

INTEGRITY





Dealing with Misconduct.

If you have ever wondered whether an employee's report of business misconduct can make a difference, read on.

One of the most serious fraud schemes our company has faced went undetected for years.

The scheme involved high level managers in operations, finance and IT at a particular site who colluded to steal large sums of money from the company by setting up fictitious transactions and unauthorized bank accounts based on falsified documentation. Because the site IT team was involved in the scheme, all records of the false transactions were being erased. The scheme might have continued except for an anonymous report we received on the EthicsPoint hotline made by a concerned employee who suspected wrongdoing.

After receiving the anonymous report, Internal Audit investigated and found that certain payments made to suppliers had been deleted from the financial accounting system and that someone had attempted to remove all other traces of these payments, including supporting documentation and system entries. These facts led the team to dig deeper. They next uncovered evidence that the site controller had opened several bank accounts without obtaining appropriate authorization, which led to further evidence that the wrongdoers, working in collusion, had set up an intricate scheme to fabricate invoices, make payments without authorization and hide missing funds by falsifying accounting books and records and by systematically deleting information. Over a period of years, millions of dollars had been funneled out of the company for the wrongdoers' personal gain.

Five employees were terminated as a result of the investigation and the case has been reported to the local police for prosecution. Fortunately, a significant portion of the stolen funds have been recovered. A thorough root cause analysis was conducted by our internal compliance team with the support and oversight of independent experts and our Board of Directors and as a result Flextronics has implemented improved internal controls.

To this day, we don't know who the anonymous reporter was and that's ok. However, we want to take this opportunity to thank them publicly. Your commitment to compliance made all the difference. You enabled us to shut down a scheme where a group of wrongdoers were benefiting themselves at the expense of our hardworking employees and other stakeholders. Thank you!

Ask yourself again: what difference can one employee's report of suspected violations make?

If you suspect fraud, kickbacks, theft, bribery or any other kind of business misconduct – report it! Your report will be taken very seriously, thoroughly investigated, and wrongdoers will be disciplined.





Winning the right way is the only way.

Joe, a process engineer at one of our sites, was asked to review and edit a customer's CAD file. He needed a different version of CAD software to open the file. The new version would cost \$4,000, and Joe knew his site did not have the budget to buy it. At lunch that day Joe mentioned his dilemma to Ann, a coworker. "No worries," said Ann, "I have the software install disk. You can load what you need from it – for free."

Joe loaded the software from Ann's disk. Other process engineers quickly got word of the "free" software and soon 50 of them had copies installed on their computers.

None of them did what they did for their personal benefit or gain. All of them thought that they were helping Flextronics by saving the company money. In fact, Joe calculated that the employees may have saved Flextronics close to \$200,000.

Before you continue, stop. Think. Was this right or wrong?

Six months later the site was audited by the CAD software company and was asked to provide proof of purchase for the 55 copies they found were installed throughout Joe's site. Only 5 of the installed copies had been purchased. The CAD software company demanded the site pay for the 50 non-compliant copies at the full list price, without credit for the 30% discount that would have been available if the site had negotiated and paid for the licenses up front. Making matters worse, the site discovered that 20% of the people who had improperly downloaded the new version had not really needed it.

Problems like these can easily go viral. The CAD software company began questioning our compliance at our other sites. When one of our customers learned about the breach, they began expressing concerns about our commitment to ethical business standards.

Overall, the site paid \$100,000 more than it would have if the employees who recognized the need for the new version of the software had properly procured it. Add to that the lost productivity resulting from an extensive audit by the CAD software company, internal investigation of the matter, management of the dispute that arose with the CAD software company and management of our customer's concerns and you can see that the actual costs associated with the event are much greater.

Now let's back up to Joe and Ann's conversation at lunch and consider how it might have gone differently. This time, Ann tells Joe that Flextronics requires strict compliance with software licensing requirements. She's taken the time to understand these requirements and knows that new versions of the CAD software must be licensed and that noncompliance is not an option. Instead, Ann and Joe worked with their teams, their customers and the IT Department to understand our customers' exact requirements for CAD engineering and other software tools. Flextronics worked with our suppliers to get the maximum discounts and the most cost-effective software solutions for the site; reduced costs by cancelling licenses for unnecessary software; and identified the software costs that could be passed through to customers. Taking this approach, the site's overall software costs for the year decreased.

It is true that our disciplined attention to cost management is one of the ways we create value that increases our customers' competitiveness. But we never add value through noncompliance or unethical actions.

Winning the right way is the only way.

Trust yourself.

Integrity at work means doing the right thing. If you are not certain, ask yourself the following three questions:

1

Am I doing something that feels wrong?

2

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

3

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

Know the Code

Our Code of Business Conduct and Ethics is about our commitment to integrity. It explains the rules we need to follow to win the right way and provides information to guide decision making.

**Know the Code.
Sign up for
training today at**

<http://intranet.flextronics.com/compliance/default.aspx>



Global Trade Compliance

Did you know that Flextronics moves products and technology between hundreds of locations around the world every day in thousands of transactions?

Find out what you can do to make sure we comply with import and export laws.

Start by contacting your site's Trade Compliance Coordinator.
Learn more at

<http://intranet.flextronics.com/gp/gttc/default.aspx>



Anticorruption

Don't let Flextronics be accused of corrupting government officials. If your work brings you in contact with the government, know the rules.

**Ask an expert at AntiCorruption@flextronics.com.
Sign up today for online training at**

<http://intranet.flextronics.com/compliance/Pages/Anticorruption.aspx>



Zero Tolerance

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

**Go to www.flexethicshotline.com
to make an Internet report
or find the local hotline
phone number.**



FAQ – Reporting Violations

Q: I recently witnessed behavior that I think violates company policy and possibly the law. What should I do?

A: You should report it promptly.

Q: Can I report even if I do not have all the facts or I am unsure of what actually happened?

A: Yes, you should report the facts that you know.

Q: I am concerned that my report will be ignored because the people involved are more senior than me.

A: Our Flextronics ethical standards and Code of Business Conduct and Ethics apply to everyone, regardless of their level or position. We take all reports very seriously and investigate them thoroughly.

Q: I am worried that there will be backlash from my supervisor if she knows that I reported the matter.

A: We strictly prohibit retaliation against employees who report suspected violations. We will make every effort to maintain, within the limits allowed by law, your anonymity.

Q: How do I report?

A: There are several ways to report. You can discuss the situation with any person in your management chain. You can call your HRBP or you can call a Compliance Director. You can also report anonymously on the Ethics Hotline, either by telephone or over the Internet.

Q: Where can I get a list of Compliance Directors?

A: Go to <http://intranet.flextronics.com/compliance/default.aspx>.

Q: What is the Ethics Hotline?

A: It is a safe and reliable way to report ethics issues. It is managed by a separate and independent company that specializes in handling confidential and anonymous reporting.

Q: How do I use the Hotline?

A: There are two ways to use the Hotline. You can file a report on the Internet by going to <http://www.flexethicshotline.com> — click on “file a new report” and type in “Flextronics.” Or you can make a call using a local toll-free number. You can find the local number at www.flexethicshotline.com or on the Ethics Hotline posters at your site.

