INDOTRONIX INTERNATIONAL CORPORATION

2012 IIC Environmental Performance Annual Report
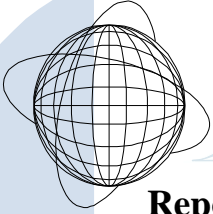
Prepared by
Indotronix International Corporation
331 Main St.
Poughkeepsie, NY 12601

5/3/2013

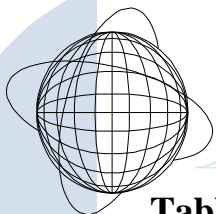**BSI** ™

Excellence in IT Solutions

Report Approval

The 2012 IIC Environmental Performance Report has been reviewed and approved for distribution by the IIC Green Committee on 5/3/2013.

Table of Contents

Excellence in IT Solutions

Introduction

This report describes the performance of Indotronix International Corporation (IIC) with respect to the key environmental parameters defined in the IIC Environmental Management System (EMS) manual, including raw data as well as year-on-year trends, for the 2012 calendar year. For each parameter, discussion focuses on performance against established objectives, factors impacting performance, and opportunities for further performance improvement. This report also includes a listing of all of the initiatives undertaken in the 2012 calendar year to improve the sustainability of IIC's operations. It also summarizes IIC's performance with respect to the overall environmental impact of the company's operations for the 2012 calendar year. Where applicable, this report identifies the regulatory actions affecting the company in 2012, as well as the corrective action taken to address them. Finally, this report includes a plan for ensuring continual performance improvement for the 2013 calendar year.

Excellence in IT Solutions

2012 EMS Initiatives

Date(s)	Category	Description	Anticipated Impact
January	Gas/Electricity Conservation	Consolidated 2nd floor personnel to 1st floor and reduced thermostat to 60ºF	Measurable decrease in electricity and gas consumption
January	Electricity Conservation	Fluorescent bulbs were removed from alternate light fixtures in the 2nd and 3rd floor hallways	Reduce electricity consumption in unutilized building space
June	Gas Conservation	Turned off boilers (restarted in late September)	Eliminate gas consumption when boilers are not required
June	Electricity Conservation	Rooftop A/C units reprogrammed (higher temps on nights and weekends). New average building temperature = 82ºF {See file <New A-C Regime Settings (Effective 6-21-2012).xls> for details}	Reduce electricity consumption in summer months
July	Waste Management	Recycled damaged fencing (380 lbs.)	Material diverted from waste stream
November	Gas Conservation	Programmed building thermostats to reduce heating demand (lower temps on nights and weekends). New average building temperature = 58ºF	Reduce gas consumption during winter months
November	Gas and Electricity Conservation	Sealed and insulated doors on rooftop elevator towers	Reduce heat loss from this area in the winter and heat entry during the summer
December	Waste Management	Recycled 5289 lbs. scrap material	Material diverted from waste stream

Excellence in IT Solutions
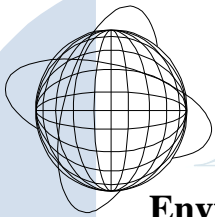
Environmental Performance Parameters

Natural Gas Consumption

Raw Data

Year	2012	2011	2010	2009	2008
Total Natural Gas Consumption (CCF)	18749	24736	26059	25067	25649
Total HDD	7139	7723	7927	8495	8307
Normalized Natural Gas Consumption (CCF/HDD)	2.63	3.20	3.29	2.95	3.09

Trends
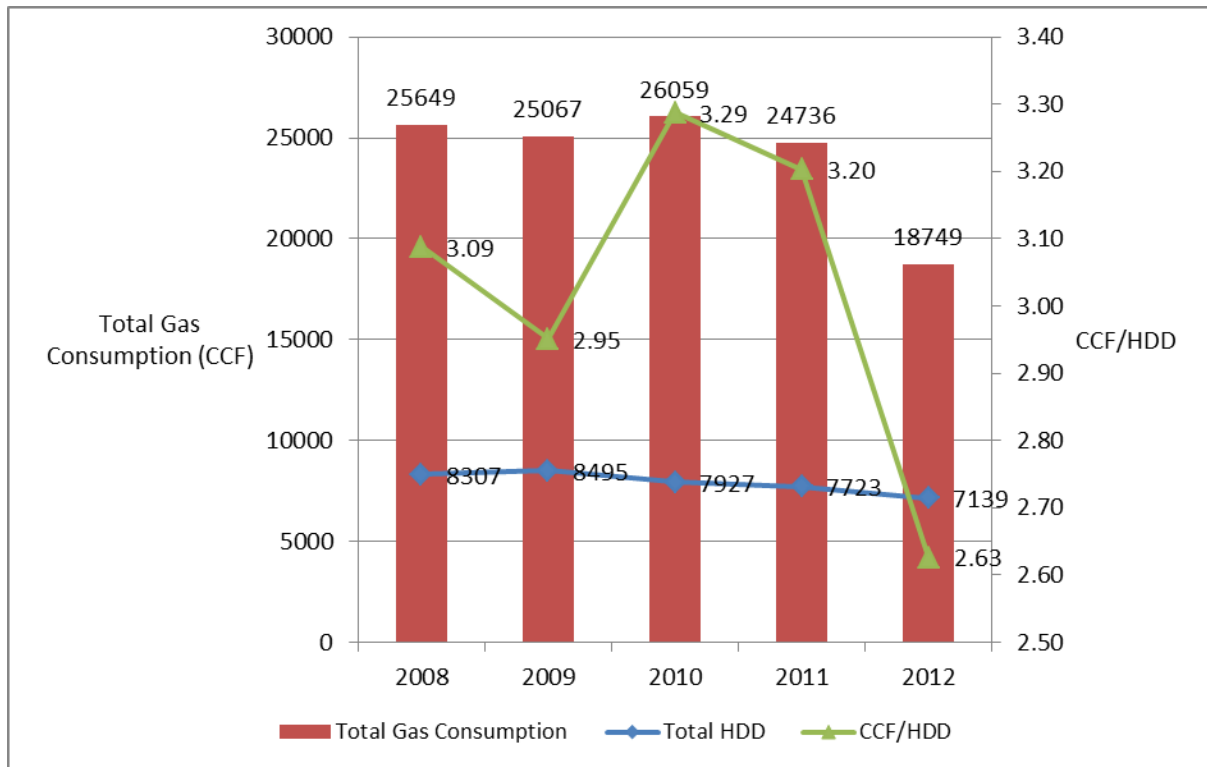
Discussion

Natural gas consumption in 2012 was 24% lower than in 2011. This decrease can be attributed to the weather conditions in 2012 (unusually mild January through March) which resulted in a 7.5% decrease in the number of heating degree days for the year as well as an initiative to reduce heating demand on nights and weekends by reprogramming building thermostats (although this initiative was only effective for the last two months of the year). It is expected that the change to the building heating regime will continue to yield significant saving in terms of gas consumption in ensuing years, although additional opportunities to heat the building more efficiently will continue to be explored.
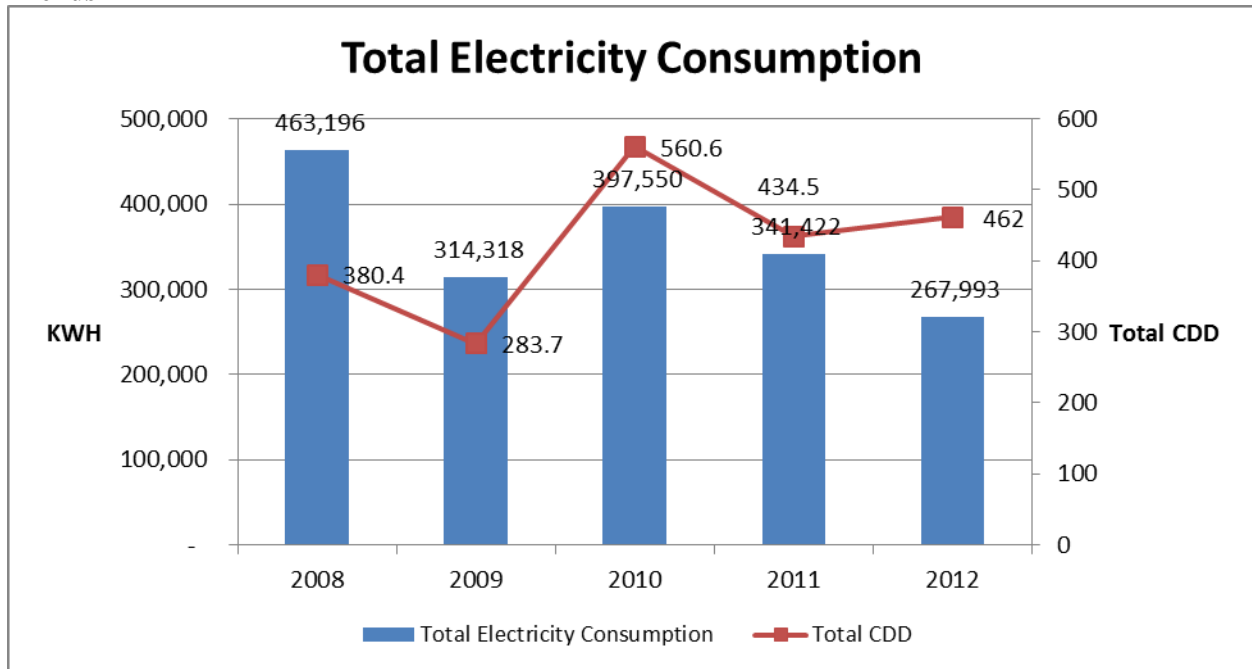
Excellence in IT Solutions
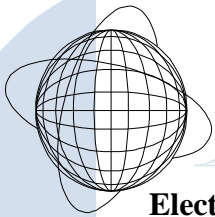
2012 IIC Environmental Performance Annual Report

Electricity Consumption

Raw Data

Year	2012	2011	2010	2009	2008
Electricity Consumption (KWH)	267,993	341,422	397,550	314,318	463,196
Total CDD	462	435	561	284	380

Trends

Total Electricity Consumption

Discussion

Electricity consumption in 2012 was 22% lower than in 2011, despite the fact that the number of cooling degree days actually increased year on year by 6%. This is a clear indication that initiatives to decrease electricity consumption have been very effective. While the initiative to reprogram the A/C units to reduce cooling during night and weekend hours has proved to be effective, there has also been a decrease in baseline electricity usage (i.e., when the building is not being cooled) demonstrating that other initiatives (e.g., space consolidation efforts, server switchouts/reductions) have also played a significant role in the observed reduction in electricity usage. As baseline electricity usage decreases, the overall variability in electricity usage is expected to increase as the usage (and variability) associated with cooling becomes a greater percentage of overall electricity usage.
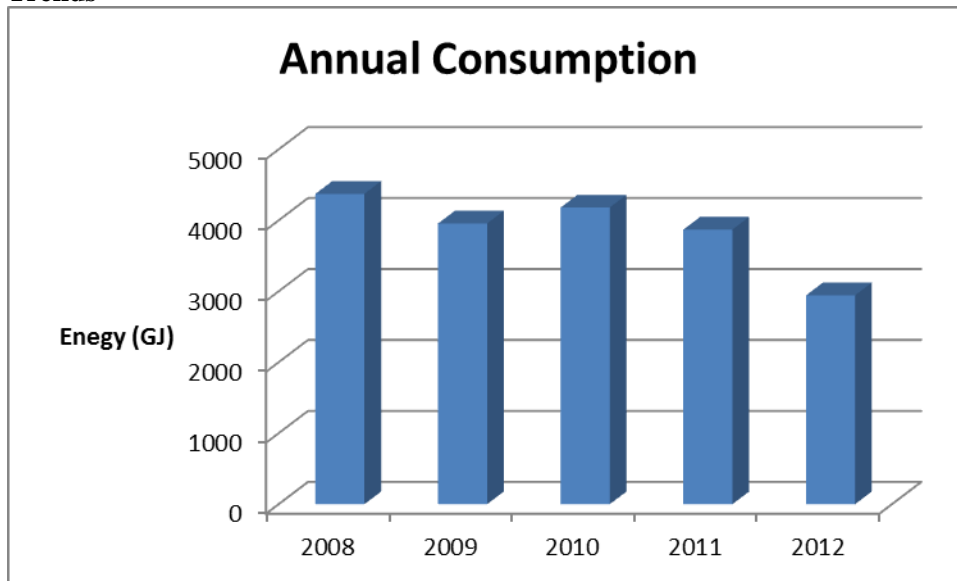
Excellence in IT Solutions
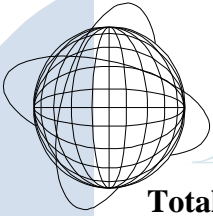
Total Energy Consumption

Raw Data

Year	2012	2011	2010	2009	2008
Total Energy Consumption (GJ)	2942.8	3869.2	4180.4	3955.5	4373.5

Trends

Discussion

Since one of the objectives determined at the time the EMS was initiated was to reduce overall energy consumption by 10% from 2009 levels, the EMS management team determined that a metric for overall annual energy consumption needed to be defined, calculated, and reported. The required metric is calculated from measured values for electricity consumption and natural gas consumption converted to common units of gigajoules (GJ). The existing electricity and gas data was used to calculate this metric retroactively for the past five years. 2012 saw a reduction in overall energy use of 24% from prior year levels (Note: In 2012, natural gas accounted for approximately 2/3 of overall energy consumption and electricity accounted for approximately 1/3). While there was an 8% decrease in heating degree days during 2012, this was mostly offset by a 6% increase in cooling degree days. As a result, it is fair to conclude that most of the decrease in energy consumption was due to the initiatives undertaken during the year to better manage energy use.
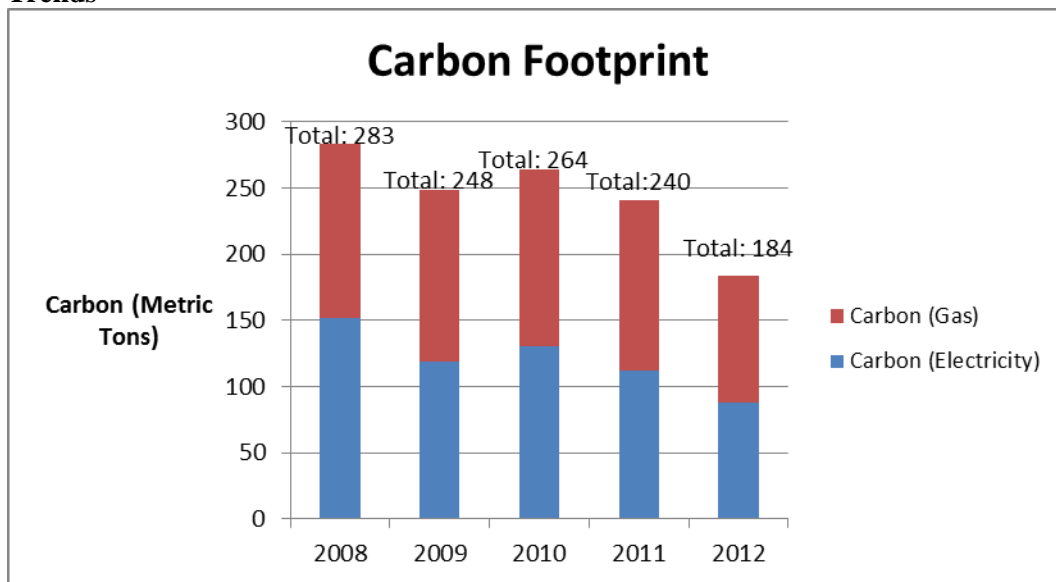
Excellence in IT Solutions
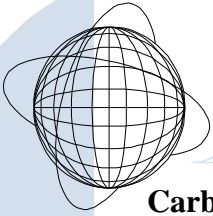
Carbon Footprint

Raw Data

Year	2012	2011	2010	2009	2008
Total Carbon (metric tons)	184	240	264	248	283
Carbon (Electricity)	88	112	130	119	151
Carbon (Gas)	96	129	134	129	132

Trends

Discussion

Since IIC's carbon footprint is determined solely by the company's consumption of gas and electricity (see the IIC EMS manual for further discussion of IIC's carbon footprint measurement protocols and plans), the trend in this parameter tracks the trend in energy consumption (although the contribution to carbon footprint of natural gas and electricity was approximately 50/50 respectively (as opposed to 67/33 for total energy consumption) for 2012). 2012 saw a reduction in greenhouse gas emissions of 23% from prior year levels. As with greenhouse gas emissions, the net effect of the weather on greenhouse gas emissions was slightly positive (i.e, slightly reduced output) with most of the recorded decrease being fairly attributed to the initiatives undertaken during the year to better manage overall energy use.
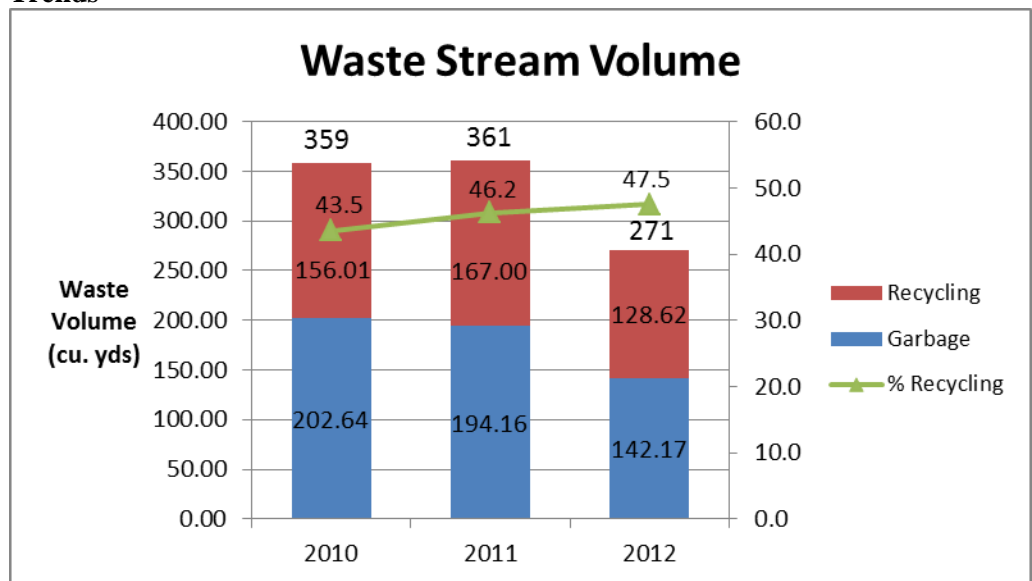
Excellence in IT Solutions

2012 IIC Environmental Performance Annual Report

Waste Management (Excluding IT)

Raw Data

Year	2012	2011	2010
Total Waste (cu. yds)	271	355	359
% Recycling	47.5	46.7	43.5

Trends

Discussion

In 2012, IIC reduced our overall waste stream by 25%, but only increased the amount of waste diverted from the waste stream to recycling by a nominal 1%. The reason for the large reduction in the overall waste stream is unknown, but is likely due to a reduction in headcount at our corporate headquarters facility. Additional effort should be applied to further reductions in the overall waste stream and, especially, to diverting a greater percentage to recycling. In addition, the waste stream data collected should be expanded to include IT waste and ChocoVision waste to better reflect IIC's true contribution to the waste stream (see 2013 Initiatives below).
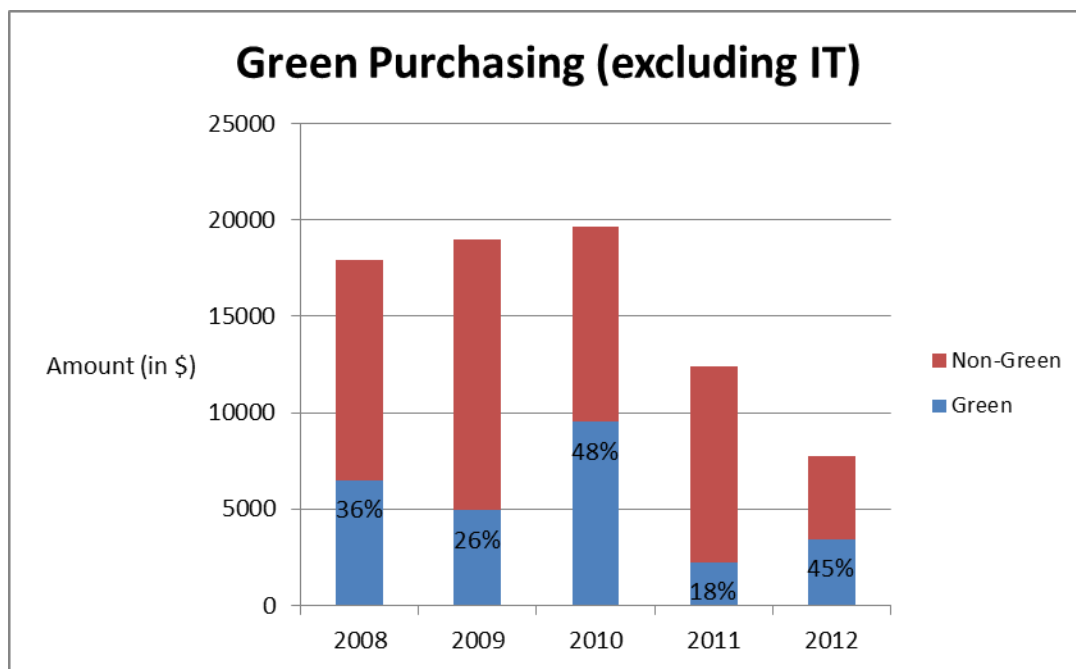
Excellence in IT Solutions

Sustainable Purchasing (Excluding IT)

Raw Data

Annual Purchasing	2012	2011	2010	2009	2008
Total	7743	12381	19661	19009	17934
Green	3449	2238	9516	4943	6480
% Green	45	18	48	26	36

Trends

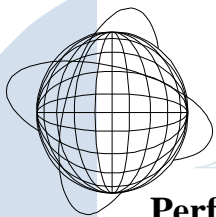**Discussion**

From 2011 to 2012 the amount of purchasing characterized as "green" (in accordance with the criteria identified in the IIC EMS manual) rose from 18% to 45%. However, due to the issues identified with IIC's current approach to measuring "green" purchasing, it is difficult to assess the true relevance of this data.

After further review, it has been decided that measuring overall purchasing sustainability by looking at percent spend on purchases deemed "green" is not effective. This is partially because overall spending (and therefore "green" spending) is highly volatile and partially because a binary approach to deciding whether a purchase qualifies as "green" (based on criteria that are to some degree subjective) does not fully capture the complexities of IIC's approach to sustainable purchasing decisions. In the future, beginning with the 2013 calendar year, IIC will shift to a qualitative approach to reporting on sustainable purchasing practices (see 2013 Initiatives below for more detail). Adopting a qualitative approach is further supported by the inherent difficulty in establishing meaningful quantitative objectives related to "green" purchasing, as reflected in the fact that IIC has never set any objectives specifically related to this parameter under the current reporting scheme.

Excellence in IT Solutions

Performance Summary and Discussion

2012 Goals
Note: Since the initial goals established for baseline performance reductions by December 2013 have already been far exceeded, this goals will no longer be referenced in the performance summary and discussion.

The environmental performance goals for 2012, as set in the 2011 annual report included:

- Natural Gas Consumption: No goal set
- Electricity Consumption: Reduce consumption by 5% from 2011 levels
- Waste Stream: Reduce traditional waste stream by 5% from 2011 levels (through reducing the overall waste stream and/or increasing the amount diverted through recycling or reuse)
- Green Purchasing: No overall goal set; opportunities will be explored for specific initiatives

Actual performance in 2012 far exceeded these goals:

- Natural gas consumption decreased by 24%
- Electricity consumption decreased by 22%
- Total waste stream decreased by 25%
- Green purchasing nominally increased by 33%, but methodology issues remain to be addressed

As a result of the decrease in natural gas and electricity consumption, total energy consumption and carbon emissions decreased 24% and 23%, respectively. Although the total waste stream decreased, there was no significant change in the percentage being diverted from landfills. This is an area for further attention in 2013 (see below).

While some of the observed reductions likely resulted from a decrease in headcount at IIC's corporate headquarters building and weather conditions were mixed (but mostly favorable), it also seems highly likely that the initiatives enacted in 2012, especially changes to the buildings heating and cooling regimes played a significant role as well.

Review of the 2012 does suggests the following areas of focus for 2013:

- Placing additional focus on increasing the amount of waste that is diverted from landfills via recycling (or reuse).
- Modification of the reporting and analysis of green purchasing from a quantitative to a qualitative reporting model.

Regulatory Fines/Penalties

IIC did not receive any regulatory fines or other penalties related to environmental performance in 2012.

Corrective Action

None required.

Excellence in IT Solutions
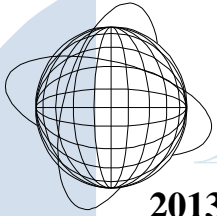
2013 Planning/Forecast

For the 2013 calendar year, IIC will plan to focus its EMS-related efforts on identifying and implementing additional initiatives to meet the objectives captured below. Potential initiatives to achieve these goals have also been captured below.

2013 Objectives

IIC's green committee has identified the following green objectives for 2013:

- Natural Gas Consumption: Reduce consumption by 5% (weather adjusted) from 2012 levels
- Electricity Consumption: Reduce consumption by 5% from 2012 levels
- Waste Stream: Reduce traditional waste stream by 5% from 2012 levels (through reducing the overall waste stream and, especially by increasing the amount diverted through recycling or reuse)
- Green Purchasing: Define and implement a plan to document the green purchasing parameters used to make purchasing decisions for both recurring and one-time purchases

2013 Initiatives
IIC's green committee has identified the following potential green initiatives for implementation in 2013:

- Cooling/heating unit replacement
- 1st Floor carpet replacement (green option)
- LED emergency light bulb switchout pilot
- Document green purchasing approach and implementation, including for IT purchases
- Include IT in waste stream reporting (even if stored for future disposal)

Excellence in IT Solutions