

Let's innovate sustainable solutions

2014 Sustainability Report





SUSTAINABILITY REPORT

“IMI’s vision is to have a global EMS company driven by its people for innovation... We would like to be part of that global structure of products and services that will actually enhance people’s lives and make it sustainable for the future.”



ARTHUR TAN
Chief Sustainability Officer

Sustainability Presses On
In 2014, Integrated Micro-Electronics Inc. took a step in the right direction by forming an extended cross-functional Sustainability Team to bring the Sustainability programs to a higher level.

The strategic planning and marketing manager acts as sustainability manager, reporting to the chief sustainability officer (president and CEO) and the sustainability council (management committee). He coordinates company-wide sustainability initiatives, collaborating closely with the technical working groups.

IMI has formulated a sustainability policy, as follows: “We strive to provide innovative ‘EMS plus’ solutions as we pursue sustainable growth, empower our people, and protect the planet.”

At IMI, we want our business to do good while being great. By marrying profit with purpose, we create shared value for our employees and other stakeholders. By committing to innovative solutions, we grow our business today while taking care of our tomorrow.

We anchor our business on our commitment to the core values of Integrity, Customer Focus, Concern for Others, and Excellence. These principles emphasize innovation, good governance, collaboration and flexibility, teamwork and inclusivity, continuous people improvement and development, and care for community and environment.

Our Sustainability programs include the following:

1. Strategic Planning and Innovation

- Revenue and profit generation
- Creating shared value

2. Good Governance

- Compliance with regulations and international standards

3. People Development

- Employee training and development programs
- Employee engagement and employee welfare programs

4. Environment, Health, and Safety (EHS)

- Energy conservation
- Optimized machine utilization
- Waste management
- GHG emission monitoring
- Employee health programs
- Safe working environment
- Disaster preparedness

5. Green Manufacturing and Supply Chain

- Green processes or manufacturing lines
- Green suppliers
- Non-usage of materials containing conflict minerals

6. Corporate Social Responsibility (CSR)

- Internal CSR programs (medical missions, livelihood workshops, and entrepreneurship seminars)
- External CSR programs (sustainable community livelihood programs)

Full implementation of the programs will commence in 2015.

Good Governance

IMI remains committed to its priorities, objectives, and initiatives in the conduct of its global business.

Board structure and process. The IMI board comprises 11 members, all of whom are elected by the stockholders.

- Three of the directors are independent.
- Five committees support in good governance: Executive, Compensation, Audit and Risk, Finance, and Nomination.

Management. Management is primarily accountable to the Board of Directors for the operations of IMI. It concretizes the company’s targets and formulates and executes the strategies to achieve these.





Accountability and audit. The Audit and Risk Committee oversees the performance of external and internal auditors.

- Sycip, Gorres, Velayo & Company (SGV) is the external auditor of the Company. The external auditor helps the Committee ensure the integrity of financial statements.
- Internal Audit helps the Committee monitor the risks, controls, and financial reporting issues through continuous review of the effectiveness of the organization's risk management controls and corporate governance processes.
- The Compliance Officer ensures adherence to the provisions and requirements of IMI's Corporate Governance Manual.

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.

Businesses entered into with associates and other related parties are independent transactions, not subject to any pressure or duress from other parties. Sales and purchases of goods and services to and from related party transactions are discussed and qualified in the Notes to Consolidated Financial Statements.

Code of conduct. IMI and its employees commit to live by the following values: Integrity, Customer Focus, Concern for Others, and Excellence.

- It adheres to a Code of Conduct in line with the Electronics Industry's Code of Conduct.
- It 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 has always valued its people as the company's greatest resource, and is dedicated to ways by which to engage the 21st-century workforce.

Values program. IMI re-introduced the Core Values— Integrity, Customer Focus, Concern for Others, and Excellence— to the employees to emphasize the importance of the corporate values in achieving our vision of one global IMI with employees living by one set of core values across IMI sites. A Values Integration Program was conducted to make employees understand better what the values mean and how they can be lived. An official IMI shirt was given to employees in all sites to integrate all employees—this is to symbolize that we are unified through a common vision and set of values.

IMI University. The IMI University, with its increased number of in-house subject matter experts, has promoted managerial and technical skills enhancement and improvement of the company's competitiveness. A total of 32 program managers and program engineers finished the company-sponsored Business Planning and Financial Management Course given by the Malayan Colleges, Laguna. The Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP) of the Commission on Higher Education (CHED) recently conferred Engineering degrees on 25 IMI employees. The ETEEAP is an educational assessment scheme that recognizes knowledge, skill, and prior learning attained by individuals from nonformal and informal educational experiences.

Its Cadetship Program seeks to cultivate and develop new talents from universities all over the country to support the company's future manpower requirements. From the 2014 batch, 27 cadet engineers have been regularized.

The IMI University Technical Training has increased the number of its trainings from 88 in 2013 to 155 in 2014. IMI also offers TESDA scholarships for operators in partnership with SEIPI. To date, it has trained and certified 200 back-end operators.

Corporate Social Responsibility

IMI cares for the people in the communities it operates as much as it does for its employees, hence its commitment to the pursuit of transformative corporate social responsibility (CSR) programs at home and overseas.

Reaching out to a community. IMI reached out to residents of Barangay Dela Paz in Biñan, Laguna. A total of 1,343 residents benefited from the outreach program, which included medical consultations with free medicines, dental consultations and simple tooth extractions, optical checkups with free eyeglasses, and free haircuts for elementary school boys.

Partnering with China schools. IMI China management donated a complete line of second-hand surface mount technology equipment to each of these vocational institutions: Sichuan Vocational and Technical College of Communications (SVTCC) in Wen Jiang District, Chengdu City; and Chongqing Creation Vocational College (CCVC) in Yong Chuan District, Chongqing City. The equipment donation was part of IMI China's strategic partnerships with vocational schools in the country to address the difficulty in recruiting operators and skilled technicians for IMI's factories.

IMI China chose the partner schools based on alignment of their training programs or courses with IMI's strategic plan. These schools could be sources of future operators and technicians of IMI. The partnerships also provide on-the-job training for students. Through this training program, selected students spend their three-month summer or winter break working in an IMI factory. The work is credited by the schools as part of practicum experience. IMI China's partner schools have been sending students for on-the-job training in IMI factories since December 2013.

Environment, Health, and Safety Program

To mitigate the impact of its operations on its people and the environment, IMI has been enforcing an integrated Environment, Health, and Safety (EHS) program with focus on energy management, water conservation, health and safety management, and chemical and waste management.

Energy management. In 2014, IMI Laguna's energy management program obtained energy savings of 1,805,013 KW-hr by:

- Replacing cooling tower filler to reduce operation of fan motors from 5 units to 3 units
- Readjusting the chiller set point to 45.5° F from 44° F operating 24/7





- Replacing small pulley to a bigger pulley of AHUs fan to reduce motor speed
- Replacing old and inefficient compress dry air (CDA) units and improving CDA piping network by installing new header piping line to eliminate pressure drops and losses

IMI continues to use energy-efficient lighting system. Last year more than 4,298 LED tube lights replaced mercurial fluorescent lighting, cutting back power consumption by 32 percent—or energy savings at 924, 496 KW-hr.

Water management. The water management program generated savings of 1.39 percent, or 10,473.2 m³, in 2014 through:

- Improvement of deionized water system by increasing life cycle PF resin and decreasing regeneration frequency
- Reuse of treated water for gardening and domestic applications

Training. Health and safety-awareness training seminars were conducted, such as those for basic First Aid, life support, chemical handling, and fire and earthquake drills.

In 2014, IMI Laguna Site 1 recorded 3,249,792 safe man-hours; IMI Laguna Sites 2 and 3 recorded 19,386,432 safe man-hours; and IMI Cavite, 331,968 safe man-hours.

Compliance. IMI is fully compliant with the Philippine government's Department of Environment and Natural Resources (DENR) Toxic Substances, Hazardous and Nuclear Wastes Control Act 6969 and the Ecological Solid Waste Management Act 9003. IMI judiciously enforces the 3R (Reduce-Reuse-Recycle) program in the disposition of its chemicals for manufacturing processes, waste segregation,

and waste composting. In 2014, IMI Laguna attained 97.98 percent recycling recovery diverting the recoverable waste from municipal land fill.

In 2014, IMI Laguna turned over its hazardous recyclable wastes (e.g., used oil, solvent chemical, and used lead battery)—a total of 25,306 KG—to the ABS-CBN Foundation's Bantay Kalikasan. The proceeds (P242,456) were donated to Tahanang Walang Hagdanan Inc.

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 EHS performance against its EHS objectives and targets. IMI is ISO 14001:2004 Environmental Management System certified.

Green Manufacturing

IMI's Green Manufacturing program, developed in 2010, continues to evolve. In 2014, we identified our key material issues which focus on the reduction of use of hazardous substances, alleviation of climate change, and non-use of conflict minerals.

The ever-growing complexity of product regulation associated with compliance risks resulted in an increase of 26.1 percent in requests from customers in all IMI sites. Majority of compliance requests were for RoHS2, REACH SVHC, and material declaration. In addition, there was a 36.7 percent increase in International Material Data System (IMDS) and China Automotive Material Data System (CAMDS) requirements due to rising IMI automotive business. IMDS and CAMDS are automotive industry standards and third-party databases that enable IMI to create, manage, receive, and analyze material information.

	2014	2013	% Change
RoHS2, REACH, Matdec	87	69	26.1
IMDS/CAMDS	123	90	36.7

Climate change is upon us, as we continue to experience profound changes in weather patterns and strength of natural calamities, particularly typhoons. In response, IMI is developing systems and programs to support and help reduce its carbon footprint. One such initiative is to partner with the Carbon Disclosure Project (CDP) wherein different experts assess IMI's carbon footprint and provide the company tips and solutions to achieve its goal. (CDP is a nongovernment organization based in the United Kingdom that partners with businesses to measure their carbon footprint so they could work to reduce it.) The CDP recommends practicing energy management and improving the efficiency of our motor and air systems.

Besides our x-ray fluorescence (XRF) machine (used in detecting hazardous substances such as lead), our ISO17025 laboratory is now equipped with fourier transform infrared (FTIR) machine that detects organic contaminants. In addition, our chemical laboratory can perform qualitative and quantitative analysis for detection of halides present in flux materials.

In 2014, IMI began rolling out its minimum CSR requirements and deployed these fully to its service providers such as manpower, canteen, janitorial, security services and others. For materials suppliers, IMI uses the Supplier Assessment Questionnaire (SAQ) to assess systems readiness to adapt CSR requirements.

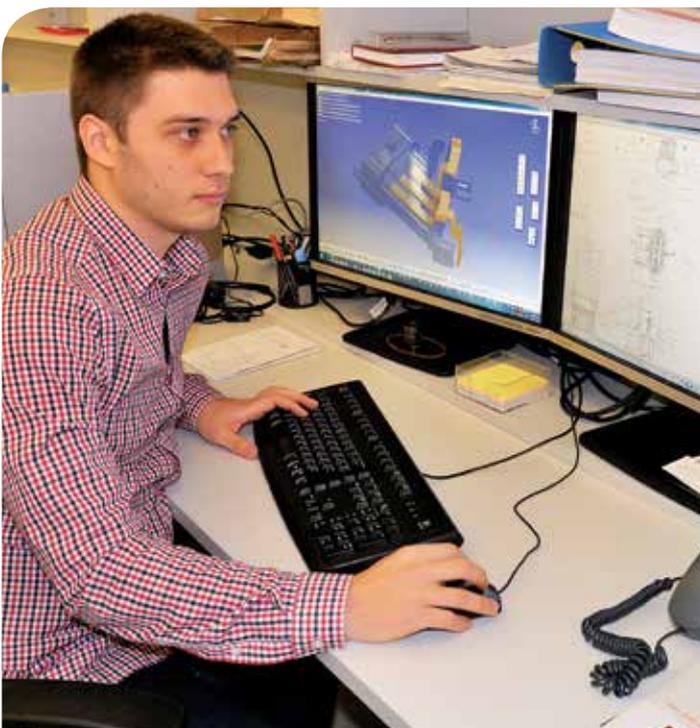
Conflict Minerals is one of the major supplier requirements that help control the use of 3TG (tin, tungsten, tantalum, and gold) by exposing companies who source out minerals from Democratic Republic of Congo and neighboring countries through disclosure and public pressure. In 2014, Conflict minerals reporting increased from 19 (2013) to 32 (2014), or 68.4 percent. Conflict Minerals Reporting Template or CMRT is the standard reporting template used by organizations to disclose their 3TG mineral sources.

Shared Value Initiatives

IMI firmly believes that an ideal business is a shared-value business—one that is innovative, at scale, and profitable, and at the same time addresses a social or environmental issue.

The following are among the initiatives being done at IMI: photovoltaic module development, printed circuit board assembly (PCBA) for inverter link from solar panel to power distribution, safety electronics in cars such as automotive camera and airbag control, pollution reduction system in cars (SCR or selective catalytic reduction), LED lighting, theft prevention systems (security control systems for houses and buildings), medical diagnostic devices for wireless monitoring of vital signs, dosimeters, power modules for energy management for automotive and renewable energy applications, and telecom infrastructure to enable the Internet of Things.

As we press on, we will consciously and deliberately pursue opportunities to create shared value for IMI, its stakeholders, the communities, and the planet. Now more than ever, IMI is in the best position to raise its game from one of mere global success to one of great significance.







“We're not here because we just plan on simply being good; we're here because we know what is good for the company, the stakeholders, the community, and the planet.”

ARTHUR TAN



GRI INDICATORS

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

INDICATOR	2014	2013	2014 REMARKS
ENVIRONMENT			
EN 3: Direct energy consumption by primary energy source	2248.88 MT (Combined Gas and Diesel)	1769.89 MT (Combined Gas and Diesel)	Fuel consumption of all shuttle buses, gen sets, and company cars was included in 2014 data
EN 4: Indirect energy consumption by primary source	54,793,566.4 KWH	48,191,076.1 KWH	Increase in power electricity was due to increase in facility utilization and increase in production output from 3 sites
EN 5: Energy saved due to conservation and efficiency improvements	1,805,012.79 KWH	1,088,067.60 KWH	Increase in energy savings came mainly from the conversion from CFL lighting to LED lighting, which continued in 2014
EN 10: Percentage and total volume of water recycled and reused	1.39% reduction 10,473.20 m ³	6.9% reduction 39,417 m ³	
EN 16: Total indirect greenhouse gas emissions by weight	33,051.47 MT	29,068.85 MT	Increase in CO2 emissions was due to increase in facility utilization and production output for 3 sites
EN 22: Total weight of waste by type and disposal method	Total Generated Waste = 1,226 tons 1. Common Residual waste - 25.6 tons 2. Hazardous waste - 111.67 tons 3. Recyclable waste - 1,089 tons	Total Generated Waste = 1,270 tons 1. Common residual waste - 25.5 tons 2. Hazardous waste - 140 tons 3. Recyclable waste - 1,105 tons	Increase recycling and recovery by 97.93% of waste by limiting the dumping of waste in municipal landfill
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
Initiatives to mitigate environmental impacts of products and services	Energy Management, Water Management, Waste Management, Chemical and Hazardous Substance Process Management	Energy Management, Water Management, Waste Management, Chemical and Hazardous Substance Process Management	
HUMAN RIGHTS			
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 to 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	
LABOR			
LA 1: Total workforce by employment type, gender, and age	Total Workforce: 5,452 Employment Type: Permanent (probationary/permanent) - 4,453 Contractual - 999 Gender: Male - 1,095 Female - 4,357 Age: over 50 - 72 31-50 - 3,157 under 30 - 2,223	Total Workforce: 4,667 Employment Type: Permanent (probationary/permanent) - 4,501 Contractual - 166 Gender: Male - 880 Female - 3,787 Age: over 50 - 64 31-50 - 2,817 under 30 - 1,786	

INDICATOR	2014	2013	2014 REMARKS
LA 2 : Total number and rate of employee turnover by age group and gender	Employee Turnover: 560 Turnover by age group: over 50 - 4 (0%) 31-50 - 244 (5%) 30 below - 312 (6%) Gender: Male - 140 (3%) Female - 420 (8%)	Employee Turnover: 392 Turnover by age group: over 50 - 1 (0%) 31-50 - 222 (4.8%) 30 below - 169 (3.6%) Gender: Male - 91 (2%) Female - 301 (6%)	
LA 3: Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations	1. Life Insurance – 24x Monthly Basic Salary; double indemnity for Accidental Death & Dismemberment	1. Life Insurance – 24x Monthly Basic Salary; double indemnity for Accidental Death & Dismemberment	
	2. Medical Insurance – group hospitalization with inner limits (depending on rank) per illness per confinement	2. Medical Insurance – group hospitalization with inner limits (depending on rank) per illness per confinement	
	3. Outpatient Benefit – consultation and laboratory exams within annual benefit limits (depending on rank)	3. Outpatient Benefit – consultation and laboratory exams within annual benefit limits (depending on rank)	
	4. Annual Physical Exam – routine medical examination every year	4. Annual Physical Exam – routine medical examination every year	
	5. Vacation leave – 12 days per year; paid leave starts after 1 year of continuous service. Max of 4 (varies by tenure) unused VL credits will be converted at the end of each year for supervisors and up	5. Vacation leave – 12 days per year; paid leave starts after 1 year of continuous service. Max of 4 (varies by tenure) unused VL credits will be converted at the end of each year for supervisors and up	
	6. 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	6. 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	
	7. Emergency Leave – 3 days per year; paid leave starts after 1 year of continuous service	7. Emergency Leave – 3 days per year; paid leave starts after 1 year of continuous service	
	8. Computer Loan – up to max of 50K at zero interest; for supervisors & up	8. Computer Loan – up to max of 50K at zero interest	
	9. Emergency Loan – up to max of 5K at zero interest	9. Emergency Loan – up to max of 5K at zero interest	
	10. Multipurpose loan – eligibility starts after 5 years of continuous service; for supervisors & engineers	10. Multipurpose loan – eligibility starts after 5 years of continuous service	
LA 8: Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	<ul style="list-style-type: none"> Immunization Program for employees and dependents: <ul style="list-style-type: none"> Expanded Immunization Program for employees’ pediatric dependents to cover for vaccinations not given by the Department of Health (DOH) -Influenza vaccines for seasonal flu -Cervical cancer vaccine extended to above 45 years old Breast Cancer Month <ul style="list-style-type: none"> -intensive awareness program through posters, email blasts, and lecture Leptospirosis Program <ul style="list-style-type: none"> - Special Health Bulletin on Leptospirosis during Typhoon Maring/Habagat (Sept. 23, 2013) -Prophylactic medicines (Doxycycline capsules) given to employees exposed to flood waters 	<ul style="list-style-type: none"> Immunization Program for employees and dependents: <ul style="list-style-type: none"> Expanded Immunization Program for employees’ pediatric dependents to cover for vaccinations not given by the Department of Health (DOH) -Influenza vaccines for seasonal flu -Cervical cancer vaccine extended to above 45 years old Breast Cancer Month <ul style="list-style-type: none"> -intensive awareness program through posters, email blasts, and lecture Leptospirosis Program <ul style="list-style-type: none"> - Special Health Bulletin on Leptospirosis during Typhoon Maring/Habagat (Sept. 23, 2013) -Prophylactic medicines (Doxycycline capsules) given to employees exposed to flood waters 	
LA 10 : Average hours of training per year per employee by employee category	Training Manhours Per Position: Managers: 25.5 Supervisors: 33.6 Rank & File: 9.3 Dailies: 3.8	Training Manhours Per Position: Managers: 12.5 Supervisors: 18.5 Rank & File: 6.1 Dailies: 1.1	

INDICATOR	2014	2013	2014 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	BOD Total Number of Members: 11 Gender: Male, 10; Female, 1 Age Group: over 50, 9; 30-50, 2	BOD Total Number of Members: 11 Gender: Male, 10; Female, 1 Age Group: over 50, 9; 30-50, 2	
ECONOMIC			
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 : 9,100 Net Income :(590) Distribution: Suppliers /contractors - 8,575 Employees (salaries and benefits) - 1,401 Government (taxes) - 67 Stockholders (dividends) - 141 Charitable Contributions - 1.6 Total Distribution - 10,186 Investments: Equity Investment - 5,552 Capex - 208 Total Investment - 5,760	Economic Value (in Million Pesos) Revenues : 8,030 Net Income :(5) Distribution: Suppliers /contractors - 8,748 Employees (salaries and benefits) - 1,282 Government (taxes) - 67 Stockholders (dividends) -38 Charitable Contributions - 0.8 Total Distribution - 10,136 Investments: Equity Investment - 5,885 Capex - 154 Total Investment - 6,038	
EC 3: Coverage of the organization's defined benefit plan obligations	Tenure Separation Benefit 5<10 25% of monthly basic pay per yr of service 10<15 50% of monthly basic pay per yr of service 15<20 75% of of monthly basic pay per yr of service 20 yrs and 100% of of monthly basic pay above per yr of service	Tenure Separation Benefit 5<10 25% of monthly basic pay per yr of service 10<15 50% of monthly basic pay per yr of service 15<20 75% of of monthly basic pay per yr of service 20 yrs and 100% of of monthly basic pay above per yr of service	
SOCIAL			
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
PRODUCT RESPONSIBILITY			
PR 5 - Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Overall CSAT Rating: Key Accounts - 4.04 Non-Key Accounts - 4.30	Overall CSAT Rating: Key Accounts - 4.01 Non-Key Accounts - 4.34	
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 any 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 any 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