

FLEXTRONICS INTERNATIONAL LTD

Form DEF 14A

August 11, 2004

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**SCHEDULE 14A  
(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

**FLEXTRONICS INTERNATIONAL LTD.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:  
\_\_\_\_\_
- (2) Aggregate number of securities to which transaction applies:  
\_\_\_\_\_
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11  
(set forth the amount on which the filing fee is calculated and state how it was determined):  
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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**FLEXTRONICS INTERNATIONAL LTD.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**To Be Held on September 23, 2004**

To our shareholders:

You are cordially invited to attend and NOTICE IS HEREBY GIVEN of the Annual General Meeting of FLEXTRONICS INTERNATIONAL LTD. which will be held at our principal U.S. offices located at 2090 Fortune Drive, San Jose, California, 95131, at 9:00 a.m., Pacific Daylight Time (PDT), on September 23, 2004 for the following purposes:

**As Ordinary Business**

1. To re-elect each of the following Directors, who will retire by rotation pursuant to Article 95 of our Articles of Association, to the Board of Directors:
  - (a) Mr. Michael E. Marks; and
  - (b) Mr. Michael J. Moritz.
2. To re-appoint Mr. Patrick Foley as a Director to the Board of Directors pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold such office from the date of this Annual General Meeting until our next Annual General Meeting.
3. To consider and vote upon a proposal to appoint Deloitte & Touche LLP as our independent auditors for the fiscal year ending March 31, 2005, and to authorize the Board of Directors to fix their remuneration.

**As Special Business**

4. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given for the amendment to our 1997 Employee Share Purchase Plan, which we refer to as the Share Purchase Plan, to increase the maximum number of ordinary shares authorized for issuance under the Share Purchase Plan from 4,400,000 ordinary shares to 5,400,000 ordinary shares and that an additional 1,000,000 ordinary shares be reserved for issuance under the Share Purchase Plan, and that such ordinary shares, when issued and paid for in accordance with the terms of the Share Purchase Plan, shall be validly issued, fully paid and nonassessable ordinary shares in our capital.

5. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given for the amendment to our 2001 Equity Incentive Plan, which we refer to as the 2001 Plan, to increase the maximum number of ordinary shares authorized for issuance under the 2001 Plan from 7,000,000 ordinary shares to 27,000,000 ordinary shares and that an additional 20,000,000 ordinary shares be reserved for issuance under the 2001 Plan, and that such ordinary shares, when issued and paid for in accordance with the terms of the 2001 Plan, shall be validly issued, fully paid and nonassessable ordinary shares in our capital.

6. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given to amend the 2001 Plan to allow for issuances of stock bonuses.

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7. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given to approve the consolidation of the ordinary shares authorized for issuance under certain equity award plans into the 2001 Equity Incentive Plan.

8. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT, pursuant to the provisions of Section 161 of the Companies Act, Cap. 50, and notwithstanding the provisions of Article 46 of our Articles of Association but subject otherwise to the provisions of that Act and our Articles of Association, authority be and is hereby given to our Directors to:

- (a) (i) allot and issue ordinary shares in our capital; and/or
- (ii) make or grant offers, agreements or options that might or would require ordinary shares in our capital to be allotted and issued whether after the expiration of this authority or otherwise (including but not limited to the creation and issue of warrants, debentures or other instruments convertible into ordinary shares in our capital),

at any time to and/or with such persons and upon such terms and conditions and for such purposes as our Directors may in their absolute discretion deem fit, and with such rights or restrictions as our Directors may think fit to impose and as are set forth in our Articles of Association aforesaid; and

- (b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) allot and issue ordinary shares in our capital in pursuance of any offer, agreement or option made or granted by our Directors while this resolution was in force,

and that such authority shall continue in force until the conclusion of our next Annual General Meeting or the expiration of the period within which our next Annual General Meeting is required by law to be held, whichever is the earlier.

9. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given for us to provide \$37,200 of annual cash compensation to each of our non-employee directors for services rendered as a director.

10. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT approval be and is hereby given for us to provide an additional \$10,000 of annual cash compensation to each of our non-employee directors for their participation in one or more committees of the Board of Directors.

11. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the exercise by our Directors of all our powers to purchase or otherwise acquire issued ordinary shares of \$0.01 each fully paid in our capital, not exceeding in aggregate the number of issued ordinary shares representing 10% of our issued ordinary share capital as at the date of the passing of this resolution, at such price or prices as may be determined by our Directors from time to time up to the maximum purchase price described in paragraph (c) below, whether by way of:
- (i) market purchases on the NASDAQ National Market or any other stock exchange on which our ordinary shares may for the time being be listed and quoted; and/or
- (ii) off-market purchases (if effected other than on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted) in accordance with any equal access scheme(s) as may be determined or formulated by our Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Cap. 50;

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and otherwise in accordance with all other laws and regulations and rules of the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time

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being be listed and quoted as may for the time being be applicable, be and is hereby authorized and approved generally and unconditionally;

(b) unless varied or revoked by us in a general meeting, the authority conferred on our Directors pursuant to the mandate contained in paragraph (a) above may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:

(i) the date on which our next Annual General Meeting is held; or

(ii) the date by which our next Annual General Meeting is required by law to be held;

(c) the maximum purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which may be paid for an ordinary share purchased or acquired by us pursuant to the mandate contained in paragraph (a) above shall not exceed:

(i) in the case of a market purchase of an ordinary share, one hundred and five percent (105%) of the Average Closing Price of our ordinary shares; and

(ii) in the case of an off-market purchase pursuant to an equal access scheme, one hundred and ten percent (110%) of the Average Closing Price of our ordinary shares,

and for the above purposes, the term Average Closing Price means the average of the last dealt prices of an ordinary share for the five consecutive trading days on which our ordinary shares are transacted on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, immediately preceding the date of the market purchase by us or, as the case may be, the date of the making of the offer pursuant to the off-market purchase. The date of the making of the offer refers to the date on which we announce our intention to make an offer for the purchase or acquisition of our ordinary shares from holders of our ordinary shares, stating therein the purchase price (which shall not be more than the maximum purchase price calculated on the foregoing basis) for each ordinary share and the relevant terms of the equal access scheme for effecting the off-market purchase; and

(d) our Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this resolution.

12. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT:

(a) at the sole discretion of our Directors at any time after the date of this Meeting, but on or before 5:00 p.m., PDT, August 31, 2005, a sum of up to S\$5,561,111.83 and, in the event that any new ordinary shares are allotted and issued by us after the close of business on August 5, 2004, which we refer to in this proposal as the Record Date, but on or before 5:00 p.m., PDT, August 31, 2005, an additional amount of S\$0.01 for each new ordinary share so allotted and issued, standing to the credit of our Share Premium Account as at March 31, 2004, which we refer to as the Capital Sum, be capitalized and distributed amongst the persons who, on a date specified by our Board of Directors after the date of this Meeting, but no later than 5:00 p.m., PDT, August 31, 2005, are the registered holders, whom we refer to as the Registered Shareholders, of existing ordinary shares of S\$0.01 each in our capital, on the footing that the Registered Shareholders become entitled to such sum capital in terms of Article 133 of our Articles of Association. The whole of the Capital Sum shall be applied in payment in full of the aggregate par value of up to 556,111,183 new ordinary shares of S\$0.01 each in our capital and, in the event that any new shares are allotted and issued by us after the Record Date but on or before 5:00 p.m., PDT, August 31, 2005, an additional one new ordinary share of S\$0.01 each in our capital for each new ordinary share so allotted and issued, which shares together we refer to as the Bonus Shares. The Bonus Shares will rank in all respects *pari passu* with our existing ordinary shares;

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- (b) accordingly, the Directors be and are hereby granted the authority to allot and issue, at their sole discretion after the date of this Meeting, but on or before 5:00 p.m., PDT, August 31, 2005, the Bonus Shares credited as fully paid to the Registered Shareholders, as nearly as practicable, in the proportion of one Bonus Share for every one existing ordinary share then held by the Registered Shareholders, fractions being disregarded;
- (c) the Bonus Shares, if and when allotted and issued, shall be treated for all purposes as an increase in the nominal amount of our issued capital and not as income;
- (d) the aggregate number of Bonus Shares representing fractional interests be disposed of by the Directors in such manner as they may deem fit to be in our interests; and
- (e) the Directors be and are hereby authorized to take such steps and exercise such discretion as they may deem fit in connection with the matters referred to in this resolution.

13. To transact any other business as may properly be transacted at any Annual General Meeting.

**As Ordinary Business**

At the Annual General Meeting, our shareholders shall have the opportunity to discuss and ask any questions that they may have regarding our Singapore audited accounts for the fiscal year ended March 31, 2004, together with the reports of the Directors and Auditors thereon, in compliance with Singapore law. Shareholder approval of our audited accounts is not being sought by this Proxy Statement and will not be sought at the Annual General Meeting. The Board of Directors has fixed the close of business on August 5, 2004 as the record date for determining those shareholders who will be entitled to receive copies of this Notice and accompanying proxy statement. However, shareholders of record on September 23, 2004 will be entitled to vote at the Annual General Meeting. A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not also be a shareholder. Representation of at least 33 1/3% of all outstanding ordinary shares of Flextronics International Ltd. is required to constitute a quorum. Accordingly, it is important that your shares be represented at the meeting. **Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope.**

Only funds legally available for purchasing or acquiring our issued ordinary shares in accordance with our Articles of Association and the applicable laws of Singapore will be utilized for the purchase or acquisition by us of our own issued ordinary shares pursuant to the proposed share purchase mandate referred to in Proposal No. 10 above. We intend to use our internal sources of funds to finance the purchase or acquisition of our issued ordinary shares. The amount of financing required for us to purchase or acquire our issued ordinary shares, and the impact on our financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares are purchased or acquired. Our net tangible assets and the consolidated net tangible assets of us and our subsidiaries will be reduced by the dollar value of the ordinary shares purchased or acquired. The purchase or acquisition of 10% of our issued ordinary shares as at the date of the Annual General Meeting will not have any material impact on our consolidated earnings for the current financial year.

By Order of the Board of Directors,

Bernard Liew Jin Yang  
Yap Lune Teng  
Joint Secretaries

Singapore  
August 11, 2004

**Shareholders should read this entire proxy statement**

**carefully prior to returning their proxies.**



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*The information contained under the captions Compensation Committee Report on Executive Compensation, Audit Committee Report and Stock Price Performance Graph shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 except to the extent that we specifically incorporate this information by reference into such filing.*

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**PROXY STATEMENT FOR**  
**ANNUAL GENERAL MEETING OF**  
**SHAREHOLDERS OF**  
**FLEXTRONICS INTERNATIONAL LTD.**

**To Be Held on September 23, 2004**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Flextronics International Ltd. of proxies to be voted at the Annual General Meeting, which will be held at 9:00 a.m., Pacific Daylight Time (PDT), on September 23, 2004 at our principal U.S. offices located at 2090 Fortune Drive, San Jose, California, 95131 or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual General Meeting. This proxy statement and the included proxy card were first mailed on or about August 20, 2004 to shareholders of record as of August 5, 2004. The entire cost of soliciting proxies will be borne by us. Following the original mailing of the proxies and other soliciting materials, we and/or our agents may also solicit proxies by mail, telephone, telegraph or in person. Following the original mailing of the proxies and other soliciting materials, we will request that brokers, custodians, nominees and other record holders of our ordinary shares forward copies of the proxy and other soliciting materials to persons for whom they hold ordinary shares and request authority for the exercise of proxies. In these cases, we will reimburse the record holders for their reasonable expenses if they ask us to do so. We have retained Georgeson Shareholder Services, an independent proxy solicitation firm, to assist in soliciting proxies at an estimated fee of \$10,000.00 plus reimbursement of reasonable expenses.

**VOTING RIGHTS AND SOLICITATION OF PROXIES**

The close of business on August 5, 2004 was the record date for shareholders entitled to notice of the Annual General Meeting. As of that date, we had 556,111,183 ordinary shares, \$0.01 par value per share, issued and outstanding. All of the ordinary shares issued and outstanding on September 23, 2004 are entitled to vote at the Annual General Meeting, and shareholders of record on September 23, 2004 entitled to vote at the meeting will on a poll have one vote for each ordinary share so held on the matters to be voted upon.

Ordinary shares represented by proxies in the accompanying form which are properly executed and returned to us will be voted at the Annual General Meeting in accordance with the shareholders' instructions contained therein. Representation of at least 33 1/3% of all issued and outstanding ordinary shares is required to constitute a quorum. The affirmative vote by a show of hands of a majority of the shareholders present and voting at the Annual General Meeting, or if a poll is demanded by the chair or by any 10% or greater shareholder in accordance with our Articles of Association, a simple majority of the shares voting at the Annual General Meeting, is required to re-elect and re-appoint the Directors nominated pursuant to Proposals No. 1 and 2, to approve Proposal No. 3, and to approve the ordinary resolutions in Proposals No. 8 through 12. The affirmative vote of a majority of all issued and outstanding ordinary shares voting in person or by proxy at the Annual General Meeting is required to approve Proposals No. 4, 5, 6 and 7.

If a shareholder abstains from voting, including brokers holding their customers' shares of record who cause abstentions to be recorded, these shares are considered present and entitled to vote at the Annual General Meeting. These shares will count toward determining whether or not a quorum is present. However, these shares will not be counted in the tabulation of the votes cast on proposals presented to shareholders. If a shareholder does not give a proxy to its broker with instructions as to how to vote the shares, the broker has authority under New York Stock Exchange rules to vote those shares for or against certain routine matters, such as all of the proposals to be voted on at the Annual General Meeting. If a broker votes shares that are unvoted by its clients for or against a proposal, these shares are considered present and entitled to vote at the Annual General Meeting. These shares will count toward determining whether or not a quorum is present. However, these shares will not be counted in the tabulation of the votes cast on proposals presented to shareholders.

In the absence of contrary instructions, shares represented by proxies will be voted FOR the Board of Directors nominees in Proposals No. 1 and 2 and FOR Proposals No. 3 through 12. Management does not know of any matters to be presented at this Annual General Meeting other than those set forth in this proxy statement and in the Notice accompanying this proxy statement. If other matters should properly come before the meeting, the proxy holders will vote on such matters in accordance with their best judgment. Any shareholder of record

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has the right to revoke his or her proxy at any time prior to voting at the Annual General Meeting by submitting a subsequently dated proxy or by attending the meeting and voting in person.

We have prepared, in accordance with Singapore law, Singapore statutory financial statements, which are enclosed with this proxy statement. Except as otherwise stated herein, all monetary amounts in this proxy statement have been presented in U.S. dollars.

**PROPOSALS NO. 1 AND 2:**

**RE-ELECTION AND RE-APPOINTMENT**

Under Article 95 of our Articles of Association, at each Annual General Meeting, at least one-third of the Directors, or, if their number is not a multiple of three, then the number nearest to but not less than one-third of the Directors, are required to retire from office. The Directors required to retire in each year are those who have been in office longest since their last re-election or appointment. As between persons who became or were last re-elected Directors on the same day, those required to retire are (unless they otherwise agree among themselves) determined by lot. Retiring Directors are eligible for re-election. Mr. Marks and Mr. Moritz are the members of the Board of Directors who will retire by rotation in the manner stated above. They are both eligible for re-election and have been nominated to stand for re-election at the 2004 Annual General Meeting.

Under Section 153(2) of the Companies Act, Cap. 50, the office of a director of a public company or of a subsidiary of a public company becomes vacant at the conclusion of the Annual General Meeting commencing next after such director attains the age of 70 years. However, under Section 153(6), a person of or over the age of 70 years may, by ordinary resolution be appointed or re-appointed as a director of that company to hold office until the next annual general meeting of the company or be authorized to continue in office as a director until the next annual general meeting of the company. Mr. Foley turned 72 in February 2004, and, under Singapore law, his office as a Director will become vacant at the conclusion of the 2004 Annual General Meeting. Mr. Foley was re-appointed as a director at the 2003 Annual General Meeting, pursuant to Section 153(6) of the Companies Act, Cap. 50. It is accordingly proposed that a resolution be passed at the 2004 Annual General Meeting, pursuant to Section 153(6) of the Companies Act, Cap. 50, to re-appoint Mr. Foley as a Director to hold office from the date of the 2004 Annual General Meeting until the 2005 Annual General Meeting.

The proxy holders intend to vote all proxies received by them in the accompanying form for the nominees for Directors listed below. In the event any nominee is unable or declines to serve as a Director at the time of the Annual General Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors, in accordance with Article 100 of our Articles of Association, to fill the vacancy. In the event that additional persons are nominated for election as Directors, in accordance with Article 100 of our Articles of Association, the proxy holders intend to vote all proxies received by them for the nominees listed below. As of the date of this proxy statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as a Director.

**Nominees to Board of Directors**

*Michael E. Marks* (age 53) Mr. Marks has served as our Chief Executive Officer since January 1994. He has served as a member of our Board of Directors since December 1991 and as Chairman of our Board from July 1993 to January 2003. Mr. Marks serves on the boards of KLA-Tencor Corporation and SanDisk Corporation. He received a B.A. and M.A. from Oberlin College and a M.B.A. from Harvard Business School.

*Michael J. Moritz* (age 49) Mr. Moritz has served as a member of our Board of Directors since July 1993. Since 1988, he has been a General Partner of Sequoia Capital, a venture capital firm. Mr. Moritz also serves as a director of Saba Software, Red Envelope, Inc. and several privately-held companies.

*Patrick Foley* (age 72) Mr. Foley has served as a member of our Board of Directors since October 1997. Mr. Foley served in various positions with DHL Corporation, Inc. and its major subsidiary, DHL Airways, Inc., a global document, package and airfreight delivery company from September 1988 to 2001, most recently as its Chairman, President and Chief Executive Officer. He also serves as a director of Health Net, Inc. and Glenborough Realty Trust, Inc.

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### **Directors Not Standing for Re-Election**

*Richard L. Sharp* (age 57) Mr. Sharp has served as a member of our Board of Directors since July 1993 and as Chairman of our Board since January 2003. Mr. Sharp served in various positions with Circuit City Stores, Inc., a consumer electronics and personal computer retailer, from 1982 to 2002, most recently, as President from 1984 to 1997, Chief Executive Officer from 1986 to 2000 and Chairman of the Board from 1994 to 2002.

*James A. Davidson* (age 44) Mr. Davidson has served as a member of our Board of Directors since March 2003. He is a founder and managing member of Silver Lake Partners, a private equity investment firm. From June 1990 to November 1998, he was an investment banker with Hambrecht & Quist, most recently serving as Managing Director and Head of Technology Investment Banking. From 1984 to 1990, Mr. Davidson was a corporate and securities lawyer with Pillsbury, Madison & Sutro. Currently, Mr. Davidson serves on the board of Seagate Technology. He received a B.S. from the University of Nebraska and J.D. from the University of Michigan.

*Lip-Bu Tan* (age 48) Mr. Tan has served as a member of our Board of Directors since March 2003. In 1987, he founded and since that time has served as Chairman of Walden International, a venture capital fund. Mr. Tan currently serves on the boards of Cadence Design Systems, Inc., Centillum Communications, Creative Technology, Integrated Silicon Solution, SINA Corporation and Semiconductor Manufacturing International Corporation. Mr. Tan received a M.S. in Nuclear Engineering from the Massachusetts Institute of Technology, a MBA from the University of San Francisco, and a B.S. from Nanyang University in Singapore.

**The Board recommends a vote FOR the re-election of**

**Mr. Marks and Mr. Moritz, and the re-appointment of  
Mr. Foley to the Board of Directors.**

### **Board and Committee Meetings**

Our Board of Directors held a total of 10 meetings during fiscal 2004, of which three were regularly scheduled meetings and seven were administrative meetings. During the period for which each current director was a director or a committee member, all directors attended at least 75% of the aggregate of the total number of regularly scheduled meetings of the Board together with the total number of meetings held by all committees of the Board on which he served. Only Mr. Marks and Mr. Moritz attended 75% of the aggregate of the total number of administrative meetings of the board.

The Board has determined that each of our directors is an independent director as defined by the rules of the NASDAQ Stock Market other than Mr. Marks, who serves as our chief executive officer.

The Board of Directors has an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Finance Committee.

*Audit Committee.* The audit committee currently composed of Mr. Foley, Mr. Moritz and Mr. Davidson, each of whom the Board has determined to be an independent director and meets the financial experience requirements under both the Securities and Exchange Commission rules and the NASDAQ Stock Market listing standards. The Board also determined that Mr. Davidson is an audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission and is financially sophisticated within the meaning of the rules of the NASDAQ Stock Market. The audit committee held six meetings in fiscal 2004. The audit committee's principal functions are to (1) monitor and evaluate periodic review of the adequacy of the accounting and financial reporting processes and systems of internal control that are conducted by our financial and senior management, and our independent auditors; (2) be directly responsible for the appointment, compensation and oversight of the work of our independent auditors (including resolution of any disagreements between our management and the auditors regarding financial reporting); and (3) facilitate communication among our independent auditors, our financial and senior management and our Board. Our Board has adopted an audit committee charter that is available on our website at <http://www.flextronics.com/Investors/CorporateGovernance.asp>.

*Compensation Committee.* The Compensation Committee is currently composed of Mr. Sharp and Mr. Moritz, each of whom our Board has determined to be an independent director under the NASDAQ Stock



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Market listing standards. The Compensation Committee recommends to our board compensation for our key employees and administers the employee share option plans. The Compensation Committee held six meetings in fiscal year 2004. Our Board has adopted a compensation committee charter that is available on our website at <http://www.flextronics.com/Investors/CorporateGovernance.asp>.

*Nominating and Corporate Governance Committee.* The nominating and corporate governance committee currently consists of Mr. Foley and Mr. Tan, each of whom our Board has determined to be an independent director under the NASDAQ Stock Market listing standards. The nominating and corporate governance committee held three meetings in fiscal year 2004. The nominating and corporate governance committee recruits, evaluates and recommends candidates for appointment or election as members of our Board and recommends corporate governance guidelines to the Board. Our Board has adopted a nominating and corporate governance committee charter that is available on our website at <http://www.flextronics.com/Investors/CorporateGovernance.asp>.

*Consideration of Director Nominees.* Our nominating and corporate governance committee generally recruits, evaluates and recommends nominees for our Board based upon recommendations by our directors, management and shareholders. The nominating and corporate governance committee will also consider recommendations submitted by our shareholders. To date, we have not received any such recommendations from our shareholders. Shareholders can recommend to our nominating and corporate governance committee qualified candidates for our Board by submitting recommendations to our corporate secretary at Flextronics International Ltd., 2090 Fortune Drive, San Jose, California 95131. Submissions that are received and meet the criteria outlined below will be forwarded to the nominating and corporate governance committee for review and consideration. Shareholder recommendations for our 2005 Annual Shareholder Meeting should be made at least three months prior to September 23, 2005 to ensure adequate time for meaningful consideration by the nominating and corporate governance committee.

The goal of the nominating and corporate governance committee is to ensure that our Board possesses a variety of perspectives and skills derived from high-quality business and professional experience. The nominating and corporate governance committee seeks to achieve a balance of knowledge, experience and capability on our Board, while maintaining a sense of collegiality and cooperation that is conducive to a productive working relationship within the Board and between the Board and management. To this end, the nominating and corporate governance committee seeks nominees with the highest professional and personal ethics and values, an understanding of our business and industry, diversity of business experience and expertise, a high level of education, broad-based business acumen, and the ability to think strategically. Although the nominating and corporate governance committee uses these and other criteria to evaluate potential nominees, we have no stated minimum criteria for nominees. The nominating and corporate governance committee does not use different standards to evaluate nominees depending on whether they are proposed by our directors and management or by our shareholders. To date, we have not paid a third party to assist us in finding nominees for our Board.

*Finance Committee.* The Finance Committee is currently composed of Mr. Marks and Mr. Moritz. The Finance Committee reviews and approves various financial matters that are not reserved for approval by our Board. The Finance Committee held 23 meetings in fiscal year 2004.

*Code of Business Conduct and Ethics.* We have adopted a Code of Business Conduct and Ethics that applies to all employees and directors. The code is available on our website at <http://www.flextronics.com/Investors/CorporateGovernance.asp>. Any amendment to or waiver of a provision of the code that applies to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions and relates to elements of the code specified in the rules of the Securities and Exchange Commission will be posted on our website.

## **Shareholder Communications with Our Board**

Our shareholders may communicate with our Board by submitting an email to [Board@flextronics.com](mailto:Board@flextronics.com). All emails received will be sent to the chairman of the board and the chief financial officer and/or vice president of finance. The vice president of finance will review all of the email correspondence and provide regular summaries to our Board. Our Board has adopted a policy that encourages each director to attend the Annual General Meeting of Shareholders, but attendance is not required.



**Table of Contents****Director Compensation**

Each individual who first becomes a non-employee Board member is granted a stock option to purchase 25,000 ordinary shares, pursuant to the automatic option grant provisions of our 2001 Equity Incentive Plan. After this initial grant, pursuant to the terms of the automatic option grant provisions of the 2001 Plan, on the date of each Annual General Meeting, each individual who is at that time serving as a non-employee director receives a stock option to purchase 12,500 ordinary shares. Pursuant to this program, in fiscal 2004, Mr. Foley, Mr. Goh, Mr. Moritz and Mr. Sharp each received a stock option to purchase 12,500 ordinary shares in fiscal year 2004. Also, under the terms of the discretionary option grant provisions of the 2001 Plan, non-employee directors are eligible to receive stock options granted at the discretion of the board. Pursuant to this program, in fiscal 2004, Mr. Foley, Mr. Goh, Mr. Moritz and Mr. Sharp each received stock options to purchase 10,000 ordinary shares in fiscal year 2004. The maximum number of ordinary shares that may be received by each non-employee director under this program is 100,000 ordinary shares per year.

Each non-employee director receives annual cash compensation of \$37,200 for services rendered as a director. In addition, each director receives \$700 for each quarterly meeting of the Board of Directors that he attends as well as reimbursement of reasonable out-of-pocket expenses incurred in connection with meetings of the Board of Directors. We are currently seeking approval by our shareholders to increase non-employee director compensation annually by \$10,000 for services rendered on one or more committees of the Board. No director who is our employee receives compensation for services rendered as a director.

**Compensation Committee Interlocks and Insider Participation**

The members of the Compensation Committee of our Board of Directors during fiscal year 2004 were Mr. Sharp and Mr. Moritz. None of our executive officers serve on our Compensation Committee. No interlocking relationships exist between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other company.

**PROPOSAL NO. 3:****APPOINTMENT OF INDEPENDENT AUDITORS AND****AUTHORIZATION OF BOARD TO FIX THEIR REMUNERATION**

The Board of Directors intends to engage Deloitte & Touche LLP as independent auditors to audit our accounts and records for the fiscal year ending March 31, 2005, and to perform other appropriate services. We expect that a representative from Deloitte & Touche LLP will be present at the 2004 Annual General Meeting. Such representative will have the opportunity to make a statement if he or she so desires and is expected to be available to respond to appropriate questions.

**Principal Accountant Fees and Services**

Set forth below are the fees paid for the services of Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates in fiscal 2004 and fiscal 2003 (in millions).

|                    | Fiscal 2004  | Fiscal 2003  |
|--------------------|--------------|--------------|
| Audit Fees         | \$4.5        | \$3.8        |
| Audit-Related Fees | 1.0          | 0.1          |
| Tax Fees           | 2.0          | 1.7          |
| All Other Fees     |              |              |
| <b>Total:</b>      | <b>\$7.5</b> | <b>\$5.6</b> |

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*Audit Fees* consist of fees billed for professional services rendered by our independent auditors for the audit of our annual financial statements included in our report on Form 10-K, the review of our quarterly financial statements included in our reports on Form 10-Q, the issuance of consents related to the preparation of registration statements, and other services that generally only the independent auditors reasonably can provide in connection with statutory and regulatory filings.

*Audit-Related Fees* consist of fees billed for assurance and related services by our auditors that are reasonably related to the performance of the audit or review of our financial statements and not included in

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Audit Fees. In fiscal year 2004, these fees related primarily to accounting consultation services and readiness services related to Section 404 of the Sarbanes-Oxley Act of 2002.

*Tax Fees* consist of fees billed for professional services rendered by our independent auditors for tax compliance, tax advise, tax consultation and tax planning services.

*All Other Fees* consist of billed for professional services rendered by our independent auditors for permissible no-audit services, if any. We did not incur fees under this category during fiscal 2004 and fiscal 2003.

## **Audit Committee Pre-Approval Policy**

The audit committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services. The independent auditors and management are required to periodically report to the audit committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The audit committee may also pre-approve particular services on a case-by-case basis.

The audit committee has determined that the provision of no-audit services under appropriate circumstances may be compatible with maintaining the independence of Deloitte & Touche LLP, and that all such services provided by Deloitte & Touche LLP to us in the past were compatible with maintaining such independence. The audit committee is sensitive to the concern that some non-audit services, and related fees, could impair independence and the committee believes it important that independence be maintained. However, the committee also recognizes that in some areas, services that are identified by the relevant regulations as tax fees or other fees are sufficiently related to the audit work performed by Deloitte & Touche LLP that it would be highly inefficient and unnecessarily expensive to use a separate firm to perform those non-audit services. The audit committee intends to evaluate each such circumstance on its own merits, and to approve the performance of non-audit services where it believes efficiency can be obtained without meaningfully compromising independence.

**The Board recommends a vote FOR the  
appointment of Deloitte & Touche LLP as independent  
auditors for fiscal year 2005 and authorization for the Board to fix their remuneration.**

## **PROPOSAL NO. 4:**

### **ORDINARY RESOLUTION TO APPROVE THE INCREASE IN THE NUMBER OF ORDINARY SHARES AUTHORIZED FOR ISSUANCE UNDER THE 1997 EMPLOYEE SHARE PURCHASE PLAN**

Our shareholders are being asked to approve an amendment to our 1997 Employee Share Purchase Plan, which was adopted by the Board of Directors and approved by the shareholders in 1997, and which we refer to as the Share Purchase Plan, to increase the number of our ordinary shares authorized for issuance under the Share Purchase Plan by 1,000,000 ordinary shares, from 4,400,000 ordinary shares to 5,400,000 ordinary shares.

As of June 30, 2004, there were 707,225 ordinary shares available for issuance under the Share Purchase Plan and if this Proposal No. 4 is approved, 1,707,225 ordinary shares will be available for issuance under the Share Purchase Plan. The Board believes the share increase is necessary for us to continue to have a sufficient reserve of ordinary shares available under the Share Purchase Plan to attract and retain the services of key employees and other qualified personnel essential to our long-term success and to effectively compete for qualified personnel in our markets.

## **Share Purchase Plan History**

Our Board adopted the Share Purchase Plan in September 1997 and our shareholders approved the adoption in October 1997. We have made it our practice to reserve enough shares to satisfy what we believe will be two years of purchases under the Share Purchase Plan and to see

annual approval from our shareholders of enough

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shares to maintain that level. Our shareholders approved increases to the number of shares reserved for issuance under the Share Purchase Plan in August 1999, September 2000, August 2002 and September 2003. The purpose of the Share Purchase Plan is to provide our employees and employees of our subsidiaries and parent (when designated by our Board as eligible to participate in the Share Purchase Plan) with a convenient means to acquire an equity interest in us through payroll deductions and to provide an incentive for continued employment. We intend that the Share Purchase Plan will qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended.

### **Ordinary Shares Subject to the Share Purchase Plan**

The ordinary shares subject to issuance under the Share Purchase Plan consist of our authorized but unissued ordinary shares. With approval of this amendment, a total of 5,400,000 ordinary shares will have been reserved for issuance by our Board under the Share Purchase Plan. This number of ordinary shares is subject to proportional adjustment to reflect stock splits, bonus issuances and other similar events (if any) in the future.

### **Administration**

The Share Purchase Plan will be administered by the Board of Directors or a committee of at least two members of the Board, which we refer to in this section as the Committee. The interpretation or construction by the Committee of any provisions of the Share Purchase Plan will be final and binding on all employees.

### **Eligibility**

All of our employees and those of any of our subsidiaries and parent (when designated by our Board) are eligible to participate in an Offering Period, as defined below, under the Share Purchase Plan, except (a) employees who are not employed by us or, as the case may be, by a subsidiary or parent, one month from the beginning of such Offering Period; (b) employees who are customarily employed for 20 hours or less per week; (c) employees who are customarily employed for five months or less in a calendar year; (d) employees who own shares or hold options to purchase shares or who, as a result of participation in the Share Purchase Plan, would own shares or hold options to purchase shares, possessing 5% or more of the total combined voting power or value of all classes of our shares or any of our subsidiaries and parent; and (e) individuals who provide services to us as independent contractors who are reclassified as common law employees for any purpose other than federal income and employment tax purposes.

As of June 30, 2004, approximately 8,100 persons were eligible to participate in the Share Purchase Plan and 3,692,775 shares had been issued pursuant to the Share Purchase Plan.

Employees participate in the Share Purchase Plan through payroll deductions. An employee sets the rate of such payroll deductions, which may not be less than 2% nor more than 10% of the employee's compensation, including base salary, commissions, bonuses and shift premiums before any deductions from the employee's salary pursuant to Sections 125 or 401(k) of the Internal Revenue Code. No employee is permitted to purchase shares under the Share Purchase Plan at a rate which, when aggregated with such employee's rights to purchase stock under all of our similar purchase plans, exceeds \$25,000 in fair market value determined as of the Offering Date for each calendar year. We do not maintain any other similar purchase plan, nor do any of our subsidiaries.

### **Transferability**

In general, rights under the Share Purchase Plan may not be transferred in any manner other than by will or by the laws of descent and distribution.

### **Offering Periods**

Each offering of ordinary shares under the Share Purchase Plan is for a period of six months, which we refer to as an Offering Period. Offering Periods commence on December 1 and June 1 of each year and end on May 31 and November 30 of the next calendar year, respectively. Each Offering Period consists of one six-month Purchase Period during which payroll deductions of the employees are accumulated under the Share Purchase Plan. The Board of Directors has the power to set the beginning of any Offering Period and to change the date or the duration of Offering Periods or Purchase Periods without shareholder approval, including adopting 24-month Offering Periods consisting of four six-month Purchase Periods, if such change is announced



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at least 15 days before the scheduled beginning of the first Offering Period to be affected. The first day of each Offering Period is the Offering Date for such Offering Period and the last business day of each Purchase Period is the Purchase Date for such Purchase Period.

Employees will participate in the Share Purchase Plan during each Offering Period through regular payroll deductions as described above. Employees may elect to participate in any Offering Period by enrolling as provided under the terms of the Share Purchase Plan. Once enrolled, an employee will automatically participate in each succeeding Offering Period unless the employee withdraws from the Offering Period or the Share Purchase Plan is terminated. After the rate of payroll deductions for an Offering Period has been set by an employee, that rate will continue to be effective for the remainder of the Offering Period (and for all subsequent Offering Periods in which the employee is automatically enrolled) unless otherwise changed by the employee. The employee may increase or lower the rate of payroll deductions for any subsequent Offering Period, but may only lower the rate of payroll deductions for an ongoing Offering Period. No more than one change may be made during a single Offering Period.

### **Purchase Price**

The purchase price of ordinary shares that may be acquired in any Purchase Period under the Share Purchase Plan is 85% of the lesser of: (a) the fair market value of the ordinary shares on the Offering Date; or (b) the fair market value of the ordinary shares on the Purchase Date. In no event may the purchase price be less than the par value of the ordinary shares. The fair market value of our ordinary shares is deemed to be the closing price of our ordinary shares on the NASDAQ National Market on the date of determination as reported in The Wall Street Journal. As of June 30, 2004, the closing price of our ordinary shares on the NASDAQ Stock Market was \$15.95 per share.

### **Purchase of Shares Under the Share Purchase Plan**

The number of whole shares an employee may purchase in any Purchase Period will be determined by dividing the total payroll amount withheld from the employee during the Purchase Period pursuant to the Share Purchase Plan by the purchase price for each share determined as described above, rounded down to the nearest whole number. The purchase will take place automatically on the Purchase Date of such Purchase Period.

### **Withdrawal**

An employee may withdraw from any Offering Period. Upon withdrawal, the accumulated payroll deductions will be returned to the withdrawn employee, without interest, provided that the withdrawal occurs at least 15 days before the related Purchase Date. If the withdrawal occurs less than 15 days before such Purchase Date, payroll deductions will continue for the remainder of that Purchase Period. No further payroll deductions for the purpose of shares will be made for the succeeding Offering Period unless the employee enrolls in the new Offering Period at least 15 days before the Offering Date.

### **Amendment and Termination of the Share Purchase Plan**

The Board of Directors may at any time amend, terminate or extend the term of the Share Purchase Plan, except that any such termination cannot affect the terms of subscription rights previously granted under the Share Purchase Plan, nor may any amendment make any change to the terms of subscription rights previously granted which would adversely affect the right of any participant, nor may any amendment be made without shareholder approval if such amendment would:

increase the number of shares that may be issued under the Share Purchase Plan; or

change the designation of the employees, or class of employees, eligible for participation in the Share Purchase Plan.

### **Term of the Share Purchase Plan**

The Share Purchase Plan will continue until the earlier to occur of: (a) termination of the Share Purchase Plan by the Board of Directors; (b) the issuance of all the ordinary shares reserved for issuance under the Share

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Purchase Plan; or (c) September 2007, ten years after the date the Share Purchase Plan was adopted by the Board of Directors.

### **U.S. Federal Income Tax Information**

**The following is a general summary as of the date of this proxy statement of the United States federal income tax consequences to us and those of our employees in the United States who participate in the share purchase plan. Federal tax laws may change and the federal, state and local tax consequences for any participating employee will depend upon his or her individual circumstances. Each participating employee has been and is encouraged to seek the advice of a qualified tax adviser regarding the tax consequences of participation in the share purchase plan. The following discussion does not purport to describe state or local income tax consequences in the United States, nor tax consequences for participants in other countries.**

The Share Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code.

*Tax Treatment for Employees.* Employees will not recognize income for federal income tax purposes either upon enrollment in the Share Purchase Plan or upon the purchase of shares. All tax consequences are deferred until an employee sells the shares, disposes of the shares by gift or dies. Payroll deductions, however, remain fully-taxable as ordinary income at the time the deduction is taken, and there is no deferral of the ordinary income assessed on these amounts.

If ordinary shares are held for more than one year after the date of purchase and more than two years from the beginning of the applicable Offering Period, or if the employee dies while owning the shares, the employee realizes ordinary income on a sale, or a disposition by way of gift or upon death, to the extent of the lesser of: (a) the excess of the fair market value of the shares at the beginning of the Offering Period over the option price; or (b) the actual gain, the amount by which the fair market value of the ordinary shares on the date of sale, gift or death exceeds the purchase price. All additional gain upon the sale of shares is treated as capital gain. If the shares are sold and the sale price is less than the purchase price, there is no ordinary income and the employee has a capital loss for the difference between the sale price and the purchase price.

If the ordinary shares are sold or are otherwise disposed of including by way of gift, but not death, bequest or inheritance (in any case, a disqualifying disposition), within either the one-year or the two-year holding periods described above, the employee realizes ordinary income at the time of sale or other disposition to the extent that the fair market value of the ordinary shares at the date of purchase is greater than the purchase price. This excess will constitute ordinary income, not currently subject to withholding, in the year of the sale or other disposition even if no gain is realized on the sale or if a gratuitous transfer is made. The difference, if any, between the proceeds of sale and the aggregate fair market value of the ordinary shares at the date of purchase is a capital gain or loss. Capital gains may be offset by capital losses, and up to \$3,000 of capital losses may be used annually against ordinary income.

*Tax Treatment for Flextronics.* We will be entitled to a deduction from our income that is taxed by the United States in connection with the disposition of shares acquired under the Share Purchase Plan only to the extent that the employee recognizes ordinary income on a disqualifying disposition of the shares. We will treat any transfer of record ownership of shares as a disposition, unless we are notified to the contrary. In order to enable us to learn of disqualifying dispositions and ascertain the amount of the deductions to which it is entitled, employees will be required to notify us in writing of the date and terms of any disposition of shares purchased under the Share Purchase Plan.

*ERISA.* The Share Purchase Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974 nor is it qualified under Section 401(a) of the Internal Revenue Code.

### **History of Share Purchases Under the 1997 Plan**

Our chief executive officer and four other most highly compensated executive officers who were serving as executive officers as of March 31, 2004, our current executive officers as a group, our current non-employee directors as a group and our current employees (excluding executive officers and directors) as a group exercised



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purchase rights to purchase shares under the 1997 Plan, over the life of the plan, through June 30, 2004, as follows:

| Name and Position                                                         | Number of Securities<br>Purchased |
|---------------------------------------------------------------------------|-----------------------------------|
| Michael E. Marks<br>Chief Executive Officer                               | 5,722                             |
| Michael McNamara<br>Chief Operating Officer                               | 10,126                            |
| Ronny Nilsson<br>President, Flextronics Network Services                  |                                   |
| Robert R.B. Dykes<br>President, Systems Group and Chief Financial Officer | 12,626                            |
| Ash Bhardwaj<br>President, Design Services and ODM Products Group         | &nb                               |