

## 2012 SUSTAINABILITY REPORT

# IMI on Track with Sustainability

With sustainability as among IMI's values, we have been providing sustainable and pioneering solutions to our customers. While challenges persist, we are encouraged by our progress and remain committed to continuously improving our performance. Our cost-efficient, regulatory-compliant solutions are based on technological expertise, experienced professionals, and effective customer relationships.

### **Upholding Good Governance**

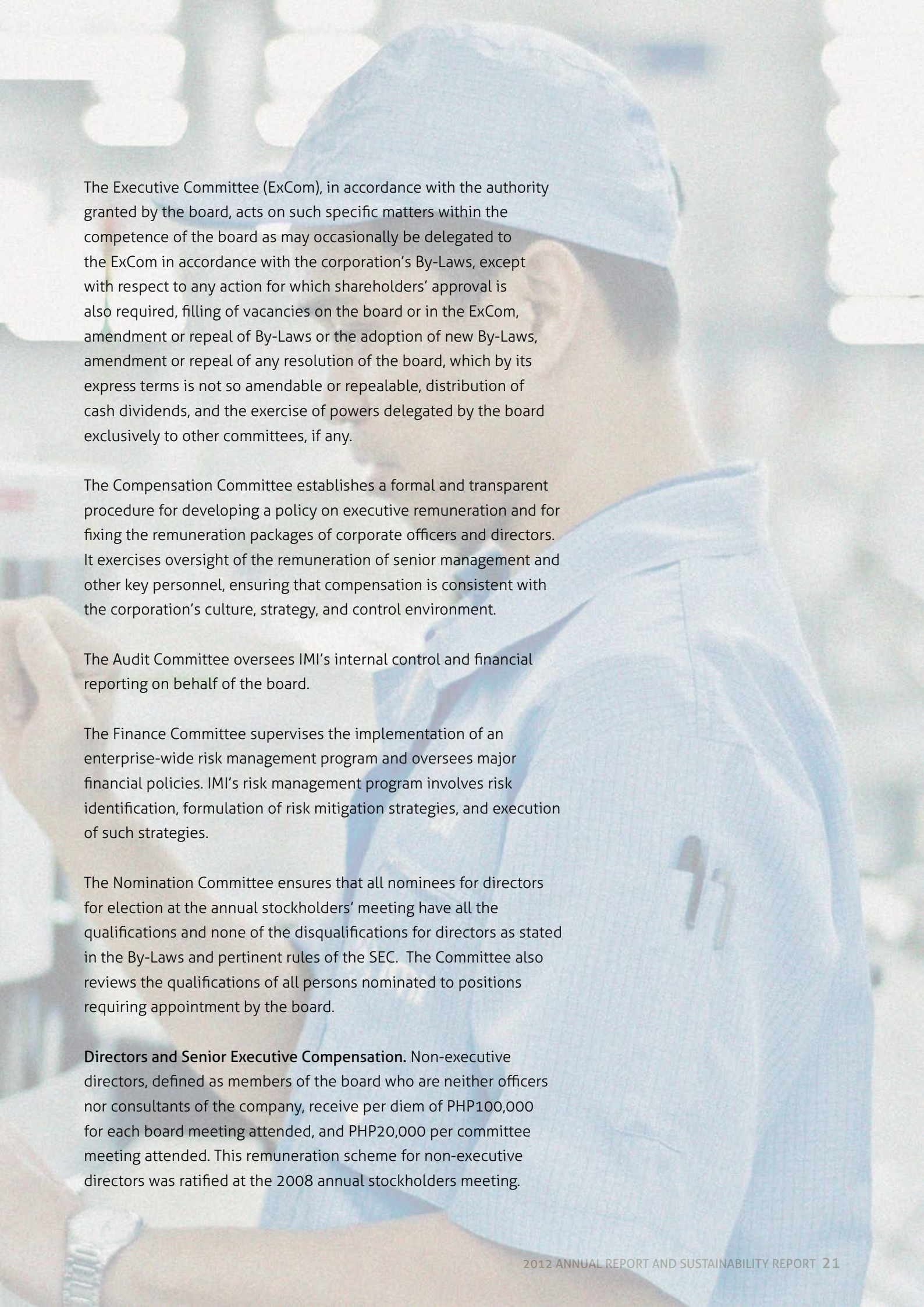
IMI is dedicated to transparency with regard to our priorities, goals, initiatives, and performance relating to our global business. These efforts represent a continuing investment in our future that enhances stockholder value by making our business more sustainable from an economic, environmental, and social perspective.

**Board Structure and Process.** IMI's eleven-person Board of Directors primarily represents the shareholders to whom it is accountable for creating and delivering value. Stockholders elect the directors annually.

IMI has three independent directors each of whom has no interest or relationship with the company that may hinder his or her independence from the company, and which could interfere in the exercise of impartial judgment in carrying out the director's responsibilities.

Board meetings are scheduled at the beginning of the year and held at least quarterly, or as often as necessary, for the board to fulfill its role. The board had five meetings for the year 2012.

Five committees support the board in the performance of specific functions and to aid in good governance: Executive, Compensation, Audit, Finance, and Nomination.

A person wearing a blue lab coat and a blue surgical cap is looking down at a device, possibly a smartphone or tablet, which is held in their hands. The background is blurred, showing what appears to be a laboratory or clinical setting with some equipment and lights.

The Executive Committee (ExCom), in accordance with the authority granted by the board, acts on such specific matters within the competence of the board as may occasionally be delegated to the ExCom in accordance with the corporation's By-Laws, except with respect to any action for which shareholders' approval is also required, filling of vacancies on the board or in the ExCom, amendment or repeal of By-Laws or the adoption of new By-Laws, amendment or repeal of any resolution of the board, which by its express terms is not so amendable or repealable, distribution of cash dividends, and the exercise of powers delegated by the board exclusively to other committees, if any.

The Compensation Committee establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. It exercises oversight of the remuneration of senior management and other key personnel, ensuring that compensation is consistent with the corporation's culture, strategy, and control environment.

The Audit Committee oversees IMI's internal control and financial reporting on behalf of the board.

The Finance Committee supervises the implementation of an enterprise-wide risk management program and oversees major financial policies. IMI's risk management program involves risk identification, formulation of risk mitigation strategies, and execution of such strategies.

The Nomination Committee ensures that all nominees for directors for election at the annual stockholders' meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws and pertinent rules of the SEC. The Committee also reviews the qualifications of all persons nominated to positions requiring appointment by the board.

**Directors and Senior Executive Compensation.** Non-executive directors, defined as members of the board who are neither officers nor consultants of the company, receive per diem of PHP100,000 for each board meeting attended, and PHP20,000 per committee meeting attended. This remuneration scheme for non-executive directors was ratified at the 2008 annual stockholders meeting.



The total compensation paid to non-executive directors and officers is disclosed yearly in the Definitive Information Statement sent to shareholders before the annual stockholders' meeting.

**Management.** Management is primarily accountable to the board for the operations of IMI. It concretizes IMI's targets and formulates the strategies to achieve these. A review of strategy implementation is held at least quarterly.

**Accountability and Audit.** The Audit Committee exercises oversight of the performance of external and internal auditors. Its role and responsibilities are clearly defined in the Audit Committee Charter approved by the board of directors. An independent director chairs the Committee.

IMI's external auditor is Sycip, Gorres, Velayo & Company (SGV). The Audit Committee approves all non-audit services conducted by SGV. The company paid SGV PHP3.2 million in audit fees for the year 2012.

A separate Internal Audit Charter approved by the Audit Committee governs the internal audit function. The internal audit head reports directly to the Audit Committee.

The board-designated Compliance Officer ensures adherence to the provisions and requirements of IMI's Corporate Governance Manual. The compliance officer is also responsible for identifying, monitoring, and controlling compliance risks.

**Financial Reporting.** IMI's financial statements are prepared and presented in accordance with Philippine Accounting Standards and Philippine Financial Reporting Standards, which comply with International Accounting Standards.

Information on the company's financial instruments is accompanied by a presentation of the company's risk management objectives and policies to allow for a better assessment of financial performance and cash flows. Significant accounting judgments and estimates are also disclosed.

**Code of Conduct.** IMI and its employees commit to live by the following values: Integrity, Customer Focus, Concern for Others, and Excellence. IMI has adopted a Code of Conduct in line with the Electronics Industry's Code of Conduct. All IMI employees are expected to comply with this policy, which outlines the standards to ensure that working conditions in the company are safe, workers are treated with respect and dignity, and the manufacturing processes are environmentally responsible.

IMI operates in full compliance with the laws, rules, and regulations of the countries in which it operates, and recognizes international standards to advance social and environmental responsibility.

## Workplace Initiatives

IMI acknowledges its human capital as its most valued asset. The company relies on its employees to steer innovation and bring improved business to its various customers.

**Inspiring People.** IMI has embedded people empowerment in its organizational structure, which seeks to continuously inspire the entire team into one that is performance driven, directionally aligned, and highly motivated. Each region, division, section, and individual is accountable and empowered to create a customer experience that makes IMI unique. Customer-focused teams with representatives from different functional groups play a crucial role in carrying out IMI's mission.





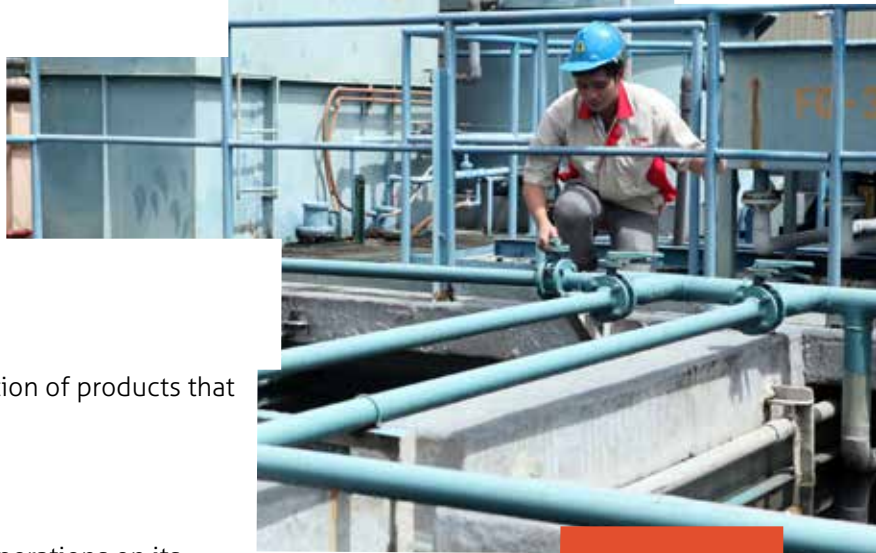
**Manpower Training and Development.** IMI's training and development programs, which are based on training and development needs analyses, aim to develop competencies to ensure optimum job performance and customer satisfaction. Employees are trained and nurtured to enable them to effectively contribute to the company's strategic and tactical goals.

In 2012, the Human Resource Division commenced IMI University, a consolidation of all the training and human resource development programs of IMI. Around 127 training programs were conducted by the IMI University in 2012; 67 percent of these programs were facilitated by in-house experts. Flagship training programs of the IMI University include the Program Managers' Certification Training and Business Planning Program, which both aim to enhance the skills of the company's program managers.

**Career Development.** IMI provides two career development paths—(1) the professional/managerial career development track, and (2) the technical career development track. Corresponding training and development programs based on assessed gaps, business needs, and the company's strategic and tactical goals and objectives are provided to employees under both development tracks. The Technical Ladder Program was relaunched in 2012, which aims to provide a career path for technical and nonmanagement personnel.

### **Beyond Social Responsibility**

IMI continues to take part in social responsibility projects such as blood donation drive; medical outreach; and donation to Children's Hour, a foundation that helps underprivileged Filipino schoolchildren. The company has also stepped up its engagement with sustainability through its Environment, Health, and Safety Program; green manufacturing technologies; and clean technology business ventures. These programs embed sustainability in IMI's business model, which seeks to keep up worldwide efforts to



facilitate solutions through the design and creation of products that improve the quality of life.

### Environment, Health, and Safety Program

IMI always seeks to minimize the impact of its operations on its people and the environment through the implementation of an integrated Environment, Health, and Safety (EHS) program.

The EHS Organization keeps track of the interrelationship of various functions for developing, managing, and implementing the different components of all applicable systems. Teams are in charge of implementing the programs developed to achieve the organization's EHS objectives and targets.

IMI prides itself on an integrated EHS management system that consists of programs in energy management, water conservation, health and safety management, and chemical and waste management.

In 2012 IMI Laguna's energy management program has realized energy savings of 339,216.62 KW-hr through measures such as:

- Efficient use of cooling towers through heat load-demand balancing
- Chiller temperature of 44°F from the previous level of 43°F, between 10 p.m. and 6 a.m.
- Efficient Heating, Ventilation, and Air Conditioning (HVAC) system through heat load balance and load reduction
- Conversion of the Centralized Air Conditioning system to a localized, Package Air Conditioning Unit (PACU) in selected areas
- Economical Compressed Dry Air (CDA) utilization
- Optimized use of exhaust blower through the installation of variable frequency drive (VFD)

Also in the same year, IMI started using energy-efficient lighting system. LED tube lights were used to replace the mercurial fluorescent lighting to save energy. Around 4,940 LEDs were installed, realizing a 50 percent reduction from current lighting power consumption, or projected energy savings of 588,543 KW-hr for 2013.

Periodic conformance audits and safety inspections are regularly conducted to check IMI's compliance to procedures, standards, and legal requirements.



The water management program generated savings of 3.56 percent, or 21,561m<sup>3</sup>, in 2012 through:

- Efficient use of Deionized Water System
- Increased life cycle and reduced regeneration frequency for mixed-bed units
- Use of treated water for gardening

IMI also conducts health and safety-awareness training seminars such as those for First Aid, life support, chemical handling, and fire and earthquake drills. In 2012 IMI Laguna Site 1 achieved 3,110,184 safe man-hours, while the IMI Laguna Site 2 achieved 10,283,064 safe man-hours.

IMI is fully compliant with the Philippine government's Department of Environment and Natural Resources (DENR) Toxic and Hazardous Republic Act 6969 and the Ecological Solid Waste Management Act 9003. IMI judiciously implements the 3R (Reduce-Reuse-Recycle) program in the disposition of its chemicals for manufacturing processes, waste segregation, and waste composting. In 2012 IMI Laguna attained 97.8 percent recycling recovery of all wastes generated.



In 2012 IMI Laguna turned over its hazardous recyclable wastes (e.g., used oil and solvent chemical)—a total of 6,767 kg—to the ABS-CBN Foundation’s Bantay Kalikasan.

In 2012 IMI Laguna renewed its membership in the Environmental Multi-Partite Monitoring Team initiated by the Laguna Technopark Inc. in coordination with the Department of Environment and Natural Resources (DENR) Laguna Provincial Office. A team led by the Provincial Environment and Natural Resources Officer conducted a compliance assessment audit on the IMI Laguna facility and certified it compliant.

Periodic conformance audits and safety inspections are regularly conducted to check IMI’s compliance to procedures, standards, and legal requirements. A regular Management Review is in place to assess IMI’s overall Environment, Health, and Safety performance against its EHS Policy and EHS Objectives, Targets, and Programs for identifying opportunities for improvement.

IMI is ISO 14001:2004 certified, and remains compliant to OHSAS 18001, the international standard for certification of Occupational Health and Safety Management Systems.

### **United Nations Global Compact**

IMI submitted a “Communication of Progress” in November 2012 to demonstrate its continuous support of and active membership in the United Nations Global Compact (UNGC) and promote public accountability and transparency. Together with this, a “recommitment letter” addressed to the UN Secretary General and signed by IMI’s President and CEO was also submitted. It states that “IMI is committed to making the Global Compact and its ten principles part of the strategy, culture and day-to-day operations of the company and engaging in collaborative projects which advance the broader development goals of the United Nations.”

IMI has been a member of the UNGC since 2011. UNGC is considered the world’s largest corporate citizenship that encourages businesses to adopt sustainable and socially responsible policies, and commit to report its implementation.





IMI team uses the following international standards toward a socially responsible operation:

- Electronic Industry Citizenship Coalition (EICC)
- Social Responsibility (ISO 26000: 2010)
- Global Reporting Initiative
- SA8000 Social Certification Standard

### **Green Manufacturing**

IMI continuously supports and implements responsible manufacturing to protect the environment and people. Its Hazardous Substance Process Management (HSPM) continuously evolves to support product compliance to customer requirements and compliance to different environmental directives and regulations.

IMI is implementing the following initiatives:

- Modification of internal HSPM support database to improve compliance verification of materials
- Improved support module to communicate IMI requirements to suppliers
- Support system to comply with specific customer requirements such as IMDS and CAMDS for Automotive customers, BOMCHECK, and material declaration

In 2012 IMI issued 106 certificates of compliance (CoC) to customer environmental requirements.



## Clean Technology Ventures

IMI remains steadfast in its duty to create concrete solutions by pursuing opportunities in clean technology.

**Solar Power Business.** In 2009 IMI forged a strategic partnership with RETC (Renewable Energy Test Center), a California-based engineering services, test, and certification provider for photovoltaics (PV) and renewable energy products. In 2010 the IMI Energy Solutions, a division of IMI USA, was established in Fremont, California, to develop and manufacture solar panels and other related technologies. RETC is right next door to IMI Energy Solutions to ensure fast turnaround time from prototyping to product certification.

IMI Energy Solutions offers its clients PV module NPI (new product introduction), and the capability to build different PV panel sizes and PV panel coupons for new product-technology validation. It works with top solar panel development companies, and is currently collaborating with nine companies on their leading edge solar technologies.

In 2012 IMI ventured into mass production of solar panels in its facility in Jiaxing, China.

**Clean Lighting Solutions.** In 2012 IMI launched its low-cost, high-performance LED (light-emitting diode) engine at the Electronica 2012 trade show in November at the Munich Trade Fair Center, Germany. This LED engine was developed by its subsidiary, PSi Technologies Inc.

PSi designed the LED engine specifically for high-lumens applications for the lighting requirements of the automotive and industrial sectors. This may, however, also serve the low-cost incandescent replacement market requirements.

The LED engine uses copper as its sole base material for conducting heat and electrical energy. The advantage of using copper compared to ceramic is the former's higher thermal conductivity and its ability to withstand higher thermo-mechanical stresses. PSi also used a proprietary lead frame design and standard semiconductor assembly processes. All these double the current LED lifespan without increasing the cost.

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# GRI Indicators

The coverage for this set of indicators is IMI Laguna, comprising IMI's main manufacturing site on North Science Avenue at the Laguna Technopark, and its manufacturing facility located on the corner of Trade Avenue and Technology Avenue, also at the Laguna Technopark.

INDICATOR	2012	2011	Remarks
<b>ENVIRONMENT</b>			
EN 3: Direct energy consumption by primary energy source	409.9 MT (Combined Gas and Diesel)	Diesel - 82 MT	CO2 emission computed from fuel used in generator sets and fleet (company cars) for the period of 1 year
EN 4: Indirect energy consumption by primary source	40,705,000 KW-hr	42,756,000 KW-hr	Based on Meralco billing
EN 5: Energy saved due to conservation and efficiency improvements	422,753 KW-hr	1,937,492 KW-hr	
EN 10: Percentage and total volume of water recycled and reused	3.56 % or 21,561 m <sup>3</sup>	6.6 % or 2,810 m <sup>3</sup>	
EN 16: Total indirect greenhouse gas emissions by weight	20,155.06 MT	14,758.7 MT	CO2 emission computed from power consumption
EN 22: Total weight of waste by type and disposal method	<b>1,206.5 tons</b> 1. Common residual waste -25.94 tons 2. Hazardous waste- 161.49 tons 3. Recyclable waste - 1,019.12 tons	<b>561.90 tons</b> 1. Common residual waste - 10.70 tons 2. Hazardous waste- 58.50 tons 3. Recyclable waste - 492.70 tons	
EN 26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Energy Management, Water Management, Waste Management, Chemical Management, and Hazardous Substance Process Management	Energy Management, Water Management, Waste Management, Chemical Management, and Hazardous Substance Process Management	
EN 28: Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations	0	0	Zero means no fine
<b>HUMAN RIGHTS</b>			
HR 4: Total number of incidents of discrimination and actions taken	0	0	Zero means no case
HR 6: Operations identified as having significant risk for incidents of child labor, and measures taken to contribute the elimination of child labor	None	None	
HR 7: Operations identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of forced or compulsory labor	None	None	

INDICATOR	2012	2011	Remarks
<b>LABOR</b>			
LA 1: Total workforce by employment type, gender, and age	<b>Total Workforce: 4,520</b> <b>Employment Type:</b> Permanent - 4,397 Contractual - 34 Probationary - 89 <b>Gender:</b> Male - 687 Female - 3,833 <b>Age:</b> over 50 years old - 24 30-50 years old - 2,852 under 30 years old - 1,644	<b>Total Workforce: 5,403</b> <b>Employment Type:</b> Permanent - 5,294 Contractual - 36 Probationary - 73 <b>Gender:</b> Male - 795 Female - 4,608 <b>Age:</b> over 50 years old - 35 30-50 years old - 2,869 under 30 years old - 2,499	
LA 2: Total number and rate of employee turnover by age group and gender	<b>Employee Turnover: 944</b> <b>Turnover by age group:</b> over 50 years old - 3 30-50 years old - 504 under 30 - 437 <b>Gender:</b> Male - 125 Female - 819	<b>Employee Turnover: 771</b> <b>Turnover by age group:</b> over 50 years old - 3 30-50 years old - 347 under 30 - 421 <b>Gender:</b> Male - 100 Female - 671	
LA 3: Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations	<ol style="list-style-type: none"> <li>Life Insurance – 24x Monthly Basic Salary; double indemnity for Accidental Death &amp; Dismemberment</li> <li>Medical Insurance – group hospitalization with inner limits (depending on rank) per illness per confinement</li> <li>Outpatient Benefit – unlimited consultation with general physician and discounted laboratory tests</li> <li>Annual Physical Exam – routine medical examination every year</li> <li>Vacation leave – 12 days per year; paid leave starts after 1 year of continuous service</li> <li>Sick Leave – 12 days per year; paid leave starts after 6 months of continuous service. All unused sick leave credits will be converted at the end of each year.</li> <li>Emergency Leave – 3 days per year; paid leave starts after 1 year of continuous service</li> <li>Computer Loan – up to max of 50K at zero interest</li> <li>Emergency Loan – up to max of 5K at zero interest</li> <li>Multipurpose loan – eligibility starts after 5 years of continuous service</li> </ol>	<ol style="list-style-type: none"> <li>Life Insurance – 24x Monthly Basic Salary; double indemnity for Accidental Death &amp; Dismemberment</li> <li>Medical Insurance – group hospitalization with inner limits (depending on rank) per illness per confinement</li> <li>Outpatient Benefit – unlimited consultation with general physician and specialists and discounted laboratory tests</li> <li>Annual Physical Exam – routine medical examination every year</li> <li>Vacation leave – 12 days per year; paid leave starts after 1 year of continuous service</li> <li>Sick Leave – 12 days per year; paid leave starts after 6 months of continuous service. All unused sick leave credits will be converted at the end of each year.</li> <li>Emergency Leave – 3 days per year; paid leave starts after 1 year of continuous service</li> <li>Computer Loan – up to max of 50K at zero interest</li> <li>Emergency Loan – up to max of 5K at zero interest</li> <li>Multipurpose loan – eligibility starts after 5 years of continuous service</li> </ol>	
LA 4: Percentage of employees covered by collective bargaining agreements	0	0	No union. However, IMI believes in open communication between employees and management to resolve workplace issues. Communication and engagement programs are in place to strengthen relationships (e.g. President's Update, Council Meetings, and Townhall Meetings)

INDICATOR	2012	2011	Remarks
<p>LA 8: Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases</p>	<ul style="list-style-type: none"> <li>• Health information campaign on goiter, dengue, HIV, hepatitis-B, tuberculosis, influenza, etc.</li> <li>• Immunization program for employees and their dependents               <ul style="list-style-type: none"> <li>- H1N1 &amp; Seasonal Flu</li> <li>- Hepatitis B</li> </ul> </li> <li>• Hypertension Prevention Program               <ul style="list-style-type: none"> <li>- identification and monitoring of hypertensive employees</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Continuous health information campaign on dengue, HIV, hepatitis-B, tuberculosis, etc.</li> <li>- Immunization program for employees and dependents against influenza and cervical cancer</li> </ul>	
<p>LA 11: Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</p>	<p><b>Technology</b> Sharepoint Training; Agile Training; Labview Training</p> <p><b>Behavioral</b> Building An Environment of Trust; Values Training (WOWCP); Facilitation Skills Training; Team Building; GL Leadership Training; Transition Leadership Training; Negotiation Skills Training; Influential Leadership; Essentials of Leadership ; Settings Clear Goals; Financial Management; Becoming an Effective Supervisor Training (BEST)</p> <p><b>Technical</b> Agile Training; Agile PLM User Training; AOI-Automated Optical Inspection Fundamentals Training; A/P Related Process Workshop; Corporate General Orientation; Conformal Coating Fundamentals Training; Design Failure Mode &amp; Effect Analysis; DOE-Design of Experiment (TAGUCHI ) TRAINING; DFM Training; EMC-Electro Mechanical Compatibility Training; ESD Training; FMEA APIS TRAINING; Flipchip Fundamentals Training; ISO/IEC 17025; IPQ Internal Audit Training; IPC-A-610E Training; Incoterms Training; Jigs &amp; Fixture Buy-off Fundamentals; Lean Manufacturing Training; Labview Core 3 Training; Labview-Basic 1 &amp; 2 Training; MS Excel 2010 Training; MS Powerpoint Training; MSA Overview; Mechanical Fabrication Training; NI Labview-Advanced Architecture Training; Project Management Overview; PCB Design for Manufacturing Training; Programmable Logic Circuit Training; Poka Yoke Mistake Proofing Training; Pneumatics Fundamentals Training; Quality Customer Service; Robotic Soldering Training; Soldering Theory and Application Training; Refresher Course on Escalation Process; Tape and Reel training; Screw and Fastening Solution; Statistical Process Control Training; Technical Report Writing Training; Time Standard Fundamentals Training; Wire Bonding Fundamentals &amp; Principles; Wire Bonding Machine Programming; 8 Bits Micro-controller Programming Training ; HSPM Awareness; 8 Step Model of Problem Solving Techniques Workshop; SGA Presentation Skills Training; SGA Supplementary Tools Training; Process Failure Mode &amp; Effect Analysis &amp; Apis IQ Software Training; ISO9001:2008 Training; ISO/TS 16949:2009 Quality Audit Orientation; EHS Training Programs</p>	<p><b>Technology</b> 12 Lecture Series In Optics, Machine vision and Optical Testing, Silicones Overview Solar Panel Process Development Training &amp; Application Infrared Sensor Manufacturing Process Seminar</p> <p><b>Behavioral</b> Effective Presentation Skills Seminar Trainers Coaching Session Training the Trainers Seminar</p> <p><b>Technical</b> Understanding Rewards Philosophy, Job Analysis, Job Evaluation, and Salary Structure Development Agile Training LabView Basics 1 &amp; 2 Problem Solving Techniques Seminar Lean Manufacturing Training Advanced Statistical Process Control WorkShop Copper Wirebonding Failure Mode and Effect Analysis Seminar Fuji Laser Trimmer Machine Training Koh Young SPI Machine Training Royce Wire Pull Machine Training QMS Lead Auditor Training Course ISO 14001:2004 Internal Audit Course ISO/IEC 17025: 2005 Requirements ISO/TS 16949:2009 Internal Audit Course</p>	

INDICATOR	2012	2011	Remarks
LA 13: Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	<b>BOD Total Number of Members: 11</b> <b>Gender:</b> Male, 10; Female, 1 <b>Age Group:</b> over 50 years old, 8; 30-50 years old, 3	<b>BOD Total Number of Members: 11</b> <b>Gender:</b> Male, 10; Female, 1 <b>Age Group:</b> over 50 years old, 8; 30-50 years old, 3	Limited to Board of Directors
<b>ECONOMIC</b>			
EC 1: Economic value generated and distributed, included revenues, operating costs, employee compensation, donations and other community investments, and payments to capital providers and government	Economic Value ( in Million Pesos) Revenues: 6,727 Net Income: (122) <b>Distribution:</b> Suppliers/contractors - 9,508 Employees (salaries and benefits) - 1,065 Government (taxes) - 40 Stockholders (dividends) - 109 Charitable Contributions - 0.5 <b>Total Distribution - 10,722</b> <b>Investments</b> Equity Investment - 5,318 Capex - 144 <b>Total Investment - 5,463</b>	Economic Value ( in Million Pesos) Revenues: 6,659 Net Income: (431) <b>Distribution:</b> Suppliers/contractors - 10,557 Employees ( salaries and benefits) - 1,717 Government (taxes) - 43 Stockholders (dividends) - 279 Charitable Contributions - 5 <b>Total Distribution - 12,601</b> <b>Investments</b> Equity Investment - 5,679 Capex - 146 <b>Total Investment - 5,825</b>	
EC 2: Financial implications and other risks and opportunities for the organization's activities due to climate change	We have not tracked the financial implications of activities due to climate change. IMI has established IMI Energy Solutions to offer EMS solutions for the renewable energy sector. IMI continues to engage in green manufacturing wherever applicable. It has a Business Continuity Plan to manage the business in times of disasters.	We have not tracked the financial implications of activities due to climate change. IMI has established IMI Energy Solutions to offer EMS solutions for the renewable energy sector. IMI continues to engage in green manufacturing wherever applicable. It has a Business Continuity Plan to manage the business in times of disasters.	
EC 3: Coverage of the organization's defined benefit plan obligations	<b>Tenure</b> <b>Separation Benefit</b> 5<10      25% of monthly basic pay per yr of service 10<15      50% of mbp per yr of service 15<20      75% of mbp per yr of service 20 <25      100% of mbp per yr of service 25 years      125% of mbp per yr of and above service	<b>Tenure</b> <b>Separation Benefit</b> 5<10      25% of monthly basic pay per yr of service 10<15      50% of mbp per yr of service 15<20      75% of mbp per yr of service 20 <25      100% of mbp per yr of service 25 years      125% of mbp per yr of and above service	
<b>SOCIAL</b>			
SO 7: Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practices and their outcomes	0	0	Zero means no legal action
SO 8: Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations	0	0	Zero means no fine
<b>PRODUCT RESPONSIBILITY</b>			
PR 5: Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Overall CSAT Rating: Key Accounts - 3.7 Non-Key Accounts - 4.5	Overall CSAT Rating is 4.4	5 is the highest rating
PR 6: Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Our policy on advertising or production of marketing collaterals states that IMI adheres to truth in advertising and production of marketing collaterals, and that it does not engage in unethical practices.	Our policy on advertising or production of marketing collaterals states that IMI adheres to truth in advertising and production of marketing collaterals, and that it does not engage in unethical practices.	
PR 7: Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	0	0	Zero means no incident of noncompliance

# Report of the Audit Committee to the Board of Directors

For the Year Ended 31 December 2012

The Audit Committee's roles and responsibilities are defined in the Audit Committee Charter approved by the Board of Directors. The Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to: (a) the integrity of the Company's financial statements, the financial reporting process and the systems of internal controls; (b) the performance of the Company's internal audit function and independent auditors; and (c) the compliance with legal and regulatory matters and other reporting standards.

In compliance with the Audit Committee Charter, we confirm that:


- An independent director chairs the Committee;
- We had four (4) regular meetings and three (3) special meetings during the year;
- We met separately with the external auditors in an executive session during the year;
- We have reviewed and discussed the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Integrated Micro-Electronics, Inc. and subsidiaries ("IMI") with management, the internal auditors, as well as SGV & Co. as the independent auditor of IMI, and that these activities were performed in the following context:
  - Management has the primary responsibility for the financial statements and the financial reporting process; and
  - SGV & Co. is responsible for expressing an opinion on the conformity of IMI's audited consolidated financial statements with Philippine Financial Reporting Standards;
- We have discussed and approved the overall scope and plans for the respective audit reviews of the internal auditors and SGV & Co.;
- We have discussed the audit results of SGV & Co. and their assessment of the overall quality of IMI's financial reporting process, mainly on financial statements and compliance to financial reporting standards, and their management letter of comments on internal control weaknesses observed during the audit;
- We have discussed the audit results and reports of the internal auditors and their follow-ups on the implementation of audit recommendations, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues; and
- We have reviewed and recommended for the approval by the Board of Directors the audit services of SGV & Co. and approved all audit-related and permitted non-audit services provided by SGV & Co. to IMI including the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Annual Report for the year ended December 31, 2012 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange.

The Audit Committee is also recommending to the Board of Directors the re-appointment of SGV & Co. as IMI's independent auditor for 2013 based on the review of their performance and qualifications.

28 February 2013

  
HIROSHI NISHIMURA  
Chairman

  
RAFAEL MA. C. ROMUALDEZ  
Member

  
JAIME P. VILLEGAS  
Member

