

FLEXTRONICS

SUPPLY CHAIN SUSTAINABILITY REPORT 2010

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Fortune magazine has continually rated Flextronics, a Fortune 500 company, as one of the "World's Most Admired Companies."

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

Executive Summary

Global Warming.
Ozone Depletion.
Worker Exploitation.
Workplace Safety.
The list goes on...



Bob Cusick
Chief Procurement Officer

Recognizing the importance of striking a balance between profit, people, and planet, Flextronics has embedded Corporate Social and Environmental Responsibility (CSER) practices deep within its DNA, resulting in greener products and services for our customers while providing internal and external stakeholders with a safer, ethical and respectful environment.

Our comprehensive CSER program, FLEXpledge comprises of these areas of concern:

A) Internal to the organization:

- Values that underpin business strategies and policies
- Management and welfare of staff
- Occupational health and safety
- Engagement with shareholders

B) External to the organization:

- Relationships with customers and suppliers
- Interaction with the local community
- Support of businesses, charities, local authorities and others to improve social conditions
- Environmental protection and global warming reduction efforts
- Human rights
- Health, safety and welfare of workers in supplier companies at their respective locations

Flextronics requires all suppliers to share its unwavering commitment to CSER. This includes complying to sound environmental and ethical standards as well as providing working conditions for employees that fully adhere to both Flextronics' Supplier Practices Guidelines and the Electronic Industry Citizenship Coalition (EICC) Code of Conduct.

We are pleased to present you this report that chronicles our journey with our supply chain towards a common CSER compliance goal. To facilitate easy reading, the report is segmented into three key areas:

1. About Flextronics' CSER value proposition and supply chain program.
2. Results of our supply chain audit and corrective action process.
3. Emerging areas of concern focusing on Greenhouse Gas Emissions and Conflict Minerals.

It is our hope that this report will sufficiently provide our current and potential suppliers with a good understanding of Flextronics' CSER supply chain program and expectations. Together, we can build a sustainable, caring, and ethical world for our future generations!

1 Flextronics and Supplier Responsibility

1.1 FLEXTRONICS' CSER COMMITMENT

Since 2007, Flextronics has made a significant commitment to Corporate Social and Environmental Responsibility (CSER) through its CSER program named FLEXpledge. The program has strengthened Flextronics' position in the electronics manufacturing services industry and transformed us into a global company that takes into account environmental and social performance in everything we do. The Flextronics leadership team is committed to driving the processes behind FLEXpledge and implementing best practices that strengthen our position as an exemplary corporate citizen.

An integral part of our FLEXpledge commitment is to drive the global supply base to meet Flextronics' high standards while ensuring that we meet the expectations of our diverse customer base. In this, we require Flextronics-managed suppliers to ensure safe working conditions, provide humane treatment for employees both in their working and living environments, maintain environmentally responsible processes, and ensure ethical business practices including minimizing or eliminating materials sourced from conflict regions in the world.

FLEXpledge is woven into the key values that drive Flextronics' focus. A key focus area is supply chain compliance where we work with our suppliers to ensure mutual CSER accountability.



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



1.2 FLEXTRONICS SUPPLIER CODE OF CONDUCT

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

Flextronics, a founding member of the Electronic Industry Citizenship Coalition (EICC), is committed to promote EICC's Code of Conduct to the consumer electronics, medical and information communications technology (ICT) industries as well as our customers and supply chain partners. Flextronics' supplier code of conduct is in line with the EICC Code of Conduct.



EICC

Our Code of Business Conduct and Ethics weaves that ethical commitment into principles, standards and responsibilities that guide our behavior and decision-making process. The Code of Conduct prohibits unethical behaviors such as conflict of interest, kickbacks, bribery, fraud, improper accounting and the inappropriate 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 criterion and strict adherence to all public reporting requirements.

Five Focus Areas of EICC

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
- Green House Gas Emissions (GHGE) / Carbon Reporting

Health and Safety

- Occupational Safety
- Emergency Preparedness
- Occupational Injury and Illness
- Physically Demanding Work
- Machine Safety Precautions
- Dormitory and Canteen

Labor

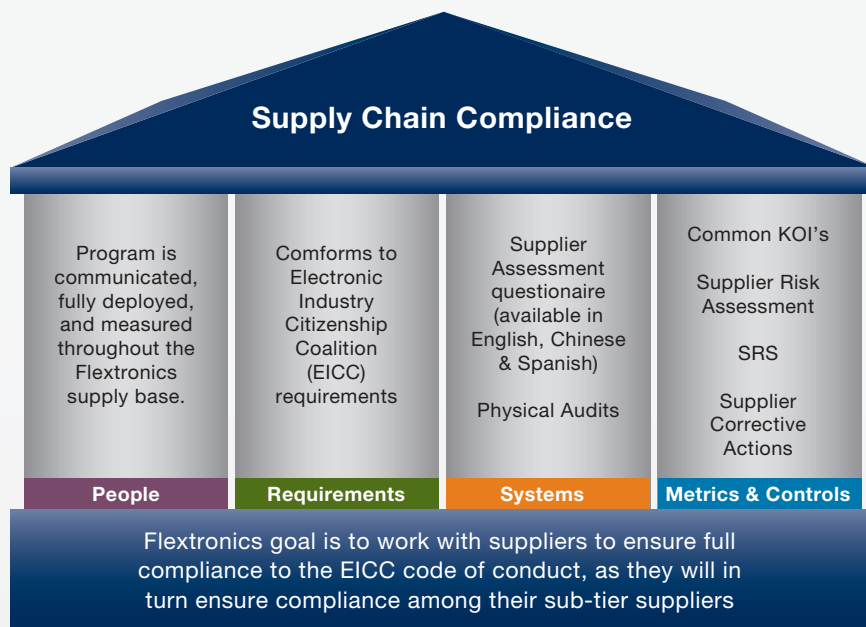
- Freely Chosen Employment
- Child Labor Avoidance
- Working Hours
- Wages and Benefits
- Human Treatment
- Non-discrimination
- Freedom of Engagement with Management

Ethics

- No Improper Advantage
- Disclosure of Information
- Intellectual Property
- Fair Competition
- Protection of Identity
- Community Engagement

1.3 FLEXTRONICS SUPPLIER CSER PROGRAM OVERVIEW

Flextronics' Supplier CSER program is based on FLEXpledge and the EICC Code of Conduct. The due diligence process for supply chain compliance is encapsulated in the four key areas shown in the diagram below:



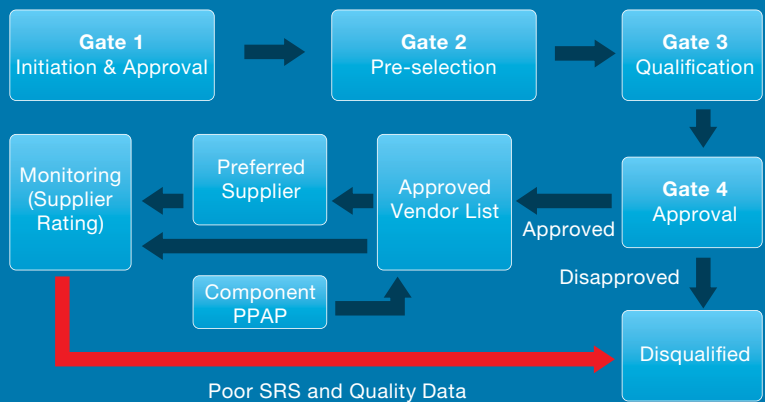
- The first, and most important area focuses on “People”. Besides training our own people, we also train our suppliers’ staff on Flextronics’ processes and expectations before they undergo our CSER assessment program.
- The second key area highlights our stringent supply chain program conformance to 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. By early 2012, we intend to add 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.

2 Flextronics Supplier Code of Conduct Compliance Program

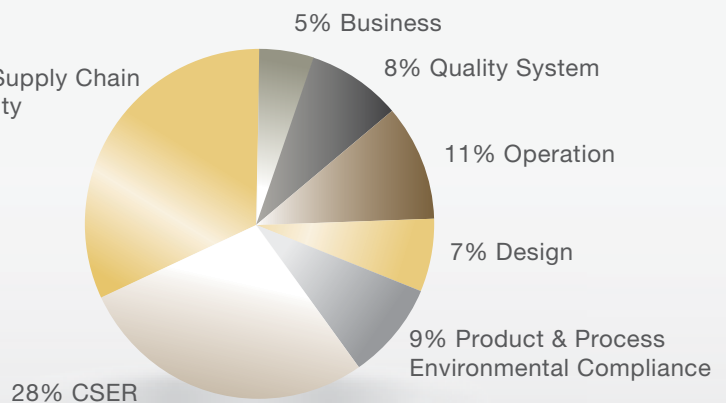
2.1 COMPLIANCE PROCESS

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.

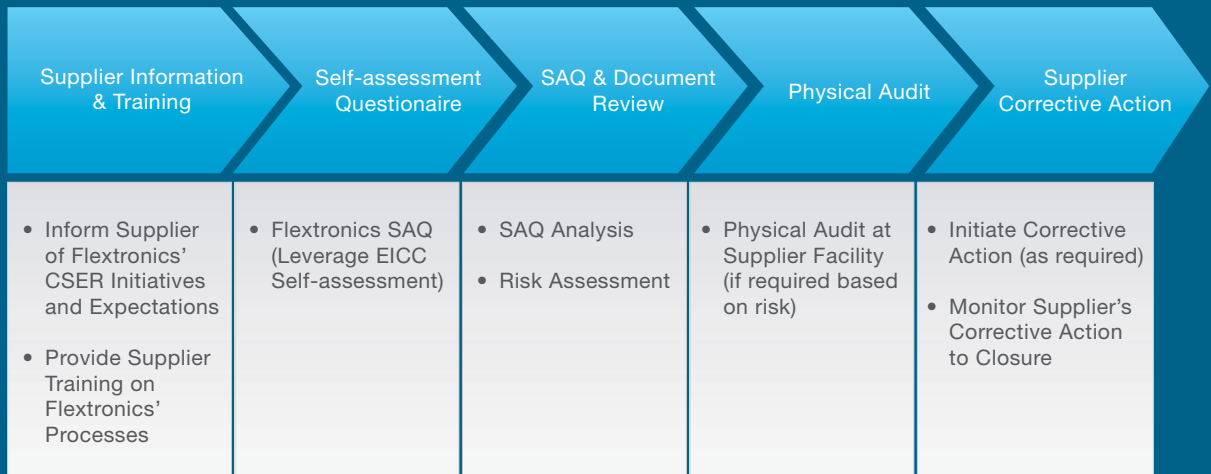
As the pie chart on the right shows, 37% of questions asked in the audit revolve around “CSER” and “Product & Process Environmental Compliance”, demonstrating that Flextronics is fully committed to supply chain CSER compliance.





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 correction action plan (CAP) implementation.



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.

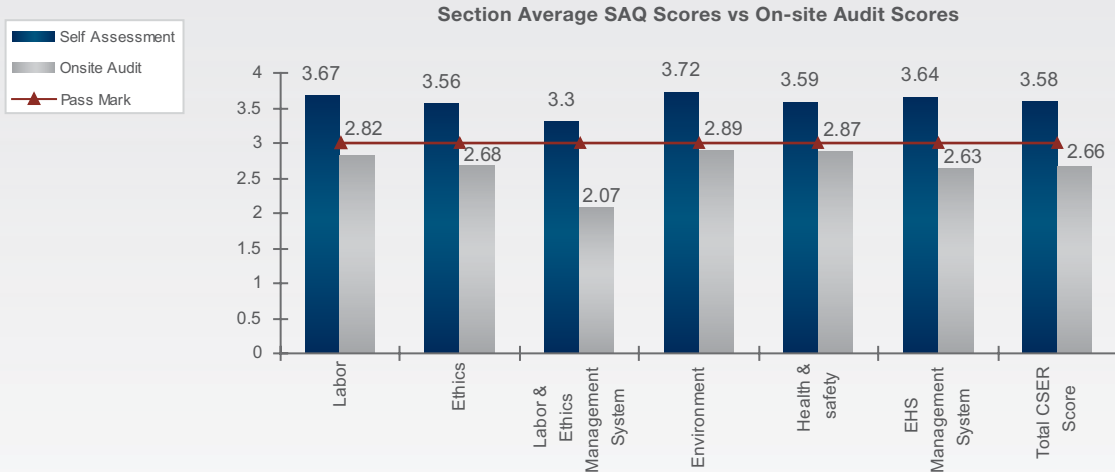
Flextronics' CSER Supplier Assessment Questionnaire (SAQ) requires suppliers to answer 91 questions covering areas such as Labor, Ethics, Environment, Health, Production Processes, Material and Finished Goods Stores, Inspection Areas, Dormitories, Wash Rooms and Canteen. Audit results are evaluated and scored based on pre-defined criterion in order to eliminate any subjective findings. Each question

asked during the self-assessment or on-site audit are 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.

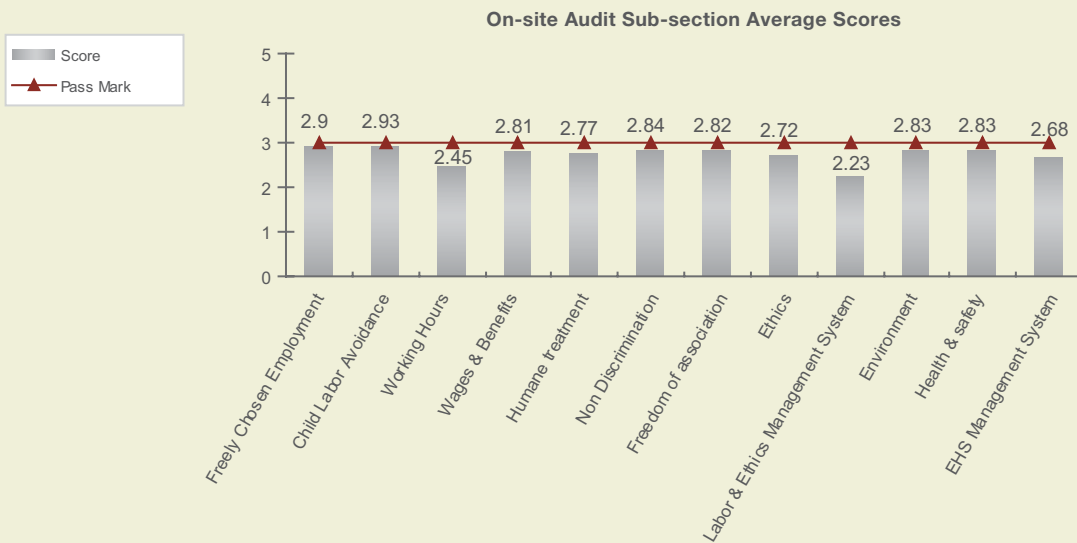
2.2 AUDIT STATISTICS

Since June 2010, Flextronics has conducted initial and follow-up audits on supplier facilities located primarily in China. We have noted that supplier self-assessment scores are often much higher than results of on-site audits. This reinforces the fact that Flextronics has to continuously conduct on-site audits to report the real situations at our suppliers' factories.



Historical Data

Flextronics learned from the results of the on-site audits that supplier performance in certain sub-sections such as Labor / Ethics Management System fare worse than others. The scores for the various audited sub-sections are shown below:



2.3 CRITICAL FINDINGS ANALYSIS

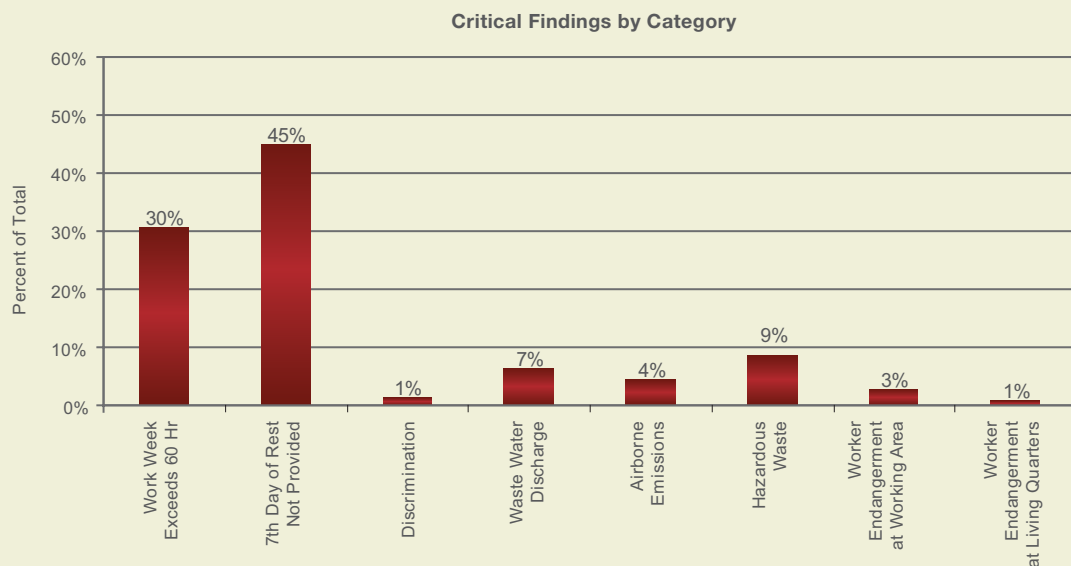
Flextronics' audited findings are classified into two categories: Critical and Non-critical. Critical findings encompass the most serious class of violations that include the use of forced labor, prison labor, indentured service or bonded labor, child labor, excessive working hours, insufficient minimum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

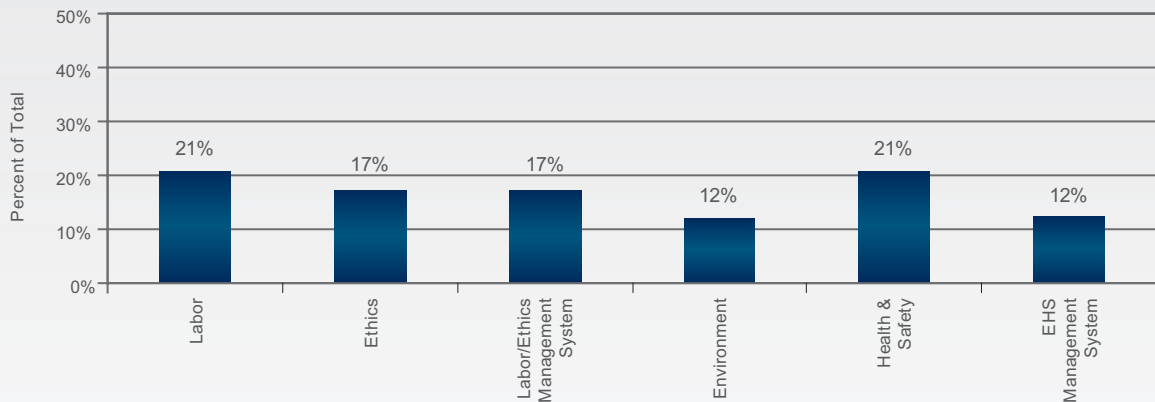
Initial on-site audit results showed that 13% of suppliers did not demonstrate any CSER deficiencies. The rest of the audited suppliers showed critical CSER-related gaps that warrant immediate corrective action. However, none of the suppliers were found to be in violation of use of forced, prison, indentured, bonded or child 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 below exhibits the number of critical findings by category that was detected during the on-site audit where 75% were related to working hours and rest day issues:



2.4 NON-CRITICAL FINDINGS ANALYSIS

In addition to the critical violations discussed above, we have also itemized other 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 below:

Non-critical Findings by Category



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 fail to answer in a satisfactory manner:

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

Question #	Details of the Supplier Assessment Questions
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.
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.
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.
CR42	The facility should appoint a senior management representative who is authorized to ensure that the implementation of the management system and associated programs are in compliance with labor & ethics laws, regulations and customer requirements.
CR40	Employees or suppliers must be given channels to anonymously report any types of misconduct such as inhumane treatment and ethics violation. The identity of the informant must be protected and remain anonymous.
CR58d	For physical safety work requirements, the facility shall have a process in place to identify the hazards, associated legal laws and evaluate risks associated with their operations.
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.
CR58h	Fire 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.
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 per week), paid leave, legally mandated breaks, and holidays.
CR20	Company policy should prohibit pay deduction as a disciplinary measure.

Non-critical Findings Analysis

Based on the SAQ findings above, 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 marked 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. 89.6% of suppliers were found to have health and safety issues affecting the production floors, while 16.9% of suppliers were found to have similar issues in the dormitories. Flextronics has asked all these suppliers to put in place corrective actions.

2.5 CORRECTIVE ACTION PROCESS (CAP)

Flextronics requires suppliers to develop and submit a CAP 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 CAP. We initiate between one to three teleconferences with the suppliers over the ninety day period to review their corrective actions.

75% of suppliers audited have completed or are in the process of completing the CAP. 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.

If a supplier does not meet Flextronics' requirements or chooses not to execute it, Flextronics reserves the right to review or terminate our business dealings with them.



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
Labor, Ethics and LE Management System	
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 to 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 of such 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.
Environment, Health & Safety and EHS Management System	
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.

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.

2.6 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' requirement. 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 China employees take

lengthy annual leave during this season or even resign from the company. Consequently, 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.








3 Environmental Sustainability



As one of the four cornerstones of the FLEXpledge program, Flextronics has established a 5-pillar environmental sustainability framework that provides a robust, strategic and scalable environmental direction. The 5 pillars encompass Chemical Substance Management, Take-Back and Recycling, Pollution Prevention, Resource Conservation (Energy & Water) and Climate Change (Carbon Footprint Reduction).

Flextronics Global Environmental Leadership

- 1  Chemical Substance Management
- 2  Take-back and Recycling
- 3  Pollution Prevention
- 4  Resource Conservation
- 5  Climate Change

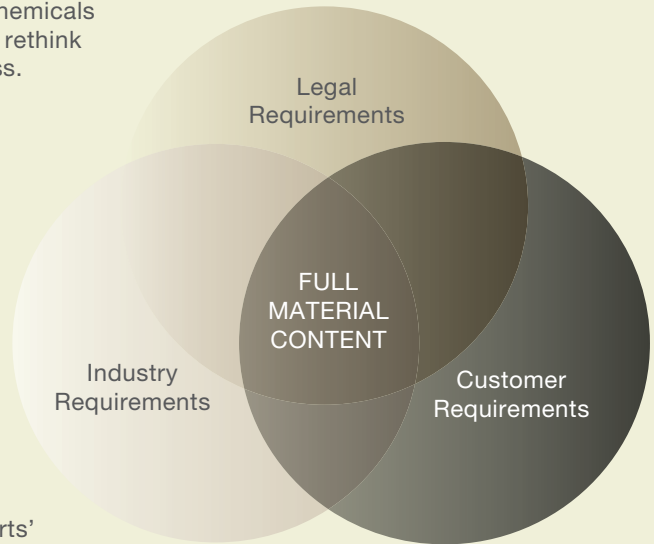
The supply chain programs for environmental sustainability are closely in line with Pillars 1 and 5.

3.1 CHEMICAL SUBSTANCE MANAGEMENT

The proliferation of Reduction of Hazardous Substances (RoHS) and Reduction, Evaluation and Authorization of Chemicals (REACH) guidelines have prompted Flextronics to rethink its current hazardous chemical declaration process.

Like many others in the electronics industry, Flextronics focuses on simple “Yes / No” hazardous chemical declarations. However, in order to achieve REACH standards, Flextronics must implement a more complex hazardous chemical declaration model as the list of Substances of Very High Concern (SVHC) will expand by 8-12 substances every six months for at least another 15 years. This means that each time the SVHC list is expanded, all our materials and components used in the manufacturing process must be revalidated against the updated list of hazardous substances.

The solution to the problem is to collect all the parts' Full Material Content (FMC) so that users can compare it against new regulations instead of obtaining new declarations.



In 2009, Flextronics developed and implemented a FMC solution which we have been using for internally designed ODM products. We have also shared this solution with customers who want to minimize their products' data collection frequency.

The screenshot displays a web-based form titled 'STEP 1 OF 11: COMPONENT INFORMATION'. At the top, it shows 'MPN: ICRV2-123', 'CPN:', and 'Page Accepted: N/A'. Below this, there are sections for 'Compliance Requirement' (Material Composition: 0.0%), 'Commodity Type', and 'Document Requirements'. A progress bar at the top indicates 11 steps, with step 1 highlighted. The form is divided into three main sections:

- Component Basics:** Includes a 'ROHS COMPLIANT' dropdown menu with 'YES' selected, and a 'PRODUCT EOL' field.
- Material Information:** Includes 'COMPONENT WEIGHT (MG): 45.23', 'WEIGHT IS A BULK QTY:' with 'No' selected, and 'USE OF RECYCLED MATERIALS (%)'.
- Technology:** Includes 'COMPONENT IS SMT:' with 'Yes' selected, 'LAB REPORTS CURRENTLY AVAILABLE:', 'ANALYSIS SAMPLING AVAILABLE:', 'SUPPLIER RECORDS QUESTION:', 'SUB-TIERS USED:', 'MATERIAL VARIATION QUESTION:', and 'MANUFACTURING COMPLIANCE QUESTION:'.

Callouts provide additional context:

- 'YES' Option chosen when part meet ROHS Compliant.
- Part Weight provided in "mg" Unit
- Once Part selected as SMT in step 1 by default Step 2 screen will appear to continue with declaration.

Screenshot of Flextronics' FMC solution

Over a six-year period, Flextronics has collected compliance-related data of about a million parts using the RoHS "Yes / No" solution. To date, we have also collected 11,000 parts' data from 900 suppliers using our FMC process.

By the end of 2011, we are looking at integrating both FMC and simple "Yes / No" compliance solutions into a single, menu-driven system. The changes are due to legal requirements and customer requests that are in line with our goal to create a more efficient environmental data collection process.



3.2 GREENHOUSE GAS EMISSIONS/CARBON FOOTPRINT

As part of Pillar 5 (Climate Change), Flextronics has participated in the Carbon Disclosure Project by collecting and reporting its facilities' energy usage. Our actions have met the reporting requirements of the Greenhouse Gas Protocol (GGP) initiative encompassing Scopes 1 and 2 for carbon emissions reporting. Currently, Flextronics is developing reporting capabilities that meet GGP's Scope 3 which includes Employee Commuting, Logistics/Transportation, Business Travel and Supply Chain. The execution of Scope 3 supply chain requirements will require the cooperation and collaboration of all stakeholders across the supply chain. Employee Commuting, Logistics / Transportation and Business Travel will be executed in the first phase while Supply Chain will be implemented in the final phase because most suppliers are not ready to tackle these reporting challenges.

A photograph of a person from the waist up, wearing a bright green t-shirt with a white and yellow graphic on the left side. They are holding a green rectangular sign with the words "THINK GREEN" printed in large, bold, black capital letters. The person is also wearing blue jeans and a red and white patterned bag. The background is a solid green color.

**THINK
GREEN**

4 Conflict Free Sourcing of Extractives

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.

In 2009, Flextronics recognized the need for due diligence on Conflict Minerals and has collected more than 250 of such declarations from Flextronics managed suppliers. Analysis of the data showed that:

- 45% of suppliers have established sourcing policies on Conflict Minerals while the rest do not have such a policy in place.
- 100% of the suppliers declared that they do not source minerals from conflict regions.

Flextronics did not ask for smelter information in the initial declarations as this requirement was not deemed important prior to the enactment of the Dodd-Frank Act.



Supply Base Mapping and Due Diligence

Flextronics is working towards completing a detailed mapping of our commodities. This will help us identify suppliers with commodities containing tantalum, tin, tungsten or gold. We expect our tier-1 suppliers to maintain similar data regarding their supply chain as well.

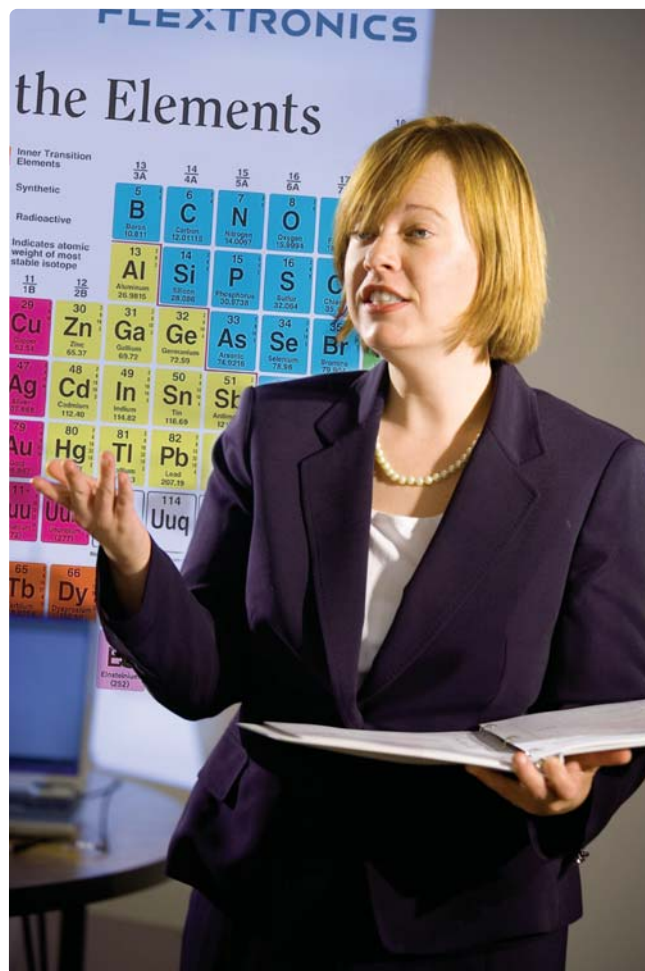
Flextronics will adopt the conflict minerals due diligence declaration tools created by the EICC Conflict Minerals Due Diligence Subteam once the final release is approved in 2011. The release of the EICC tools is dependent on the final ruling of the US Securities and Exchange Commission (SEC) that is scheduled to be announced some time between August and December, 2011.

Flextronics is planning to query each supplier identified in our previous conflict minerals declaration exercise, updating our database with current declarations containing smelter information and expanding this requirement to all other Flextronics managed suppliers. We expect all suppliers to only source materials from approved, conflict-free sources and we will validate their action via our Supplier Management Program.

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 fail to provide relevant due diligence declarations with smelter information.

Flextronics is a key member of the Electronics 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:

- Define a common process to survey supply chain for conflict minerals
- Maintain an approved smelter database against which all supplier conflict mineral due diligence is compared to.
- Provide policies, verbiage for contracts and tools that suppliers can use to ensure compliance to the Dodd-Frank Act requirements.



5 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.

5.1 ENHANCED SUPPLIER TRAINING

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.

5.2 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 they meet the requirements of our various stakeholders.

5.3 INCREASE 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 compliancy 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.



To provide feedback on this report or Flextronics' CSER Supply Chain Program, please contact your Flextronics account manager or local representative.

AMERICAS: Brazil, Canada, Mexico, United States
ASIA: China, Hong Kong, India, Indonesia, Japan,
Korea, Malaysia, Singapore, Taiwan
EMEA: Austria, Czech Republic, Denmark, Finland,
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Sweden, Turkey, Ukraine, United Kingdom