



IMI

2019 Annual Report

“Finished goods already
in transit to your factory.
Do you want to see a
detailed report?”

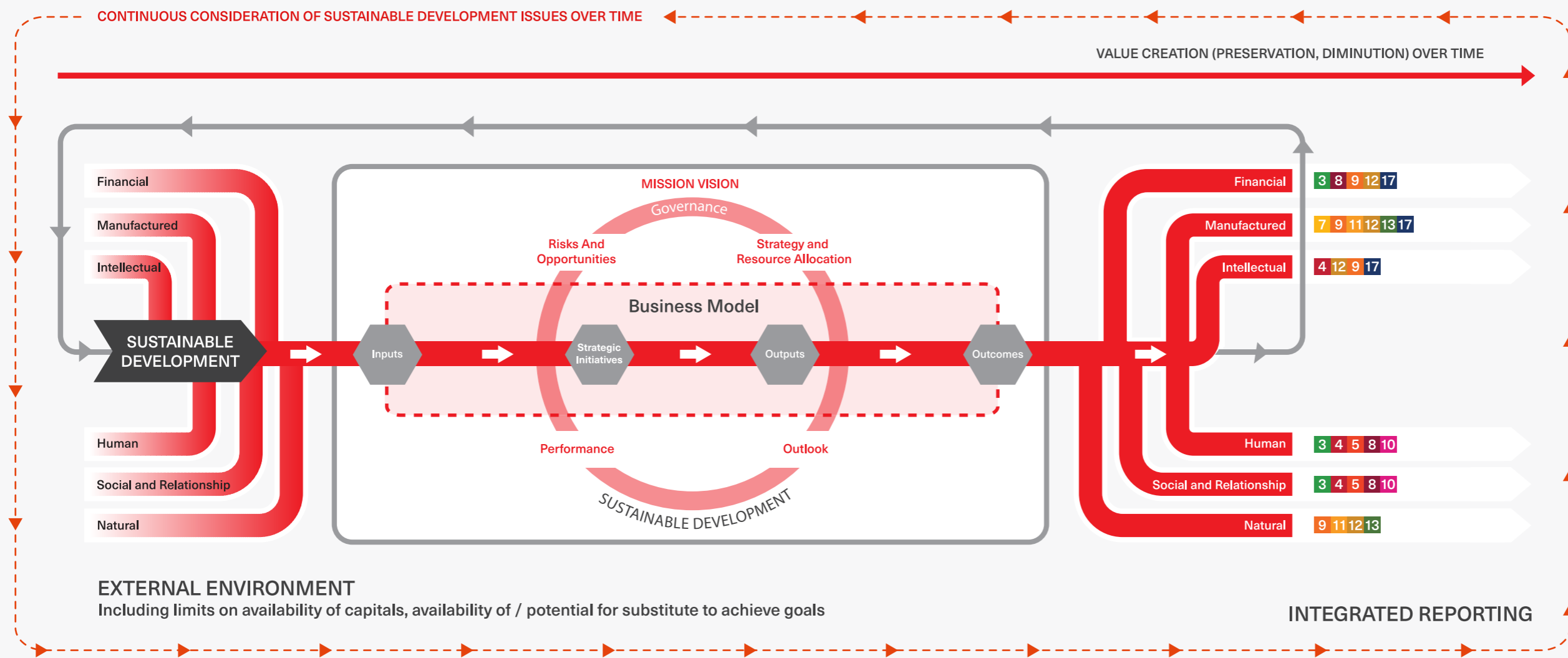
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**Capabilities that bring
you limitless solutions**

Our Integrated Value Chain

We continue to actively grow and strengthen our portfolio while seeking synergy opportunities among our various stakeholders. Our management team provides a broad yet streamlined range of corporate functions which include financial management, resource allocation, risk management, governance, strategic planning, and marketing.

ALIGNING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG) WITH THE VALUE CREATION PROCESS



IMI SDG COMMITMENTS



USING SIX CAPITALS TO CREATE VALUE

- 
FINANCIAL CAPITAL
- 
MANUFACTURED CAPITAL
- 
INTELLECTUAL CAPITAL
- 
HUMAN CAPITAL
- 
SOCIAL AND RELATIONSHIP CAPITAL
- 
NATURAL CAPITAL

How We Create and Share Value

CREATING SHARED VALUE

TOP RISKS IN OUR OPERATING ENVIRONMENT

- Geopolitical and macroeconomic environment
- Trade standoff between the U.S. and China
- Increased competition, uncertainties, and market volatility
- Cyber attacks and data breach
- Component shortage
- Liquidity management

STRONG GOVERNANCE

- Full compliance with the Code of Corporate Governance for publicly listed companies set forth by the Securities and Exchange Commission (SEC).
- The Board of Directors is the supreme authority in matters governing and managing the business of the Corporation.

OPPORTUNITIES:

- Regional manufacturing
- Convergence of key market segments like mobility, connectivity, and smart energy
- Focus on sustainable cost reduction programs
- Rising importance of sustainability in operations and business environment
- Emergence of new players in traditional and emerging market

KEY INPUTS

FINANCIAL

We maintain strong credit ratings and healthy capital ratios to support our business and maximize shareholder value.

- Market capitalization of ₱17.5 billion (US\$ 345.5M)
- Bank borrowings of \$268.5 million
- Dividends paid \$4.4 million

MANUFACTURED CAPITAL

We continue to invest in building more complex manufacturing capabilities to sustain productivity and efficiency.

- 22 manufacturing plants across 10 countries

INTELLECTUAL CAPITAL

We leverage on our extensive experience and know-how in technologies to deliver higher value to our partners.

- Our patents, know-how, and technical expertise
- Our technology teams provide customized engineering solutions

HUMAN CAPITAL

We invest, develop, and manage our human capital to ensure a sustainable future.

- Workforce
- Skills and competencies
- Labor code and Responsible Business Alliance (RBA) compliance

SOCIAL AND RELATIONSHIP CAPITAL

Our shared values and commitments form the basis of our reputation and trust.

- Partnership with more than 300 customers and over 200 major suppliers
- Engagement and collaboration with governments, academe, stakeholders, and communities

NATURAL CAPITAL

Our energy and waste on the production of our goods and services have impact on the environment:

- Land
- Energy
- Water

STRATEGIC INITIATIVES

- Create more value in products, services, and technologies through group level diversification.

- Embed sustainability and quality in all operations through principles of Lean Manufacturing and Industrial Excellence.

- Develop future leaders through talent and succession planning, employees engagement, and continuous learning.

- Bridging the gaps among government, academe and industry through collaboration projects.

- Minimize carbon footprint by implementing Power Purchase Agreement (PPA) and renewable energy options.

OUTPUTS

FINANCIAL

	2019	2018 (As restated)
Revenue	\$1.25B	\$1.35B
Net Income / (Loss)	(\$7.8M)	\$47.2M
Debt-to-Equity	0.55	0.79
Bank Borrowings	\$268.5	\$324.3
Earnings / (Loss) per Share	(\$0.004)	\$0.022
Return on Equity	-2.0%	13.9%

MANUFACTURED CAPITAL

	2019	2018 (As restated)
Total Assets	\$1.10B	\$1.08B
Capital Expenditure	\$38.8M	\$65.0M
Depreciation and Amortization	\$48.7M	\$37.5M

INTELLECTUAL CAPITAL

	2019	2018
Number of engineers and technicians	2,594	2,616
Personnel and overhead costs	\$74.5M	\$76.2M

HUMAN CAPITAL

	2019	2018
Salaries, wages, and benefits	\$226.8M	\$226.6M
Total Training hours	1.2M	936K
Safe man hours	44.7M	41.6M

SOCIAL AND RELATIONSHIP CAPITAL

	2019	2018
Key customers with more than 15 years of tenure	20+	20+
Major Suppliers	over 200	over 200
Taxes to governments	\$10.2M	\$12.5M

NATURAL CAPITAL

	2019	2018
Direct Scope 1 GHG emission (in tons CO ₂ e)	407 ^a	356
Indirect Scope 2 GHG emission (in '000 tons CO ₂ e)	105 ^a	114
Indirect Scope 3 GHG emission (in '000 tons CO ₂ e)	1.7 ^a	1.4
Energy consumption (in million kw/h)	163	176
Water consumption (in million m ³)	1.4 ^b	2.3
Hazardous waste (in '000 kg)	674 ^c	970

^a2018 Scope 1, 2, 3 has been changed in accordance with the global standards
^b2019 data excluding Germany
^c2019 data excluding Germany and VTS Japan

OUTCOMES

We maintain high standards as regards to financial management to raise returns to shareholders and investors.

Provide cost-efficient solutions by maximizing the use of systems and machines for our customers.

We optimize and encourage the development of existing intellectual properties through research and development activities to fortify the company's value-added capabilities.

We aim to surpass the targets of global employee engagement and leadership assessment for key talents to ensure continuity and pipeline strength.


Long-term relationship with our customers, and suppliers; lead to good exposure in the government, academe and community.

We fully support and comply with sustainability initiatives of customers and regulators as regards inputs used and wastes generated.

MANAGING RISK

We define risk as effect of uncertainty on IMI goals and objectives. Our Enterprise Risk Management principles, framework, and process, ensure efficient, effective, and consistent risk management that helps create and protect value, improve performance, encourage innovation, and support achievement of objectives.

Our enterprise-wide approach recognizes that management of risk is not just implementing appropriate control and mitigation on negative risks but may also uncover opportunities. This means we should always be adaptable and continuously improve our risk treatment strategies in order to create value for the organization and its stakeholders.



“Our journey towards a sustainable future continues.”

Sustainability Report

- 70 Sustainability Framework
- 71 Qualifying Key Suppliers
- 72 Natural Capital
- 74 Human Capital
- 76 Engagement with Stakeholders

Sustainability Framework

At IMI, we are committed to live by the corporate values of Integrity, Customer Focus, Concern for Others, and Excellence. We treat these values as our foundation in all our activities and operations across the globe in our efforts to adhere to all the sustainable development goals (SDGs). As we journey along the road to sustainability, we know we shall face many challenges. As such, we have equipped ourselves with tools that will enable us to have the guidance that we need even in highly risky environments.

As our operational guide, the Company's Code of Conduct outlines the ideal and sustainable standards that ensure the working conditions are safe, that workers are treated with respect and dignity and

that the manufacturing processes utilized are all environmentally responsible.

Externally, the Code of Conduct is also being implemented among IMI suppliers and subcontractors to assure our stakeholders that we are serious in our sustainability initiatives from the beginning until the end of all engagements. All suppliers are required to acknowledge and implement the IMI Code of Conduct to remain in good standing.

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.

UN SDG COMMITMENTS



LABOR

Treat employees with dignity and respect

- Freely Chosen Employment
- Child Labor Avoidance
- Working Hours
- Wages and Benefits
- Humane Treatment
- Non Discrimination
- Freedom of Association

MANAGEMENT SYSTEMS

Ensure compliance to RBA standards and the four pillars (Labor, Ethics, Health & Safety, Environment)

- | | |
|--|-------------------------------------|
| • Company Commitment | • Training |
| • Management Accountability and Responsibility | • Communication |
| • Legal Customer Requirements | • Worker Feedback and Participation |
| • Risk Assessment and Risk Management | • Audits and Assessments |
| • Improvement Objectives | • Corrective Action Process |
| | • Documentation and records |
| | • Supplier Communication |

HEALTH & SAFETY

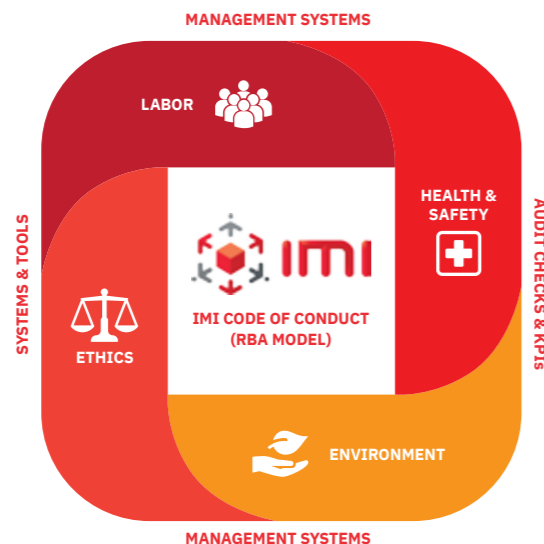
Maintain a safe and healthy work environment

- Occupational Safety
- Emergency Preparedness
- Occupational Injury and Illness
- Industrial Hygiene
- Physically Demanding Work
- Machine Safeguarding
- Sanitation, Food and Housing
- Health and Safety Communication

ETHICS

Uphold the highest standards

- Business Integrity Q&A Requirements
- No Improper Advantage
- Disclosure of Information
- Intellectual Property
- Fair Business, Advertising and Competition
- Protection of Identity and Retaliation
- Responsible Sourcing of Minerals
- Privacy
- Insider Trading



ENVIRONMENT

Protect the environment

- Environmental Permits and Reporting
- Pollution Prevention and Resource Reduction
- Hazardous Substances
- Waste and Solid Waste
- Air Emission
- Product Content Restrictions
- Water Management
- Energy Consumption and Greenhouse Gas Emission
- Energy

Qualifying Key Suppliers

OUR PROCUREMENT MANAGEMENT APPROACH

With the rising adoption of sustainability initiatives, our customers are now requiring suppliers to adhere to global sustainability standards such as the Responsible Business Alliance (RBA) code of conduct version 6.0 (formerly the Electronic Industry Citizenship Coalition).

In 2019, five of the major customers of IMI performed an audit with acceptable results. More relevant activities may come in 2020 and in the ensuing years. With this trend, IMI is stepping up its supplier assessments which includes determining levels of hazardous substances in their production environment, and how they ensure proper handling and disposal.

The IMI Sustainability audit team is composed of representatives from Supplier Quality Engineering, Human Resources, Environmental Health and Safety and Quality Management Systems. The team conducted sustainability training and assessment to key IMI suppliers in the Philippines and China in 2019 based on RBA Code of Conduct version 6.0 which covers labor, ethics, data protection, environmental, health and safety, and overall management system.

Aside from the audits, IMI also conducted risk management seminars to suppliers for them to understand and possess a risk mindset towards their own business and the whole supply chain. This would enable suppliers of IMI to become aware of the risks in their businesses and their potential impact to IMI and its customer. IMI Supplier Development held the Risk Management based on ISO31000 done initially with five selected companies in 2019.

This year, IMI plans to audit at least 15 major suppliers and to release supplier code of conduct to all suppliers together with the corresponding risk management trainings.

OUR POLICY OF CONFLICT MINERALS

IMI continuously supports the sourcing of minerals / metals from compliant smelters or smelters not supporting the rebel groups of the Democratic Republic of Congo and adjoining countries.

The Company collects Conflict Minerals Reporting Template from suppliers annually and uses the same format in disclosing smelter information to customer thru our Customer Focus Team. We check compliance of smelters from the publicly available list of conformant smelters through the Responsible Minerals Initiative website. We communicate to our suppliers any smelter non-compliance and encourage them to source responsibly. We expect that they will practice the same measures for alignment in the whole supply chain and we will continuously work with them to ensure compliance with above regulation.



Training session for suppliers

Natural Capital

IMI is fully committed to supporting United Nations Sustainable Development Goals (SDGs) through Ayala Corporation's Sustainability Blueprint. As part of AC Industrials, IMI together with AC automotive champions focus on SDG 9 – Industry, Innovation, and Infrastructure and SDG 12 - Responsible Consumption and Production. By 2030, IMI will promote inclusive and sustainable industrialization by demonstrating manufacturing value add of US\$1 billion dollars across all IMI locations including developing countries where we operate.

With the support of our stakeholders, we continue our first steps to sustainable growth and development as one of our priorities, aware that our path to sustainability is a long-term journey.

ENERGY

- Use of LED lightings, reduction of operating hours on cooling tower, installation of duct links on air conditioning, optimization of operating hours of selected compressed dry air equipment
- Reduction/Optimization of operating hours for Cooling Towers and Compressors, retrofit of air handling units and precision air conditioning units, Cooling coil replacement (improves chiller setpoint)
- Central air conditioning uses secondary circulation water to save energy and protect the environment.
- Exhaust gas produced in production is discharged after purification using activated carbon
- Pilot installation of Merlin Solar Technologies' solar panels at IMI Laguna Philippines site.

UN SDG COMMITMENTS



In addition to supporting UN SDGs, all our manufacturing sites across continents adapt an international management systems standards on environmental management systems through ISO 14001.

WATER

- Optimization of de-ionized water system operations, re-use of treated water and recovery of excess water
- Re-use and/or recycle water including Reverse Osmosis (RO) rejects
- Replacement of ageing main water piping supply

WASTE

- Reduce-reuse-recycle (3R) program in disposing of waste materials/ chemicals; assurance of proper disposal through accredited haulers, treaters, and recyclers.
- IMI Philippines, achieved 98.20% of waste recovered diverting to municipal landfill through the 3R programs.

MONITORING

- Regular emission testing and monitoring of air pollutants



IMI's Solar Pilot Project Initiative using Merlin® Solar's Patented Technology, has generated 10.8 Megawatt hours of clean and renewable energy source from the sun, powering the Air Conditioning System of the building's cafeteria. This system has its contribution in the reduction of carbon footprint and greenhouse gases, equivalent to around 10,155 kilogram (10Tons) of CO² emission.

Our Environmental Impact

GREENHOUSE GAS EMISSION (GHG) IN TONNES CO₂e

Scope 1	2018	2019
Asia	324	213
Europe	21	158
US	11	35
TOTAL	356	407

Scope 2	2018	2019
Asia	94,475	81,105
Europe	12,721	15,228
US	7,628	8,692
TOTAL	114,825	105,025

Scope 3	2018	2019
Asia	1,396	1,586
Europe	45	136
US	0.00	0.00
TOTAL	1,441	1,722

Note: data from 2018 Scope 1,2,3 has been changed in accordance with the global standards

ENERGY CONSUMPTION

Electricity	2018	2019
Asia	135	116
Europe	24	28
US	17	19
TOTAL	176	163

in '000 kw/h

Water	2018	2019
Asia	1,870	1,223
Europe	431	200 ^a
US	21	24
TOTAL	2,322	1,447

in '000 cu m³

^a2019 Germany no data of water consumption

WASTE MANAGEMENT (IN KG)

Hazardous	2018	2019
Asia	433	418 ^b
Europe	167	432 ^b
US	74	120
TOTAL	674	970

Non-Hazardous RECYCLED	2018	2019
Asia	1,322	851 ^b
Europe	504	533 ^b
US	712	831
TOTAL	2,538	2,215

Non-Hazardous RESIDUAL (kg)	2018	2019
Asia	287	488 ^b
Europe	3	14 ^b
US	189	269
TOTAL	479	770

^b2019 Germany and VTS Japan no data of waste management

OUR INITIATIVES TO MITIGATE THE IMPACT

- Standardized Energy Efficiency Program across regional sites/best practices and emergency efficiency programs from the Philippine site
- Reduction of kilowatt/ cubic feet minute compressors (CFM) for compressed dry air system to be retrofitting efficient element units
- Retrofit Variable Speed Drive and air dropped temperature circulation for major AC support system equipment yielding 10,000 kw/h
- Converted and retrofitted the obsolete environmental controls to updated set-up to increase reliability – replaced 2 out of 3 chiller controls as planned
- Introduction to site facility risk assessment
- Data analytics for energy consumption with focus on airconditioning and compress air
- Work with power suppliers for bigger renewable energy allocation

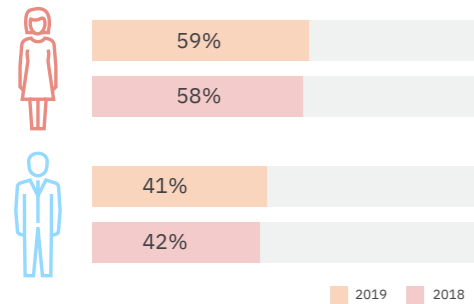
Human Capital

We recognize that human capital will become increasingly important as the world transforms into knowledge-based economies that depend on information, knowledge, and multi-level skills.

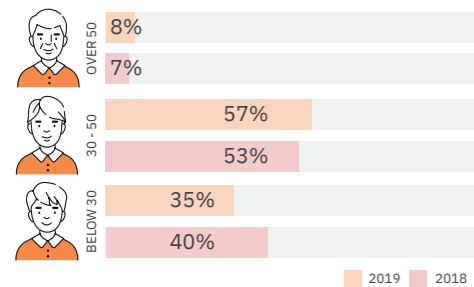
Our most important asset remains to be all 17,000+ strong employees, spanning a multi-cultural diverse and global community that will continue to provide the strength, resilience, innovation and creativity that will enable us to provide value to our customers and stakeholders.

We continue to invest in strengthening our corporate culture and employee engagement while adhering to global standards stipulated in the Responsible Business Alliance (RBA).

GENDER DIVERSITY (BY GENDER)



WORKFORCE DIVERSITY (BY AGE)



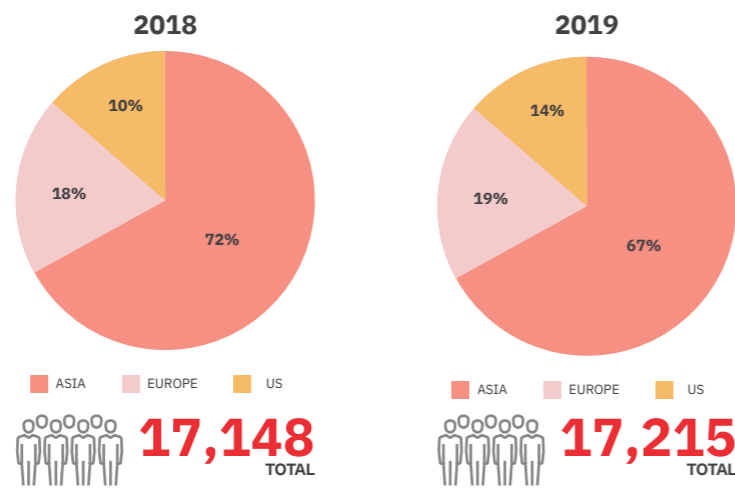
HUMAN RESOURCES INITIATIVES

- Reinforcing IMI's core values
- Employee engagement survey
- Leadership assessment for key talents and successors
- Global talent review
- Organizational transformation through management program across levels

UN SDG COMMITMENTS



IMI GROUP HUMAN CAPITAL



RESPECTING HUMAN RIGHTS

Our commitment to human rights starts with safeguarding the health and safety of our employees and their working environment.

This applies to all employees including temporary, project, migrant, student, direct employees, and any other type of employee. It also recognizes international standards (e.g., Universal Declaration of Human Rights, Social Accountability International, UN Global Compact, and the Ethical Trading).

IMI EMPLOYEE ENGAGEMENT SCORE

92% 86% Philippine Norms
88% Global Norms

We build on these strengths:
Communication, Customer Focus and Operating Efficiency

TRAINING AND DEVELOPMENT

In 2019, IMI University conducted a total of 154 training programs completing 74,056 of training man hours. We certified additional 22 Subject Matter Experts (SME) giving us a total of 136 SME supporting our IMI-University. The first Global Learning Management System, which aims to make learning accessible 24/7 to all employees globally, was a successful launch. Global training manhours reached 1.15 million in 2019, a 23 percent increase compared to 2018.

We continued to provide assistance to our people through the Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP) of the Commission on Higher Education (CHED) which recently conferred engineering degrees to 18 IMI employees in the Philippines. IMI scholarship grants were awarded to six qualified employees who underwent thorough screening process in partnership with the University of Batangas.

As part of our Upskilling Program for Engineers in partnership with external consultants, 25 of our employees completed the course on Statistical Boot Camp. Launching of Learning Management System in the Philippines, China and Bulgaria also highlighted IMI-University vision and thrust in E-learning this 2019.

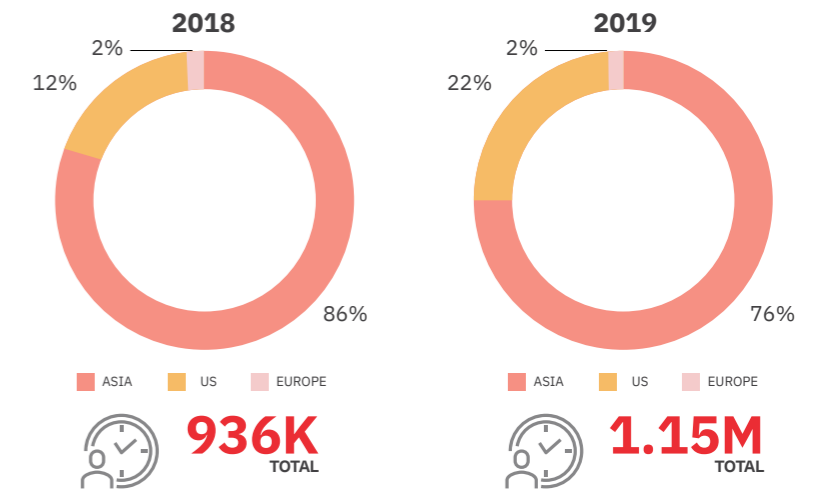
EHS training at IMI Jiaxing



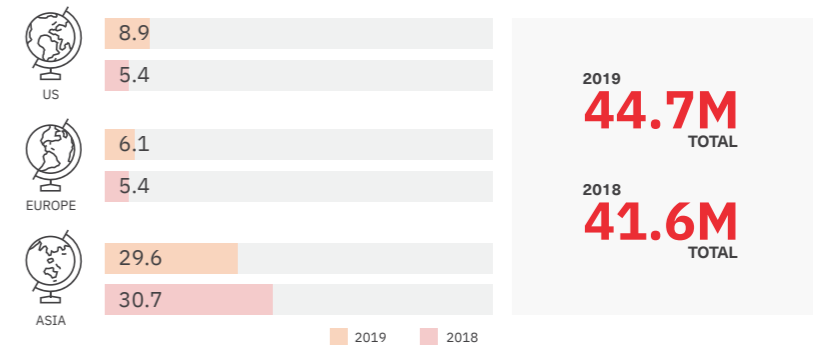
EHS training at IMI Serbia



GLOBAL TRAINING HOURS



SAFE MAN HOURS (IN MILLIONS)



Engagement with Stakeholders



We continue to build and strengthen our relationship with all our stakeholders--employees, customers, investors, to suppliers, non-governmental organizations, and the communities that surround all IMI sites. For us, an effective stakeholder management has a direct relationship on the sustainability of our business and of IMI as a whole.



The **health and well-being** of each IMI employee, as well as their dependents, is a primary concern of the company. Medical and dental missions, wellness symposia and other similar activities are organized in the different manufacturing facilities.



Engagement with Stakeholders



IMI actively participates in the **communities** surrounding all our sites. Committed to help in any way we can, we strive to participate in local events and contribute to addressing the needs of these communities while supporting the local economies.



Engagement with Stakeholders



Our corporate values are the true drivers of success that will continue to push us to stay at the edge of innovation, creativity, collaboration, design, and digitalization.

We believe in the power of localization. By leveraging the knowledge of local talents, we are able to improve the bench of available manpower across our many manufacturing sites.

IMI strives to bridge the gaps between industry, government and academe by participating in regional and country-wide initiatives with universities, non-government organizations and a number of government agencies. We continue to co-develop and co-fund projects spearheaded by the Asia Pacific Economic Cooperation, Policy Partnership on Science Technology and Innovation (APEC PPSTI), US Agency for International Development (USAID), Department of Science and Technology (Philippines), and Chinese Academy of Sciences.



Integrated Micro-Electronics, Inc.
North Science Avenue
Laguna Technopark
Special Export Processing Zone
Biñan 4024, Laguna
Tel no.: +63 2 7756 6840
Website: www.global-imi.com