assist our migrant talent in finding their own space and future in this fast-growing nation. This, we hope, will set a stellar example for other businesses in China to follow.

**Yu Zhihong**  
Chief Editor, WTO Tribune  
Executive Director of  
Social Responsibility and  
Sustainable Development  
Research Center,  
Peking University

## Change for the better

Over the past 30 years, China has built its economy based on co-operation between businesses (source of capital) and migrant talent (source of labor). Today, China is moving towards an era of "innovation", focusing on the creative potential of the country's new generation of migrant talent.

Flextronics recognizes the potential of these people and has collaborated with us in rolling out programs that highlight issues affecting migrant talent. Our end in mind is to educate and change the perception of college students, intellectuals and urban residents towards migrant talent.

Flextronics has also helped our organization achieve its dream of setting up the Zhuhai Center for Social Work Facilitators (ZCSWF) in the vicinity of its Flextronics Zhuhai Industrial Park. ZCSWF is the first officially-registered, non-governmental organization in China that is sponsored by a private company (Flextronics) and backed by the Chinese government. Within two years, ZCSWF has provided social services to more than 60,000 migrant talent.

The ZCSWF initiatives have been successful and the Chinese government now heralds this tripartite partnership between government, private company and NGO as the **Zhuhai Social Service Model** – the first of its kind domestically that will help promote social work and help migrant workers achieve their potential while meeting their developmental and emotional needs.

We believe that our continuous collaboration with Flextronics will positively impact the lives of migrant talent and give them a better future.

**Li Tao**  
Founder  
Beijing's Social Work Development Center



**Partnership with Beijing Social Work Development Center for Facilitators (SDCF)**



In the hope of addressing the difficulties, aspirations and complex needs of the 90,000 migrant talent working at our China operations, Flextronics started our search for an NGO partner five years ago.

In September 2007, Flextronics teamed up with Beijing Social Work Development Center for Facilitators (SDCF), formerly known as Culture and Communications Center for Facilitators (CCCF), to brainstorm for a one-of-a-kind photo exhibition and drama production in an effort to highlight the plight faced by migrant talent – heralded as the unsung heroes of China’s economic resurgence.

The goal was that this project would eventually lead to something bigger. It helped put migrant talent in the spotlight and drew public-wide support during the project’s tour across major cities in China. It brought to the forefront pertinent issues affecting migrant talent, such as the hardship and sacrifices of having to live away from home.

In 2009, Flextronics and SDCF further extended the partnership by establishing the Zhuhai Center for Social Work Facilitators (ZCSWF) within the vicinity of our industrial park in Zhuhai. Backed by the Chinese government, the Center’s aims are three-fold:

1. To enhance migrant talents’ sense of belonging to the community/ assimilate them into urban society
2. Train up more social volunteers for community work so they in turn serve more migrant talent
3. Provide migrant talent with counseling and social support.



**Key Achievements of SDCF for 2010 / 2011**

**Implemented Phase 1 of Sunflower Program<sup>4</sup> in Zhuhai**

**Provided 39,976 man-hours** in counseling services

**Set-up the inaugural Women’s Home** at Flextronics Zhuhai Industrial Park, supported by China’s Municipal Federation of Women

**Trained 103 volunteers** to become social workers

**Contributed 2790 man-hours & 56 minutes** of voluntary work

<sup>4</sup> The Sunflower Program is designed to coach promising migrant talent who are keen to become professional social workers in support of the Flextronics community.



### Partnership with Labor Education and Service Network (LESN)

Flextronics established a partnership with Hong Kong-based independent NGO, Labor Education and Service Network (LESN), which is devoted to improving labor rights and encouraging solidarity among migrant talent.



LESN collaborates with the State Council Leading Group Office of the China Poverty Alleviation Department (CPAD) and NGOs in various provinces to provide pre-departure training to migrant talent from Anhui, Chongqing, Hunan and Guizhou provinces, as well as teachers and students from technical schools across China.

The LESN training program focuses on:

- Pre-departure preparation, including briefings on “how to find jobs”
- Occupational health and safety
- Urban “know-hows”, including reproductive health and hygiene, sexual harassment and HIV/AIDS prevention
- Career building
- Understanding company cultures
- Real-life experience sharing by migrant talent from Flextronics
- Technical curriculum offerings for vocational schools
- Communication and life skills training
- Mental health and stress management.





Note: More information on this program can be found in the Addendum.



### Partnership with INNO Community Development Organization (INNO)

Flextronics partnered with Guangzhou-based INNO in November 2011, to provide holistic care for migrant talents' left-behind children. This partnership further solidifies Flextronics' efforts to provide holistic migrant talent care, complementing our existing partnerships with SDCF and LESN.

The Flextronics-INNO partnership will see the company supporting INNO financially in carrying out programs that meet the educational, developmental and emotional needs of children in inland provinces whose parents work in industrial areas in the cities.

The initial programs include:

- "Day Classes" in Hunan and Guangxi provinces for migrant talents' children
- Distribution of mobile phones (donated by Flextronics Zhuhai employees and the British Consulate in Guangzhou) to migrant talents' children so that they can frequently communicate with their parents via a free hotline platform
- Free counseling services and effective communications training to both parents and children to further strengthen family ties.

Flextronics Zhuhai has been objectively selected as a launch pad to roll out the above-mentioned programs.



### B. Inspiring the Future Generation

In 2011, Flextronics partnered with Ashoka Foundation based in Hungary, to lead a societal transformation project focusing on cultivating social entrepreneurs and helping them to succeed. Founded in 1980, Ashoka's Fellows currently work in over 60 countries across five continents.

The partnership led to the birth of Flextronics – Ashoka "Young Change Makers" program, a catalyst to create a world where youngsters can hone their skills and get support to become "change makers" in their own community and beyond. The partnership seeks to inculcate critical thinking in students, challenging them to develop, implement ideas and projects addressing pivotal issues in their communities.

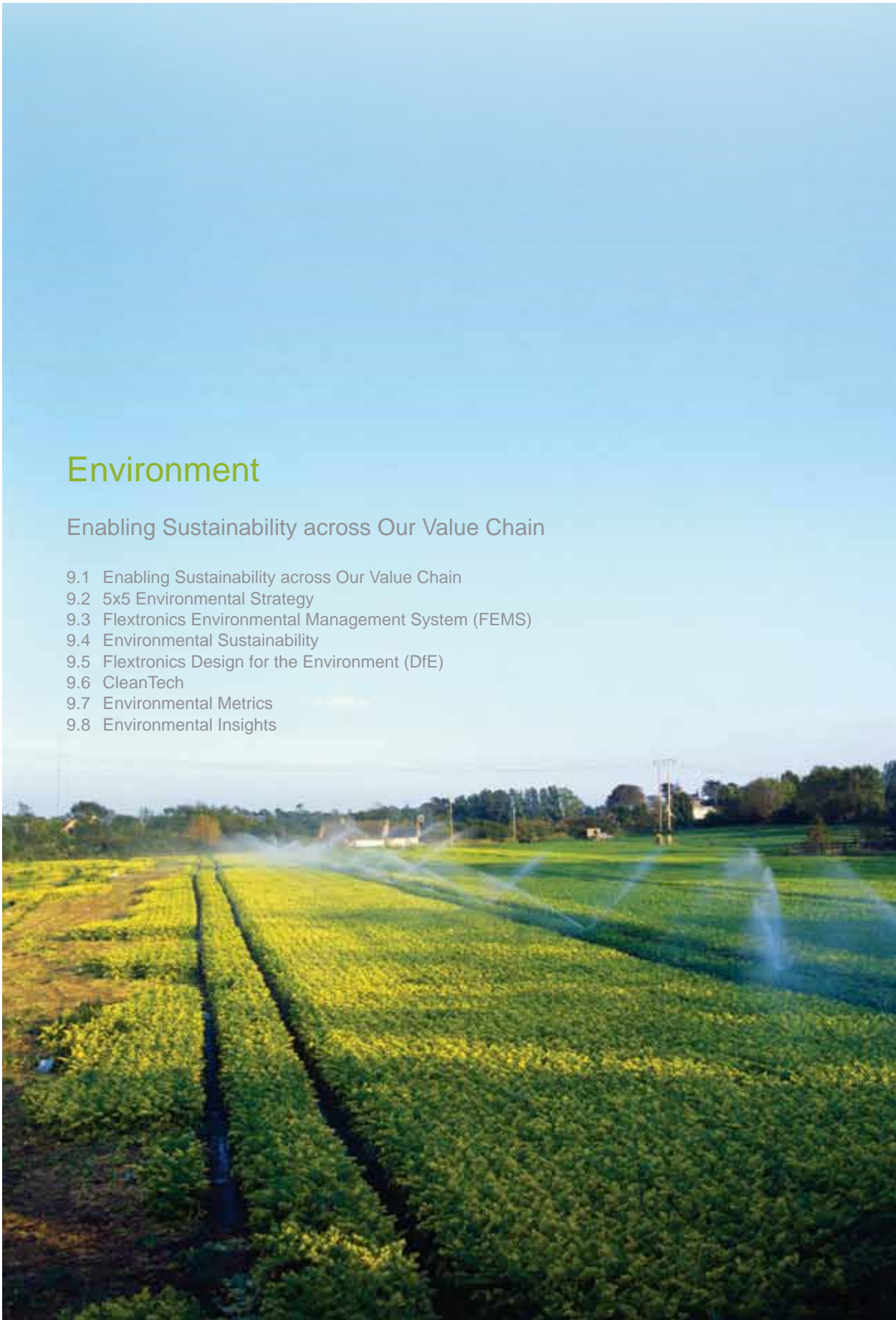
The "Young Change Makers" program set sail with designing a pilot program involving 25 teenagers from four different cities. These teenagers were grouped into five teams, each to develop projects that addressed critical issues in their communities. Flextronics Hungary funded each of these projects and inspired the teams to hone their change making skills through workshops and mentoring programs.



## Environment

### Enabling Sustainability across Our Value Chain

- 9.1 Enabling Sustainability across Our Value Chain
- 9.2 5x5 Environmental Strategy
- 9.3 Flextronics Environmental Management System (FEMS)
- 9.4 Environmental Sustainability
- 9.5 Flextronics Design for the Environment (DfE)
- 9.6 CleanTech
- 9.7 Environmental Metrics
- 9.8 Environmental Insights





In our 2009 Sustainability Report, we presented an Environmental Sustainability Vision with a well defined roadmap towards industry stewardship. Since then, we have successfully laid a sturdy foundation for our environmental sustainability journey and we are on track towards the growth phase. I am pleased to report that our environmental sustainability practices have been rapidly embraced by our employees around the world.

I am also proud to share that we have expanded our environmental metrics, created next-generation materials compliance system to handle new material compliance laws such as REACH, established a scalable Flextronics Environmental Management System (FEMS), and executed a Carbon Disclosure Project successfully for the third consecutive year.

Currently, there is a burning concern that the growing global population is putting enormous pressure on our dwindling natural resources. Air, water and ground pollution are affecting countless people living in emerging countries such as China and India, a threat that we are committed to help mitigate. Climate change is already beginning to impact life on Earth through biodiversity loss, increasing temperatures, rising sea levels and shifting seasons. Meanwhile, Earth's finite resources must continuously supply our future generations with clean air, water, food and safe places to live and work.

At Flextronics, we pledge to further entrench our strong environmental programs to benefit Earth and its inhabitants while generating value that increases our customers' competitiveness. Flextronics' robust environmental programs and commitment from the executive leadership will ensure that all environmental risks and opportunities are properly managed throughout our global operations and value chain. I look forward to many more solid years of progress in the environmental sustainability arena.

*Seb Narducci*

Senior Director, Corporate Sustainability

**The External Landscape**

Traditional thinking will no longer suffice in preserving our business, planet and future generations. A paradigm shift is needed to meet the constant challenges of the global business environment. New laws and regulations are constantly being introduced, hence corporations are expected to establish sustainable environmental strategies and risk management plans to ensure environmentally sound operations and conformity with environmental laws and regulations.

Flextronics' environmental sustainability program is scalable; it was not only established to accommodate environmental laws and regulations, but designed to go above and beyond minimum legislative requirements and be an industry steward in this area.

**9.1 Enabling Sustainability across Our Value Chain**

Flextronics' environmental sustainability vision and roadmap is inextricably linked to our values. We steadfastly add value and increase our customer competitiveness not only through innovation, quality and efficiency, but also through social and environmental accountability. We believe that our long term success depends on the continued delivery of high quality and cutting-edge capabilities which allow us to produce services in a sustainable manner. As global markets and industry landscapes change, Flextronics works closely with global stakeholders to understand global requirements and deliver sustainability measures to mitigate reputational, financial and legal risks, as well as to protect our planet and future generations. Success in this new environmental space will be directly related to our value generation efforts.



We are continuously strengthening our environmental sustainability foundation -- designing, sourcing, manufacturing, shipping and performing after-market services in an environmentally friendly manner to preserve the sanctity of our environment and the future of our business. We also ensure that all our global operations meet and in many cases exceed both international and local environmental laws and guidelines. Broadly put, we are pragmatic in our endeavors to:

- Design, source and produce electronic products that either meet and / or exceed hazardous substance regulations while collaborating with our partners to continuously look for alternative materials to avoid hazardous content and natural resource depletion
- Design products that can be easily disassembled, reused and recycled to minimize landfill waste while ensuring infrastructure is in place to take back and

reuse and/or recycle products with an ethical means of scrapping any e-waste not considered to be recyclable

- Ensure that all of our facilities meet and/or exceed local legal requirements for air, water and ground contamination. Some examples of our proactive actions include establishing waste water treatment facilities in Guadalajara (Mexico) and Zhuhai (China). We are not only focusing on meeting these laws, but striving to achieve the highest environmental standards.
- Put in place energy and water consumption reduction plans and look for ways to further utilize clean energy
- Design electronic products that are energy efficient and rechargeable using renewable energy sources
- Implement strategies and plans to continuously reduce our Green House Gas Emissions (GHGE).





## 9.2 5x5 Environmental Strategy

Our robust and scalable 5x5 Environmental Strategy consists of a 5-Pillar Environmental Framework and a 5-Element CLEAN Value Proposition.

These blueprints cover all critical elements of global environmental needs. As a result, a strong senior management team has been assembled to monitor current and new global environmental requirements. The team is also responsible for developing the necessary solutions needed to satisfy these requirements and convert these solutions into corporate strategies for internal deployment globally and throughout our supply chain.

### A. 5-Pillar Environmental Framework

#### Chemical Substance Management

We ensure effective management and control of all chemical substances found in our products and its related manufacturing process. We also help mitigate customers' risks by educating them on material compliance levels and substance content.

#### Take-Back and Recycling

We practice take-back, reuse, recycling and ethical disposal of scrap material (i.e. zero e-waste into landfills). This applies to the design, manufacturing and after-life elements of the entire product life cycle.

#### 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, federal and municipal laws and guidelines. All our

global manufacturing sites are either ISO 14001 Environmental Management System certified or have plans to achieve the certification.

#### Resource Conservation

Flextronics' resource conservation program focuses on the reduction of energy and water consumption, as well as scarce raw materials. Flextronics designs and builds energy efficient products which are compatible with "recharging sources". We are also focused on water recycling and treatment efforts, and utilization of renewable energy sources across our global sites.

#### 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 percent carbon emission per revenue dollar reduction by 2015<sup>5</sup> and all our global facilities have been geared to fulfill this endeavor.



<sup>5</sup>2009 as the base year.



**B. 5-Element CLEAN Value Proposition**

Complementing our 5-Pillar Environmental Framework is our 5-Element CLEAN Value Proposition, which includes:

**Compliance with Legal and Customer Requirements**

We strive to understand and effectively translate all global legal and customer requirements into actions that mitigate stakeholders' risks and maximize their compliance levels.

**Liability and Cost Protection for Flextronics and our Business Partners**

We are dedicated to creating win-win agreements with all our business partners, as well as defining roles and responsibilities to minimize risks.

**Environmental Stewardship**

We aspire to be environmental stewards by fulfilling our business needs in a responsible manner.

**Asset Recovery**

Our business-to-business asset recovery procedure will accommodate the expected growth of returned electronic products. This recovery procedure helps ensure that electronic wastes do not end up in landfills.

**New Business Opportunity**

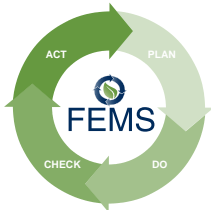
Our current emphasis on environmental preservation opens doors to new business opportunities that span the entire end-to-end life cycle.

**C. Benefits of 5x5 Environmental Strategy**

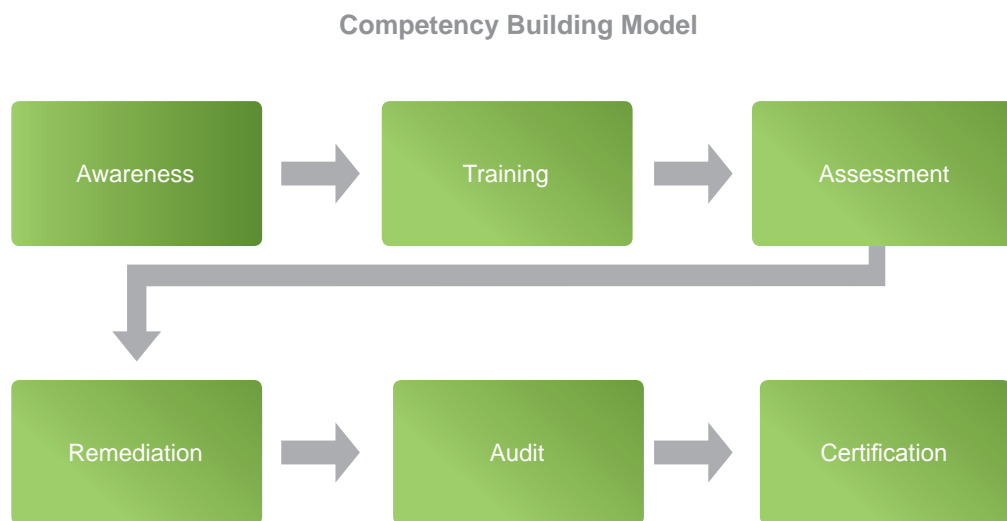
Our 5x5 Environmental Strategy helps mitigate our customers' environmental-related risks while positioning them as environmentally-friendly brands. In return, Flextronics is viewed as an employer, partner and investment of choice. Equally as important, our environmental strategy helps reduce the electronic industry's impact on the environment.



## 9.3 Flextronics Environmental Management System (FEMS)



This management system aids the competency building process, which involves the steps below:



**The key benefits of FEMS includes the ability to:**

- Implement a scalable environmental management system capable of responding to all new environmental needs and challenges
- Provide a mechanism to identify and share best practices while minimizing environmental-related costs
- Gauge business opportunities and environmental market trends that Flextronics can capitalize on
- Allow Flextronics to carry out its business in an environmentally responsible manner, and as a result, be seen as an asset to the communities where we operate in. This will also mitigate stakeholders' risks and increase Flextronics' credibility and brand value in the eyes of our customers, suppliers and employees.
- Ensure fulfillment of environmental requirements through internal and external assessments and audits
- Present Flextronics as "one voice" to our customers when reporting on our environmental capabilities, commitments and performance
- Understand the business risks and liabilities associated with environmental issues and to roll out effective programs to tackle those issues.

## 9.4 Environmental Sustainability

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

### A. Roadmap to Achieving Environmental Stewardship

#### Compliance Driven

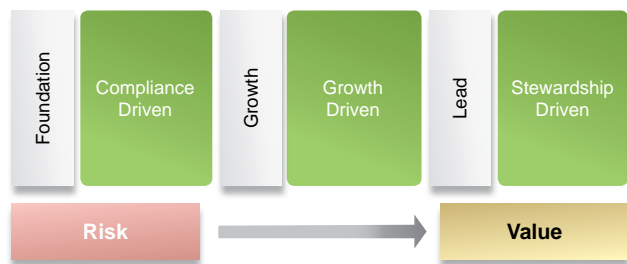
The first step - Compliance - is mandatory, but we relentlessly strive to go above and beyond basic regulatory requirements in line with our value-generating environmental vision.

#### Growth Driven

The second step involves growth planning, building upon our compliance foundation. We ensure that all our five environmental pillars continuously mature and grow in order to maximize our CLEAN Value Proposition. Flextronics also ensures that environmental-friendly behaviors are embedded into our corporate DNA.

#### Stewardship Driven

The final step is to work towards our ultimate goal of being an industry leader in environmental protection. We are constantly enhancing our management systems to meet or exceed environmental and industrial needs.



Growth		
Category	FY11	FY12
Building competencies and skills in workforce	<ul style="list-style-type: none"> <li>Completed content for training programs</li> </ul>	<ul style="list-style-type: none"> <li>Training programs ready for deployment</li> </ul>
Streamlining and integrating systems, processes and metrics	<ul style="list-style-type: none"> <li>Developed environmental metrics</li> </ul>	<ul style="list-style-type: none"> <li>Track and report environmental metrics</li> <li>Implement next generation materials compliance system</li> </ul>
Facilitating change through self governance and ownership	<ul style="list-style-type: none"> <li>Developed accountability-building programs</li> </ul>	<ul style="list-style-type: none"> <li>Embed accountability into business groups</li> <li>Cultivate employees' sense of ownership towards environmental sustainability</li> <li>Develop best practices</li> </ul>
Building company culture	<ul style="list-style-type: none"> <li>Demonstrated the value of environmental sustainability in building company culture</li> </ul>	<ul style="list-style-type: none"> <li>Integrate Environmental Sustainability into our corporate DNA</li> <li>Promote and implement transparent reporting</li> </ul>
Establishing industry leadership position	<ul style="list-style-type: none"> <li>Became a value generating entity</li> </ul>	<ul style="list-style-type: none"> <li>Roll-out Environmental Sustainability Roadmap</li> <li>Generate positive customer feedback on scalability and robustness of environmental sustainability strategy</li> </ul>
Becoming a great place to work	<ul style="list-style-type: none"> <li>Built foundational programs to improve corporate brand and employee satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Enhance branding through external communications</li> <li>Increase employee satisfaction</li> <li>Increase retention</li> </ul>
Contributing to business growth	<ul style="list-style-type: none"> <li>Built foundational capabilities and growth plans</li> </ul>	<ul style="list-style-type: none"> <li>Focus on risk mitigation, potential new business and cost savings (i.e. energy reduction etc.)</li> <li>Prepare employees to look for solutions to future issues</li> </ul>



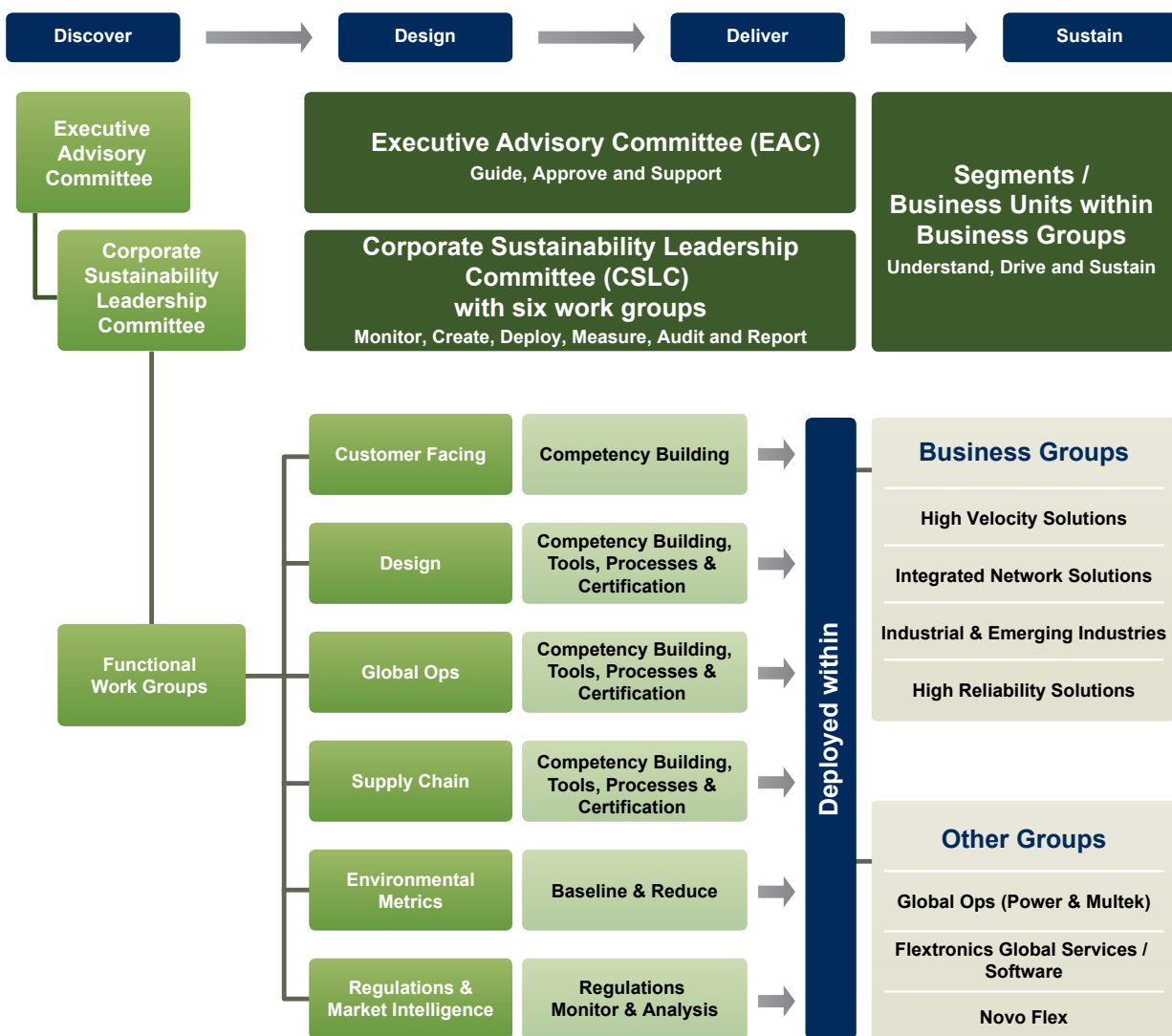
### B. Flextronics' Environmental Governance Model

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

The next level – Corporate Sustainability Leadership Committee (CSLC) – includes a senior leader and cross-functional senior managers who are tasked to monitor global environmental activities before translating them into strategies, processes, systems, tools, metrics and implementation plans for deployment across all our global operations and supply chain.

The main body of CSLC comprises of six functional work groups that are responsible for building core competencies in environmental management. They are also tasked to ensure that the required environmental certifications are attained across every fold of the organization / supply chain.

Sustainability Governance Structure & Operating Model



## 9.5 Flextronics Design for the Environment (DfE)

Flextronics has a significant product design presence globally, where each design center is required to achieve the same level of environmental competency and certification.

Flextronics' DfE goal is to reduce environmental impact throughout the full product life cycle and incorporate environmental solutions into the product design to mitigate compliance issues.

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 a set of questionnaires relevant to environmental strategies and DfE. Key focus areas include:

- Knowledge and compliance to corporate goals and strategy
- Collection and utilization of content and compliance data for regulatory, contractual and customer specific requirements
- Training and documentation assessment
- Analyzing capabilities against the 5-Pillar Corporate Environmental Framework (Hazardous Materials, Recycling & Take Back, Pollution Control, Resource Conservation and Climate Change)
- Regulation and certification
- Testing (in some high risk areas)
- Production transfer activities.



### 9.6 CleanTech

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



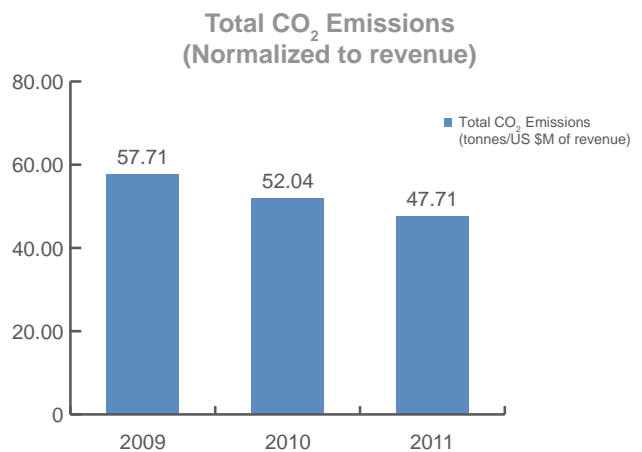
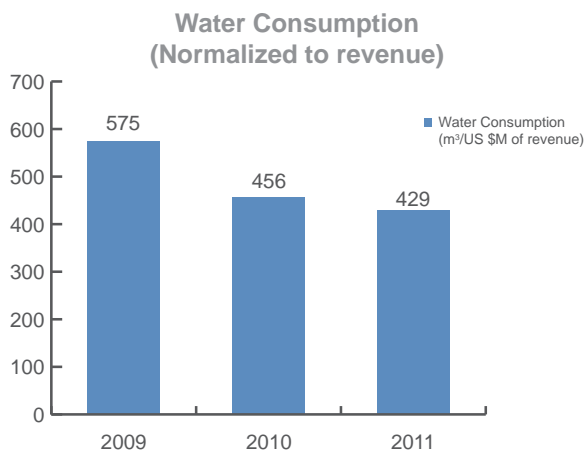
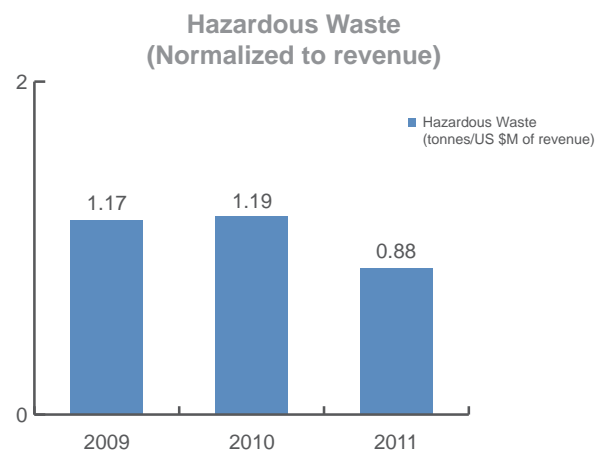
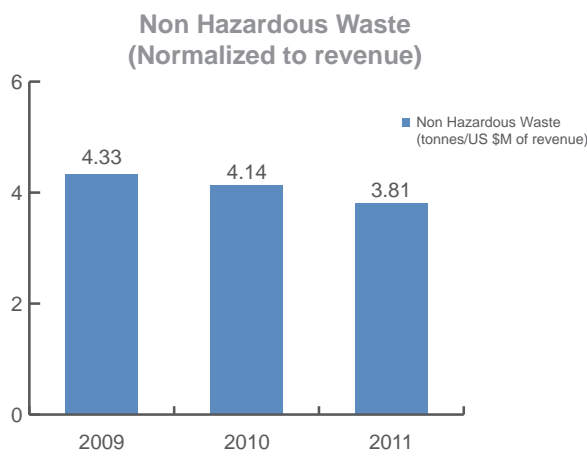
### 9.7 Environmental Metrics



Carbon Emissions	Water Consumption	Hazardous Waste	Non Hazardous Waste
<b>17%</b>	<b>25%</b>	<b>24%</b>	<b>12%</b>
Tonnes/revenue \$ reduction 2009 to 2011	m <sup>3</sup> /revenue \$ reduction 2009 to 2011	Tonnes/revenue \$ reduction 2009 to 2011	Tonnes/revenue \$ reduction 2009 to 2011

Environmental Metrics (Absolute Data)	2009	2010	2011	2009 vs 2011 % Variation
Non Hazardous Waste (tonnes)	102,896	114,974	114,117	11%
Hazardous Waste (tonnes)	27,788	33,045	26,453	-5%
Water Consumption (m <sup>3</sup> )	13,668,757	12,646,514	12,845,246	-6%
Scope 1 (tonnes)	118,930	82,876	44,354	-63%
Scope 2 (tonnes)	1,251,884	1,361,889	1,384,120	11%
Total CO <sub>2</sub> Emissions (tonnes)	1,370,814	1,444,765	1,428,474	4%

Environmental Metric (Normalized to revenue)	2009	2010	2011	2009 vs 2011 % Variation
Revenue (US \$M)	23,753.10	27,761.23	29,943.66	26%
Non Hazardous Waste (tonnes/US \$M of revenue)	4.33	4.14	3.81	-12%
Hazardous Waste (tonnes/US \$M of revenue)	1.17	1.19	0.88	-24%
Water Consumption (m <sup>3</sup> /US \$M of revenue)	575.45	455.55	428.98	-25%
Total CO <sub>2</sub> Emissions (tonnes/US \$M of revenue)	57.7	52.0	47.7	-17%





## 9.8 Environmental Insights

### A. Aguascalientes, Mexico

- Adopted an area of Dead Man Mountain, Aguascalientes, in collaboration with two local companies – Texas Instruments and Cruz Azul Cement Company, the University of Aguascalientes and the State Government, for natural resources conservation and to improve environmental awareness in the community
- Constructed a green house to cultivate 2000 pine trees for reforestation at the site and in the community
- Implemented 100 percent waste segregation to generate profits for the site
- Usage of treated sewage water for landscaping purposes
- Substituted gas usage with solar panels in the cafeteria
- Utilization of energy saving lamps (replaced 190 watt lamps with 108 watt lamps) to reduce power consumption
- Introduced e-waste recycling program at the site
- Produced an educational video on recycling featuring employees' children



Sewage water treatment for landscaping purposes.



Solar panels installed above the cafeteria, replacing gas.



Green house to cultivate 2000 pine trees for reforestation.

**B. Juarez, Mexico**

- Segregated waste generated in administrative and production areas to reduce environmental impact and to gain profits
- Utilization of energy saving lamps (replaced 1000 watt lamps with 49 watt lamps), achieving lower electricity consumption and annual cost savings of \$372,000 Mexican pesos
- Replaced 15 percent of current urinals with waterless urinals, saving an average of one gallon of water every time the urinals are used
- Implemented an environmental campaign – engaged a local auto parts shop and an air emission verification center with the approval of the Ecological Department to tune-up employees’ vehicles and verify their vehicles’ air emission quality
- Set up an automatic program for all campus computers to put them on “Stand by” mode when the computers are idle to lower electricity consumption



**C. Sorocaba, Brazil**

- Established partnership with Sorocaba Zoo for fauna rehabilitation
- Successfully implemented a flora reforestation project
- Improved Pirajibu River’s condition through constant waste water treatment
- Executed on-campus recycling program



**D. Multek Sao Paulo, Brazil**

- Industrial and deionized water reduction projects achieved very good results (up to 30 percent reduction)
- Replaced four 40 watt fluorescent lights with two 20 watt LED lights
- Reduced water consumption by 14 percent and galvanic sludge generation by 30 percent through water treatment
- Reduced paper consumption by 10 percent by introducing paperless processes in Finance and Administrative departments



Waste water treatment in Sorocaba.



## The Flextronics Pledge and the Supply Chain

- 10.1 Flextronics Supplier CSER Program Overview
- 10.2 Flextronics Supplier Code of Conduct Compliance Program
- 10.3 Conflict Free Sourcing of Extractives
- 10.4 Next Steps





As one of the world's premier EMS companies, Flextronics is committed to trading fairly and ensuring everyone in our supply chain is treated with honesty, fairness and respect. Ethical sourcing and responsible supply chain management is central to all our procurement decisions. We work closely with our Flextronics approved suppliers, encouraging them to support our key CSER initiatives through adoption and implementation of sustainable business practices.

We have been complying to The Flextronics Pledge requirements and the EICC Code of Conduct by continuously conducting assessments and collaboratively implementing identified corrective actions across our approved supply chain. In addition to this report, we have also released our first annual Supplier Sustainability Report documenting our programs and achievements.

Flextronics is committed to constantly improve our supply chain assessment tools and capabilities, effectively manage new requirements such as Conflict Minerals and prove to customers

that our supply chain management is the best in the industry.

I am proud of our team's accomplishments in the past year and we look forward to future challenges and successes.

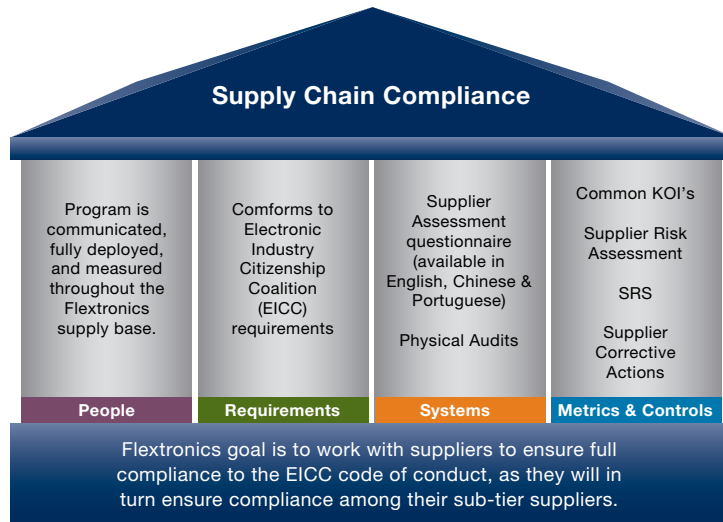
*Ewan Linton*

Chief Procurement Officer



## 10.1 Flextronics Supplier CSER Program Overview

The due diligence process for supply chain compliance is encapsulated in the four key areas shown in the diagram:



- The first, and most important area, focuses on “People”. Besides training our own people, we provide online training, via the Flextronics Supplier Information website, for our suppliers on Flextronics’ processes and expectations before they undergo our CSER assessment program.
- The second key area highlights our stringent supply chain program conformance to the EICC Code of Conduct
- The third column defines our physical auditing process that consists of two parts: a self-assessment (SAQ) to be completed by suppliers and a physical audit. As Flextronics works with many suppliers, it is impossible to physically audit all of them. As such, the decision on whether or not to carry out a physical audit on the supplier is based on the level of trust we have with the supplier and careful analysis of the SAQ.
- Finally, we complete the CSER risk validation through metrics management and identifying corrective actions carried out by the supplier. In early 2012, we added key metrics to our integrated Supplier Rating System (SRS) to ensure CSER improvements within our global supply chain.

In addition to the standard CSER due diligence process, Flextronics will execute an additional due diligence program on the use of Conflict Free Minerals that are mined in the Democratic Republic of Congo (DRC) and its neighboring countries. Information on metal usage down to the smelters will be required from all Flextronics-managed suppliers.



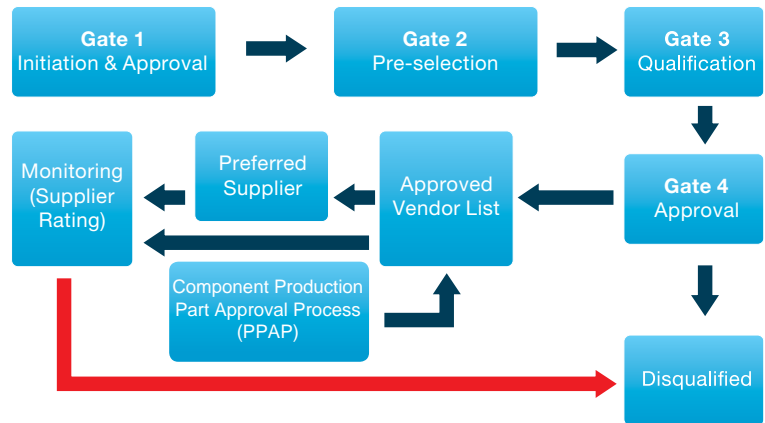
## 10.2 Flextronics Supplier Code of Conduct Compliance Program

### A. Compliance Process

Flextronics has integrated elements of the Flextronics Supplier Code of Conduct into the Supplier Qualification Process.

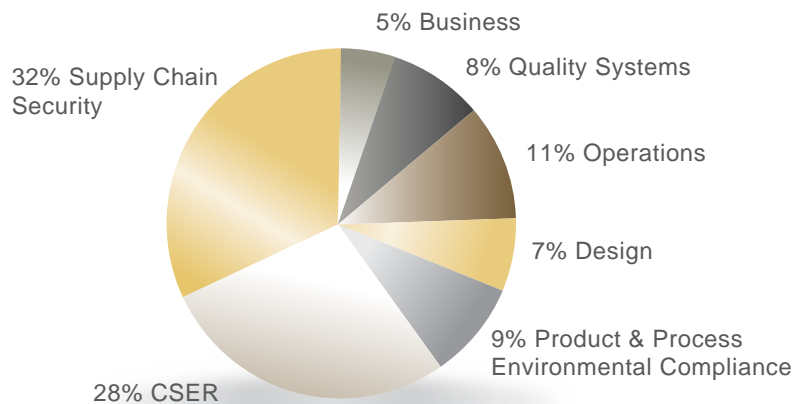
The Flextronics Supplier Qualification process covers several key aspects: Business, Quality Systems, Operations, Design, Product and Process Environmental Compliance, Supply Chain Security and Corporate Social & Environmental Responsibility.

As illustrated in the pie chart, 37 percent of questions asked in the audit revolve around “CSER” and “Product & Process Environmental Compliance”, demonstrating Flextronics’ commitment to supply chain CSER compliance.



### AI. Due Diligence Process

A comprehensive due diligence process is used to identify high risk suppliers and high risk areas in the suppliers’ premises. It is also used to drive corrective actions in order to eliminate identified deficiencies. The due diligence process consists of supplier training on process expectations, a supplier self-assessment, a risk-based onsite audit to identify both critical and non-critical findings, and an integrated supplier corrective action process. Flextronics may conduct a follow-up onsite audit to verify the supplier’s Corrective Action Plan (CAP) implementation.



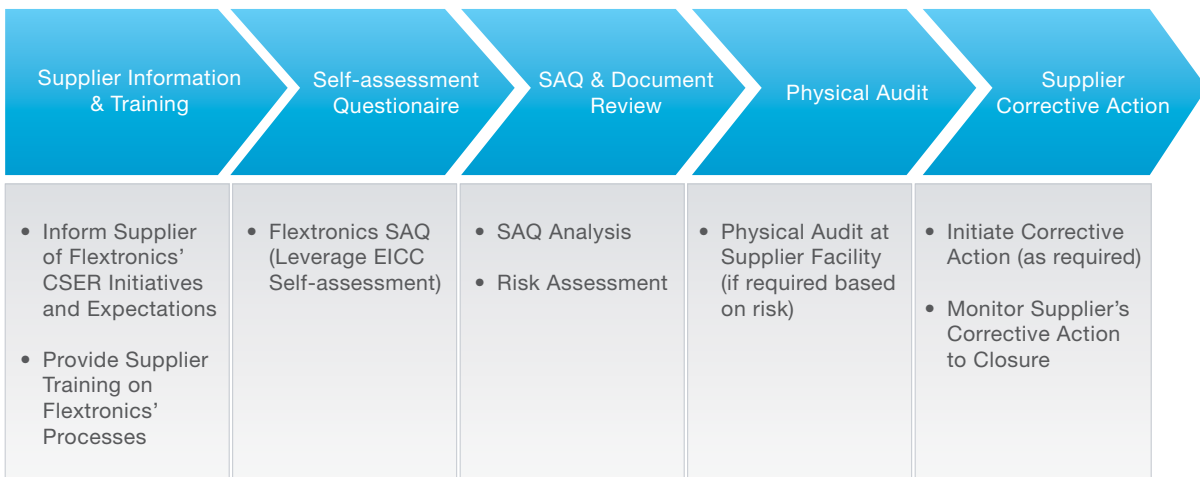
### All. Due Diligence Assessment

An independent audit team from the Global Procurement Organization is tasked to carry out CSER due diligence assessments of high risk suppliers.

Flextronics' CSER Supplier Assessment Questionnaire (SAQ) requires suppliers to answer 91 questions covering areas such as Labor, Ethics, Environment, Health, Production Processes, Material and Finished

Goods Stores, Inspection Areas, Dormitories, Wash Rooms and Canteen. Audit results are evaluated and scored based on pre-defined criterion in order to eliminate any subjective findings. Each question asked during the self-assessment or on-site audit is assigned a 5-point grade scale, with 1 representing the lowest score and 5 as the best. 3 is the passing mark.

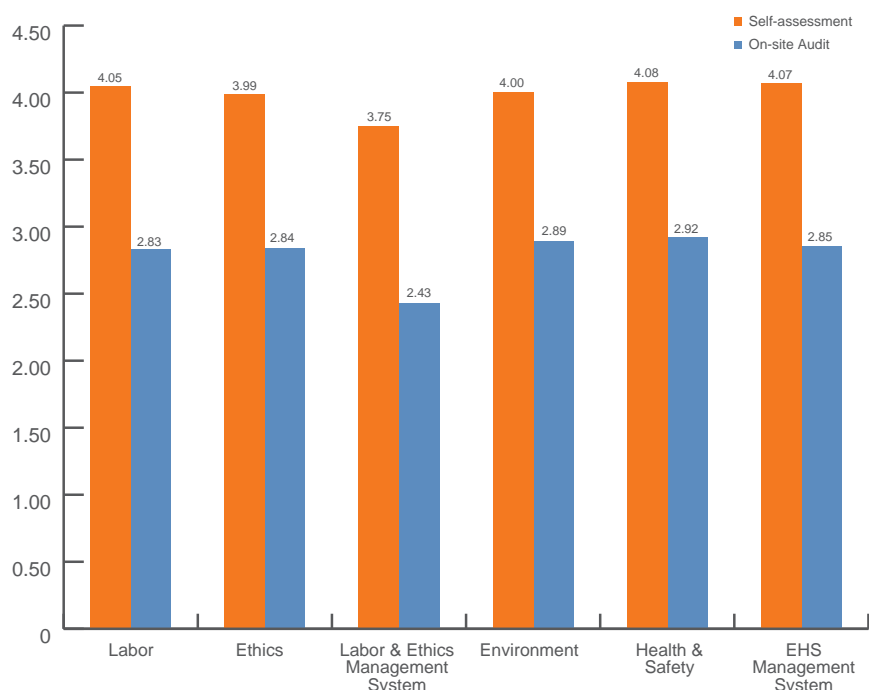
If suppliers are found to have any deficiencies, they will be requested to implement a CAP within a specified time frame. Our Global Procurement audit team will then monitor the CAP progress closely. Armed with a comprehensive evaluation system, we are able to generate statistics on the various audited attributes and rank suppliers based on their performance and CAP implementation.



### B. Audit Statistics

In 2011, Flextronics conducted 83 initial audits and 62 follow-up audits on supplier facilities located primarily in China. We have noted that supplier self-assessment scores are often much higher than the results of on-site audits. This reinforces our decision to engage in more on-site audits to align compliance expectations between Flextronics and our supply chain.

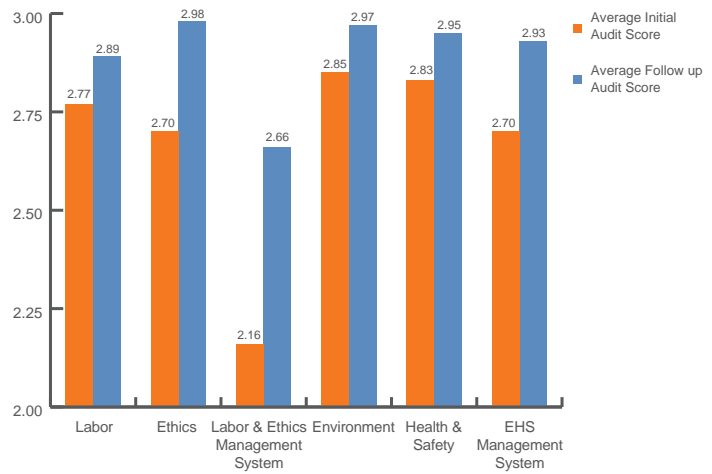
Section Average SAQ Scores vs On-site Audit



### Historical Data

Results from the 62 follow-up audits showed that supplier performance has improved and certain sub-sections such as Labor & Ethics Management System have fared better than others.

Follow-up Audit Sub-section Average Score



### C. Critical Findings Analysis

Flextronics' audited findings are classified into two categories: Critical and Non-critical. Critical findings encompass the most serious class of violations that include the use of forced labor, prison labor, indentured service or bonded labor, child labor, excessive working hours, insufficient minimum wages, inhumane treatment, discrimination, worker endangerment, and significant threats to the environment.

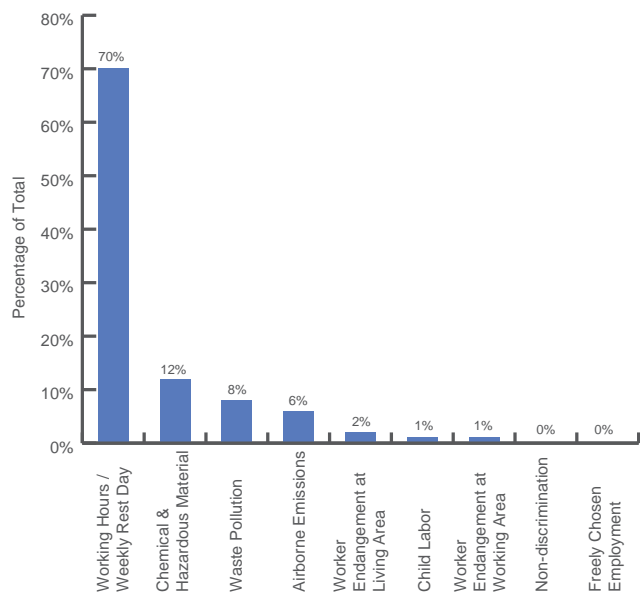
In the SAQ, there are a total of 20 critical questions which are grouped under the headings below:

- Use of forced, imprisoned, indentured, or bonded labor
- Child labor
- Excessive working hours
- Insufficient minimum wages
- Inhumane treatment
- Discrimination
- Significant threats to the environment
- Worker endangerment at work floors
- Worker endangerment in living quarters.

### Historical Data

Initial on-site audit results showed that 20 percent of suppliers did not demonstrate any CSER deficiencies. The rest of the audited suppliers showed critical CSER-related gaps that warranted immediate corrective action. However, none of the suppliers were found to be in violation of use of forced, imprisoned, indentured, bonded labor, insufficient minimum wages, or inhumane treatment of employees. Our on-site audit also showed common gaps in the areas of employee rest day per week, excessive working hours, discrimination, significant threats to the environment and worker endangerment. The chart exhibits the number of critical findings by category detected during the on-site audit where 70 percent were related to working hours and rest day issues.

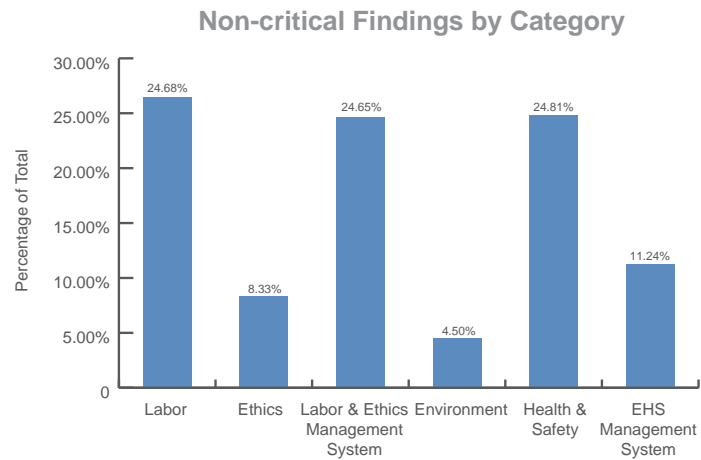
Critical Findings by Category





### D. Non-critical Findings Analysis

In addition to the critical violations discussed previously, we have also itemized non-critical findings that do not directly affect our suppliers' employees and usually include items such as missing policies, processes or relevant documentation relating to CSER requirements as demonstrated in the chart:



#### Historical Data

Non-critical findings show that many suppliers do not diligently keep policies, processes or relevant documentation relating to Labor and Health & Safety. The following table lists the top-10 SAQ non-critical questions that most suppliers failed to answer in a satisfactory manner:

#### Top-10 Non-critical Findings (in descending order)

Question #	Details of the Supplier Assessment Questions
CR50	The facility must implement proper documentation processes for corrective and preventive actions in relation to labor and ethics non-conformance found during internal or external assessments, inspections, audits, etc.
CR49	The facility should define the audit frequency and conduct periodic audits on labor and / or ethical practices to assess conformance with regulatory and other relevant requirements. All the audit-related records should be kept at the facility.
CR45	The facility should establish written performance objectives for labor and ethical practices. These include metrics and targets with implementation plans and well-defined regular reviews. Meanwhile, review evidence must be maintained at the facility.
CR58c	Chemical hazards - The facility should implement a process to identify, control or eliminate all risks associated with their operations. This process must also be in compliance with all legal requirements.
CR48	The facility should communicate about the labor and ethics policy, procedures to suppliers and customers.
CR40	Inhumane treatment and ethics violation. The identity of the informant must be protected and remain anonymous.
CR43	The senior management of the facility should periodically review the status of the labor/ethics management systems and identify planned improvements.
CR42	Implementation of the management system and associated programs are in compliance with labor & ethics laws, regulations and customer requirements.
CR9	The facility should administer proper written procedures to determine, manage and control the facility's working hours including overtime, rest days (i.e. EICC requires not more than 60 working hours per week and one day off).
CR46	The facility should have a documented process to provide training to all levels of employees (including managers, middle management, workers) on labor and ethics policy, procedures, improvement objectives and legal and regulatory requirements.

### Non-critical Findings Analysis

Based on the SAQ findings on the previous page, we concluded that:

- Most suppliers have not established labor and ethics management systems that are up to industry standards
- The most commonly-found deficiencies include lack of proper documentation on working hours and policy prohibiting pay deduction
- Lack of physical safety and chemical hazards documentation were the most common findings under the Health and Safety section.

### On-site Audit Findings

- During on-site audits, Flextronics CSER auditors perform walkthroughs across suppliers' production floors, dormitories and canteens to assess compliance to our CSER requirements.
- The most common health and safety deficiencies were found on the production floors and dormitories. 46 percent of suppliers were found to have health and safety issues affecting the production floors, while 29 percent of suppliers were found to have similar issues in the dormitories. Flextronics has asked all these suppliers to put corrective actions in place.



## E. Corrective Action Process

Flextronics requires suppliers to develop and submit a Corrective Action Process within seven days after the audit for critical deficiencies and no later than one month for non-critical items. We expect all suppliers to correct and improve their areas of deficiency within ninety days of the audit.

Flextronics has put in place a Corrective Action Tool that can generate a report containing all supplier gaps. This report is then given to the supplier's senior management team at the end of the audit, for them to implement the Corrective Action Process. We initiate between one to three

teleconferences with the suppliers over the ninety day period to review their corrective actions.

The majority of suppliers audited have completed or are in the process of completing the Corrective Action Process. The remaining suppliers have not executed the required corrective actions. Here are some typical reasons given:

- We will only improve on critical items and ignore non-critical findings.
- We will not commit to work on non-critical areas within the set timeframe.

- We are not able to complete non-critical corrective actions within the defined timeframe.
- We cannot commit to completing all critical corrective actions.
- We cannot complete critical corrective actions based on Flextronics' requirements.

For suppliers who are not compliant with Flextronics requirements, Flextronics Global Procurement, in collaboration with manufacturing site teams, will evaluate the business situation and determine an appropriate course of action including potential termination of the relationship.

**EI. Typical Corrective Action Plan**

The table below shows a supplier’s typical corrective actions for identified compliance gaps:

Observations / Findings	Flextronics’ Requirement & Supplier Corrective Actions
<b>Labor, Ethics and LE Management System</b>	
Workers are not taking at least one (1) rest/off day per week on average. (Critical)	To establish a policy and undertake measures to ensure that workers utilize their weekly rest day.
Facility management does not have a suitable representative assigned to ensure effective implementation of management system and compliance in accordance with customer requirements. (Other Finding)	To assign a management representative (preferably senior management) with documented responsibility and authority for ensuring implementation of proper management system and associated programs, as well as compliance with labor and ethical regulations, codes and customer requirements.
36 facilities used disciplinary reasons for wage deduction. (Other Finding)	To abolish such disciplinary practices as wage deductions are not allowed.
Over the last 12 months, average weekly work hours at the facility exceeded 60 hours. (Critical)	To establish a policy and undertake measures to ensure work hours do not exceed 60 hours per week.
The facility does not have a policy in place to restrict the use of forced, prison, indentured, or bonded labor. (Other Finding)	To establish a policy that restricts the use of forced, prison, indentured, or bonded labor.
Juvenile workers (below 18 years) are tasked to perform hazardous work. (Other Finding)	To establish a policy that restricts juvenile workers from performing work that is likely to jeopardize their health and safety, and take measures to ensure that they are not assigned to do hazardous duties.
Workers are not paid in accordance to legal requirement for overtime hours. (Other Finding)	To pay workers the legally required overtime wage.
The facility does not have a documented process to assure non-disclosure of sensitive, confidential information about customers, distribution channels, suppliers, workers and other business partners. (Other Finding)	To establish a documented process to assure non-disclosure of sensitive, confidential information about customers, distribution channels, suppliers, workers and other business partners.
The facility either does not provide a copy of the labor contract to workers or they provide labor contract containing unreasonable terms. (Other Finding)	To provide a copy of the legally-required labor contract to workers that stipulates reasonable working terms and conditions.
Age discrimination exists in two facilities. (Critical)	To establish a policy prohibiting and eliminating age discrimination from the point of recruitment to any other time during employment.
<b>Environment, Health &amp; Safety and EHS Management System</b>	
In the area of noise and dust hazards, the facility does not have a process in place to identify such risks, failed to provide occupational health checks, and did not establish guidelines associated with legal requirements. Workers were also not given personal protective equipment. (Other Finding)	Identify hazards, associated legal requirements and risks associated with noise and dust hazards at the workplace. To also put in place dust and noise control measures and provide workers with personal protective equipment.
The facility does not have a proper process in place to identify the hazards and associated legal regulations needed to evaluate fire risks associated with their operations. Fire drills are conducted, but it does not involve all employees. Fire extinguishers are not placed in the correct location throughout the facility. (Other Finding)	To put in place a process to identify the hazards, associated legal laws and evaluate the risks associated with their operations. To organize proper fire drills that involve all employees. To keep fire extinguishers accessible and positioned at strategic locations, in accordance to legal requirements.
Special equipments used are either without registration, or their inspection certificates have expired. (Other Findings)	To ensure special equipments are registered and inspected as required by the law.
Hazardous waste are not categorized, handled, stored, transported and deposited using licensed vendor per local legislation. (Critical)	To source for licensed vendor to manage hazardous waste.
Special equipment operators are either not qualified, or their certifications have expired. (Critical)	To ensure special equipment operators have valid qualification and certifications.
Permit for waste water discharge was either not obtained from local environmental protection department, or has expired. (Critical)	To submit permit application for waste water discharge.
One of the two exits in the dormitory is locked. (Critical)	To ensure exits are unlocked and accessible at all times.

### III. Verifying Supplier's Corrective Action Plan

To confirm that suppliers have put in place measures to correct critical items, Flextronics carries out a follow up on-site audit at the suppliers' premises. For non-critical items, we require the suppliers to provide relevant documents for review demonstrating the corrective action resolution. If corrective actions for non-critical items cannot be verified via the document review process, Flextronics will follow-through with an on-site audit.



### F. Supplier Feedback

We typically ask our suppliers for feedback at the end of an audit. The most common supplier feedback we received to date relates to excessive overtime (OT) hours in China. Specific feedback includes:

- Goods are produced based on their clients' purchase orders and demand requirements. When demand peaks, employees have to work excessive OT hours to fulfill clients' requirements. One supplier even stated that they had to keep the production lines running during mandatory holidays in 2010 to fulfill their customers' orders.
- Many Chinese employees worked excessive OT hours in the months before and after the Chinese New Year holidays. Many Chinese employees take lengthy annual leave during this season or even resign from the company. Consequently, the remaining employees have to compensate for the lack of manpower with longer OT hours in order to meet customer orders.

Despite all the challenges mentioned above, most suppliers are committed to finding solutions to resolve excessive working hour-related issues.

Flextronics is not the only company facing the above-mentioned issues as this is a systemic problem plaguing China's entire supply chain. It will take strong collaboration between suppliers and customers to overcome these challenges.





## 10.3 Conflict Free Sourcing of Extractives

### A. Conflict Minerals Overview

The Democratic Republic of Congo (DRC) was ravaged by several wars from 1997 – 2003 resulting in political strife in the region and surrounding countries. The United Nations Group of Experts on the DRC found that the trade of Conflict Minerals e.g. columbite-tantalite (coltan/tantalum), cassiterite (tin), wolframite (tungsten), and gold was helping to finance the conflict, characterized by extreme levels of violence in eastern Congo, particularly sexual- and gender-based violence.

On July 21, 2010, US President Barack Obama signed the “Dodd-Frank Wall Street Reform and Consumer Protection Act” that includes section 1502(b) on Conflict Minerals. This section requires the “disclosure of Conflict Minerals originating from the DRC and neighboring countries”. All US companies must report the use of Conflict Minerals (if any) in their annual reports. The disclosure reports generated from supplier due diligence declarations will constitute a critical component in establishing the source of minerals and subsequent chain of custody.



### B. Flextronics' Position in Conflict Minerals

Flextronics is a key member of the Electronic Industry Citizens Coalition (EICC) Conflict Minerals Due Diligence sub-team. The team's Charter is “to define company due diligence processes that align with the legislation and due diligence guidance documents (Global Witness, OECD, UN and other efforts), that will allow companies to consistently interface with their supply chain”.

Key deliverables of this sub-team include:

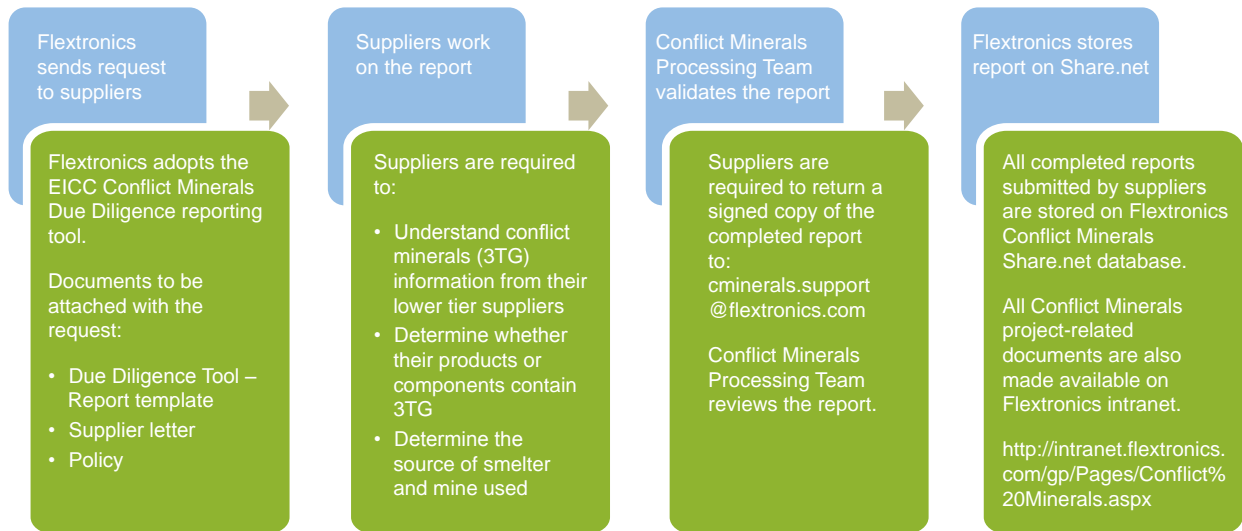
- Defining a common process to survey supply chain of conflict minerals
- Maintaining an approved smelter database, to compare all suppliers' conflict minerals due diligence reports
- Providing policies, verbiage for contracts and tools that suppliers can use to ensure compliance to the Dodd-Frank Act requirements.

The EICC Conflict Minerals Due Diligence tool was created and released by the EICC Conflict Minerals sub-team in July 2011. Flextronics adopted this declaration tool and deployed our Conflict Minerals Due Diligence program in August 2011. We are working towards completing a detailed mapping of our commodities. This will help us identify suppliers with commodities containing tantalum, tin, tungsten or gold. We also expect our Tier-1 suppliers to maintain similar data regarding their supply chain.

The Flextronics Global Commodity Management team will evaluate and/or terminate the business relationship with any suppliers found to have sourced materials from conflict regions or have failed to provide relevant due diligence declaration with smelter information.



C. Flextronics Conflict Minerals Due Diligence Process Flow



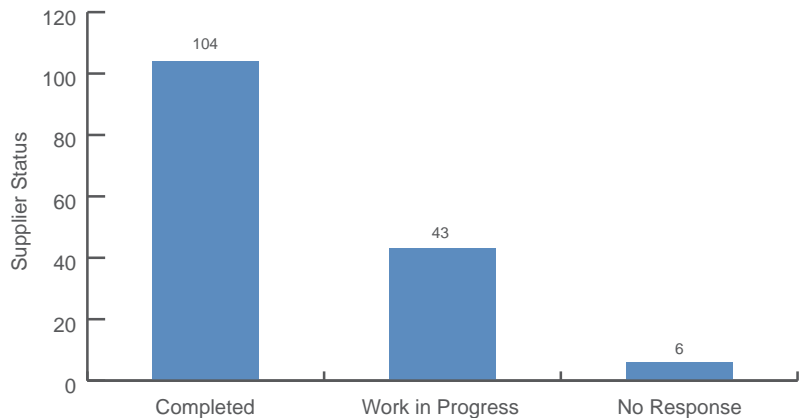
D. Conflict Minerals Due Diligence Activities

In August 2011, Flextronics deployed the Conflict Minerals Due Diligence program that enabled the company to communicate, analyze and obtain conflict minerals information from over 153 Flextronics-owned suppliers.

Flextronics-owned suppliers are categorized as Flextronics Strategic Supplier, Design Win Contract Supplier and Indirect Material Supplier.

Depending on the business nature of the organization, customers can request conflict minerals information from Flextronics.

Conflict Minerals Due Diligence status for Flextronics-owned suppliers



## 10.4 Next Steps

Our ultimate goal is to ensure that the supply base is capable of meeting our CSER requirements; hence our continuous drive to further improve our Supplier CSER Compliance Program.

### A. Enhanced Supplier Awareness

Flextronics desires to enhance its supplier training program so that potential suppliers will be fully equipped to fulfill our CSER requirements. This year, we are also planning to improve our CSER audit trainings so that our personnel who interface with suppliers will have sufficient knowledge to address various supplier issues.

### B. Collaboration with Industry Organizations

As a founding member of EICC, Flextronics will continue to collaborate and participate in EICC initiatives for supply chain compliance to the EICC Code of Conduct and to efficiently manage the upcoming Conflict Minerals challenges. This collaboration is important for Flextronics to ensure that our processes are standardized to industry expectations and that these meet the requirements of our various stakeholders.

### C. Increased CSER Assessments and Supplier Compliance

In 2012, Flextronics plans to expand on the last few years' work and increase our CSER supplier assessments to encompass a larger percentage of Flextronics managed suppliers in both China and other regions where supply chain risk warrants these activities. We expect to drive a high level of compliance in our supply chain and to work collaboratively with our customers to efficiently disengage from those suppliers who chose not to comply with Flextronics and EICC requirements.







Flextronics Althofen (Austria).





The Advanced Engineering Group (AEG) focuses on technological innovations to enable and advance sustainability in a holistic manner.

At Flextronics, we have a Design for the Environment (DfE) program that reduces environmental impact throughout the whole product life cycle. We do this by:

- Deploying “lean” design
- Avoiding hazardous substances
- Using recyclable materials
- Designing energy efficient products
- Designing using resource efficient manufacturing processes.

Sponsored by the Engineering Leadership Council (ELC), the DfE program enables our global design teams to meet and exceed our customers' and regulatory requirements.

Concurrently, Flextronics Lean Product Engineering (FLPE) and Design for Manufacturing (DfM) programs have enabled waste and materials minimization in product development and design.

Flextronics has pioneered lead-free manufacturing since the 90s. We have published numerous books and technical papers that promoted the use of lead-free, environmental-friendly technological solutions to the electronics manufacturing industry. We have also implemented Advanced Plastics Molding technology known as Flextronics Seamless Knitless Process (FSKP) to significantly reduce energy consumption and its related environmental impact.

Flextronics is heavily involved in the clean tech market. We are actively developing energy efficient power supply and thermal solutions for servers, lighting and other applications in order to minimize our carbon footprint.

Through technological innovations, we continuously strive to minimize any adverse impact on people and the environment.

*Murad Kuruwa*

Vice President, Design and Engineering

## Advanced Engineering Group (AEG)

Flextronics' Advanced Engineering Group (AEG) helps our business groups and customers achieve competitive advantages by nurturing green product and process innovations. It also enables our business groups to optimize product design and manufacturing in a sustainable manner.

AEG's "green" achievements include:

- Introduced Flextronics' Lean Product Engineering (FLPE) to reduce waste and maximize value-adds
- Conducted commercial activities in several important areas of renewable energy, including, solar PV, wind energy and fuel cells
- Established the CleanTech division within Flextronics' Industrial & Emerging Industries business group, servicing global leading OEMs in the green technology arena.



Solar Module Assembly Line at Flextronics Port of Tanjung Pelepas (Johor), Malaysia.

## Epilogue



I thank you for your interest in our CSER Sustainability Report.

Given the challenges of today's business environment, The Flextronics Pledge plays an increasingly important role in our corporate strategy. We transcend basic corporate responsibility practices to demonstrate our staunch commitment in building sustainable and harmonious communities, both inside and outside Flextronics. The increasing recognition of our commitment has granted us greater leverage in attracting, retaining and mobilizing talent, suppliers and investors.

This report provides an overview of the strategic initiatives that we have undertaken in delivering The Flextronics Pledge commitments. Our CSER footprint has now increased in breadth and depth. The Flextronics Pledge now extends to our supply chain and we have also introduced new sustainability initiatives and achieved new milestones.

The positive results are demonstrated through the feedback we have received from our customers, employees and communities.

We have made huge strides in positioning ourselves as a CSER leader and a great place to work. The myriad of awards that we received over the past two years, shown on the next page, indicates that we are moving towards the right direction.

None of these successes could be possible without the support from our employees and other stakeholders. With their unwavering commitment, we hope to continue this sustainability journey into the future. We look forward to relating our further progress in the next report.

*Richard Wang*

Vice President, Global Employee Engagement,  
HR Compliance Management & Community Outreach

## Awards

Over the past two years, Flextronics has obtained outstanding achievements and recognition for our corporate social responsibility efforts. Among them are:

### 100 Best Human Resource Management (HRM) Companies Award, 2011

Recipient: Flextronics Zhuhai  
Awarded by: 51job, Inc.

### Business Superbrands Award, 2011

Recipient: Flextronics Hungary  
Awarded by: Business Superbrands

### Leading HR Practice Award, 2011

Recipient: Flextronics Singapore  
Awarded by: Singapore Human Resources Institute (SHRI)

### National Corporate Culture Award, 2011

Recipient: Flextronics Zhuhai  
Awarded by: China Association of Social Economic & Culture Exchange and Dalian Corporate Culture Institute

### Best Talent Management Strategy at the World HRD Congress, 2011

Category: HR and Leadership Awards  
Recipient: Flextronics India  
Awarded by: World HRD Congress 2011

### Emerging Asia Supply Chain Awards, 2011

Category: Electronics  
Recipient: Flextronics  
Awarded by: Supply Chain Asia

### The American Business Awards "Stevie Award", 2011

Recipient: Americas Human Resources Team  
Awarded by: The American Business Awards

### Customer Visionary Award, 2011

Recipient: Flextronics  
Awarded by: Workday

### TRIGOS Award, 2010 & 2011

Recipient: Flextronics Althofen  
Awarded by: SCR Europe

### Award for Best HR Strategy In Line With Business, 2010 & 2011

Category: Best Employer  
Recipient: Flextronics India (CIP)  
Awarded by: Employer Branding Institute

### Labor Excellence Award, 2010

Recipient: Flextronics Zhuhai  
Awarded by: Guangdong Provincial Government

### Asia's Best Employer Brand Award, 2010

Category: Best Global HR Strategy  
Recipient: Flextronics  
Awarded by: The Employer Branding Institute, India

### CSR Excellence Award, 2010

Recipient: Flextronics Zhuhai  
Awarded by: Huawei

### China Golden Bee Award, 2010

Category: Employee Care  
Recipient: Flextronics  
Awarded by: WTO Tribune

### Municipal Government Award, 2010

Harmonious Labor Relations Award and Outstanding Labor Security Award  
Recipient: Flextronics Suzhou  
Awarded by: Suzhou Municipal Government

### Environment Award, 2010

Recipient: Flextronics Zhuhai  
Awarded by: Doumen District Government

### Safety Management Advanced Unit Award, 2010

Recipient: Flextronics Zhuhai  
Awarded by: Doumen Safety Bureau

### Lifetime Achievement Award, 2010

Recipient: Flextronics  
Awarded by: Workday

### Guangdong Province Law-abiding and Excellent Corporation of Using Labor, 2010

Recipient: Flextronics Zhuhai  
Awarded by: Guangdong Labor Learned Society, Guangdong Human Resource Management Association & Guangdong Modern Service Joint Association with Guangdong Province

### Zhuhai City Labor Relations Harmonious Enterprise, 2010 & 2011

Recipient: Flextronics Zhuhai  
Awarded by: Zhuhai Human Resources & Social Security Bureau, Zhuhai General Trade Union, Zhuhai Enterprise Association, Zhuhai Foreign Investment Joint Association & Zhuhai Private Enterprises Trade Association

### Advanced Units of Work-related Injury Insurance of Zhuhai, 2010

Recipient: Flextronics Zhuhai & Multek Zhuhai  
Awarded by: Zhuhai Human Resources and Social Security Bureau

### Worker Compensation Risk Manager of the Year

Recipient: Flextronics  
Awarded by: The National Underwriters Association and the National Council on Compensation Insurance





## Annual Report

# Flextronics Program for Ethical and Responsible Business

Written by:  
Center for Leadership Development and Research.  
Tsinghua School of Economics and Management (SEM)

### Our Mission

*To promote the practice of responsible business and to cultivate ethical leaders for China.*

This document reports the progress and achievements of Tsinghua SEM - Flextronics Ethical and Responsible Business (in short, ERB) program for the period of April 2011 to April 2012.

## 1 Course Development and Delivery

### A. Ethical and Social Responsibilities for Leaders

This is a mandatory, one-credit course which is offered to full-time, part-time and international MBA students. Over the past year, five faculty members have been well trained to conduct the course and a standardized set of course outline and syllabus has been put in place. The academicians organize regular lunch meetings to discuss cases and teaching methods, as well as to share their experiences objectively, to improve teaching quality substantially.

### B. Critical Thinking and Moral Reasoning (Undergraduate)

Critical Thinking and Moral Reasoning is a mandatory, three-credit course offered to all sophomore students (about 200 per year). Guided by Professor YANG Bin, students discuss social phenomena and related moral issues over 16 classroom sessions. In addition, students also participate in group discussions led by 15 senior-student teaching assistants.

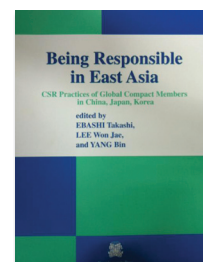
## 2 Research Programs

### A. China-Japan-Korea (CJK) Joint Research on Implementation of UNGC Initiative by East Asian Companies

The CJK CSR project was collaboratively conducted by researchers from Tsinghua SEM (China), Hosei Research Center for the Support of the Global Compact (Japan) and Hankyoreh Economic Research Institute (Korea). The collaboration started by identifying good practices in China, Japan and Korea respectively through literature studies, open data collections and field interviews. After a series of international meetings in Beijing, Seoul and Tokyo, the researchers published their findings in a publication entitled "Being Responsible in East Asia: CSR Practices of Global Compact Members in China,

Japan and Korea.” The book was published by Hosei University Press in November 2011.

With the financial support from Flextronics, we were able to cover part of the research costs.



## B. GOLDEN for Sustainability

Global Organization Learning and Development Network (GOLDEN) is a research program inceptioned by Bocconi University Business School; participating universities are shown in the table below:

**Table List of Participating Universities as of February 2012**

Continent	Universities
Europe	Bocconi*, WU Vienna*, Aarhus* and CBS (D), LBS and Cranfield (UK), ETH (CH), St. Petersburg (R), U. Dublin (Ir), Erasmus & Wegeneigen (NL)
North America	U. Minnesota*, MIT, Harvard U, Boston U/C, U. Virginia, Arizona, Toronto
South America	U. San Paulo and F. Don Cabral (Brazil), U. Catolica (Peru)
South Africa	U. Cape Town
Asia Pacific	Brisbane and U. Tech. Sidney, Tsinghua (China), IIM Bangalore (India)

GOLDEN’s primary goal is to build a global network of research centers committed to studying how business firms change, integrate and infuse the principles of sustainability into their business models. The goal is also to develop a data repository, containing information obtained from open data collection, surveys and interviews with executives, managers of various levels and grassroots / workers of selected enterprises. The move is intended to allow “academia, business and its stakeholders to co-develop and test sustainable models of the enterprise and its eco-system.”<sup>6</sup> The project is currently in the pilot phase and is expected to be launched in 2013.

The Tsinghua GOLDEN team was formed in November 2011, consisting of three faculty members, one staff member and six students. They began by selecting an enterprise as their research partner and learning the research protocols. The team meets weekly to report progress, discuss issues and brainstorm ideas to ensure that the project is on track. Flextronics sponsors the travel, lodging and various miscellaneous expenses for the faculty members to attend the international meetings.

## 3 Events / Activities

### A. Inter-collegiate Student Debates on Ethics and CSR Topics

From April 21 to May 27 2012, the Flextronics ERB organized a student debate contest on Ethics and CSR Issues, which attracted 96 students and involved 37 judges from industry and the School. It ended with Peking University as the contest winner and China University of Political and Law MBA team as the first runner-up.

The 2012 Student Debates on Ethics and CSR Topics began on April 21, 2012 with 16 business schools, (the majority from Beijing and Tianjin) participating. Faculty involved in the Flextronics ERB will act as advisors for the contest this year, while the MBA Student Union will play the role as the major organizer.

<sup>6</sup> GOLDEN internal document: An Introduction to the GOLDEN Program, February 2012.

## B. The First Flextronics Ethics Case Writing Contest

Flextronics ERB took a major lead in organizing the first Flextronics Ethics Case Writing Contest and together with Flextronics, launched the contest on September 9, 2011. Tsinghua faculty members offered training sessions on how to teach ethics with cases and introduced participants to business case writing. The contest received nearly 50 submitted cases, and 15 students were selected as finalists. The six judges from industry included Richard Wong who represented Flextronics, as well as three faculty members from Tsinghua SEM. The 15 finalists were given an additional month to seek the faculty's advice and make necessary revisions. From the resubmissions, the judges selected three cases as candidates for the major prizes. Based on the presentations of the three teams as well as the quality of their cases, the judges announced their final results after a closed-door discussion on March 15, 2012.

The winning cases have been submitted to the School's China Business Case Center to explore the possibility of entering the cases in its case bank. Efforts to submit the cases to the Harvard case bank have also been made.



Richard Wong of Flextronics speaking during the Case Writing Contest opening ceremony.

About 146,000 RMB from the Flextronics grant was spent on organizing the event as well as on prizes for the event.

## C. The 2<sup>nd</sup> PRME Asia Forum

Principles for Responsible Management Education (PRME) is an international network of business schools and universities that inspires and champions responsible management education, research and thought leadership globally.

The 2<sup>nd</sup> PRME Asia Forum, themed "Rethinking Responsible Management Education in Asia", was hosted by the Center for Leadership Development and Research of Tsinghua SEM on November 26, 2011.

The forum was moderated by Professor QIAN Xiaojun of Tsinghua SEM. LIU Meng, China Representative, United Nations Global Compact Office and Professor YANG Bin, Senior Associate Dean of Tsinghua SEM,

who gave the opening speeches. Professor Park from Kyung-Hee University of Korea, made a keynote speech entitled “How Can We Practice What We Preach? Toward Conscious Teaching in the Age of Conscious Business”. The enterprise representative ZHANG Lei, Senior Manager of Department of CSR, BP China, presented BP’s social responsibility report with the efforts, achievements, and problems that BP has encountered so far.

The event included a panel discussion, chaired by Prof JIN Yongjun of Tsinghua SEM, YUAN Yue, Chairman of the Board and President of Horizon Research Consultancy Group; GUO Peiyuan, General Manager, SynTao Co., Ltd.; XIE Weijun, Executive Director, General Office, China Minmetals Corporation and LI Chenye, CEO of SoL China.

The panellists and other attendees shared their experiences and challenges in promoting CSR in their various domains.



The 2<sup>nd</sup> PRME Asia Forum, Tsinghua SEM, November 26, 2011

During the afternoon Student Session panel, Tsinghua SEM undergraduates presented the experiences they have gained during their summer practical projects, and reflected on what they had learned. MBA students also shared their life and study experiences. The panel concluded with a press conference for 2011’s “Flextronics Business Ethics Case Writing Competition Preliminary Round Results Announcement”.

#### D. A Regular Session on CSR

Together with SynTao-Sustainability Solution (a CSR consulting company), Tsinghua SEM and Flextronics ERB hold regular meetings with managers and leaders from prominent companies in China to discuss challenges on implementing and integrating CSR into their companies’ corporate agenda. Collaboratively, the trio often produce various compilations that report new implementations and best practices. The first meeting took place on March 22, 2012 and the second meeting on May 9, 2012. This effort will continue as a platform for regular dialogs and engagement between academia and the business sectors to ingrain CSR in their respective organizations.



## 4 Looking Forward

Going forward, the institutions will further develop and improve the present courses, incorporating new modules some of which will be offered to the School's executive development program. GOLDEN will be a major project for the rest of 2012 and onward to 2013. A team of faculty members, staff members and students will work intensively to gather relevant data, conduct interviews, carry out surveys and enhance the research platform for this GOLDEN program. CSR cases will also be developed, including a case on Flextronics migrant worker management.

The Tsinghua-Flextronics Ethics and CSR Program will organize the second Flextronics Ethics Case Writing Contest and inter-collegiate Business Ethics Debate Contest in 2012. The latter had its opening ceremony on April 21, 2012.

## 5 Disbursement of the Flextronics Grant

Item	Cost (RMB)	Subtotal (RMB)
University overheads	132,244.00	132,244.00
Events		
• Case-Writing Contest*	146,008.17	
• PRME Asia Forum	93,938.45	239,946.62
International Conferences	30,683.73	30,683.73
Travel Expenses for Research Activities	26,671.95	26,671.95
Research Assistantship	11,300.00	11,300.00
Operating Expenses	23,002.00	23,002.00
<b>Total</b>		<b>463,848.30</b>

\*including total prizes of 100,000 RMB

## 6 Final Remarks

Tsinghua SEM appreciates the generous funding and manpower support from Flextronics. The contributions have allowed Tsinghua SEM to offer a reputable CSR module that's recognized locally and globally.

We look forward to further collaboration with Flextronics to scale new heights in CSR related education and research.

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Flextronics Guadalajara (Mexico) football field.

**AMERICAS:** Brazil, Canada, Mexico, United States  
**ASIA:** China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan  
**EMEA:** Austria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Israel, Italy,  
The Netherlands, Norway, Poland, Romania, Sweden, Turkey, Ukraine, United Kingdom



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