Making Better Business

2013 SUSTAINABILITY REPORT

Ping Zhou


Cell2
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Cell4

DISCLOSURES

The information in this report may contain forward-looking statements. Such statements reflect management's current expectations. Although management believes such statements to be reasonable, no assurance can be given that such expectations will prove correct. Such statements are subject to risks and uncertainties and such future events could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic, market or competitive conditions, success of business and operating initiatives, changes in the regulatory environment and other governmental actions and business risk management. Any forward-looking statement made in this report relates only to events as of the date on which the statement is made. We undertake no obligation to update any forward-looking statements to reflect new information, except as required by law.

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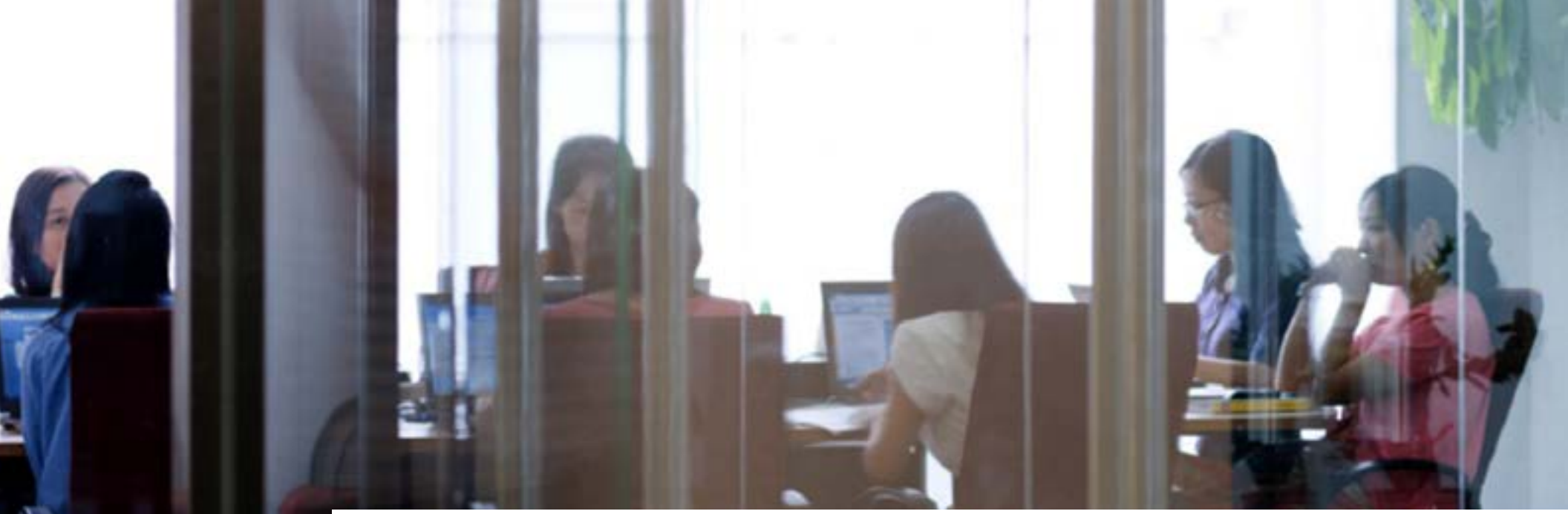


WELCOME

At PCH, we are Making Better Business. What does that mean? It means we are in business for the long haul. It means that when we see something can be done better, we don't see boundaries. It doesn't mean we are perfect, but it does mean we are guided by doing things better. No detail is too small.

As a company that designs custom manufacturing solutions for electronics products, we have a "make it happen" culture and work in close collaboration with our partners to turn ideas into reality. Sustainability at PCH follows the same approach. We are driven to create products with the most sustainable processes in mind, from employee-driven programs to recyclable packaging. We also believe that true sustainability delivers not only a social, environmental and economic return - but is financially viable as well.

To integrate sustainability into everything we do, we ask ourselves key questions. How does PCH support the development of our communities? How can we address the challenges of condensed production schedules that require a short increased production capacity? Most importantly, how do we develop manufacturing to ensure sustainable processes and practices that address the changing needs of our industry and workers?

Making Better Business starts with asking the right questions. We've been asking, and answering, these questions for a while now. We're sharing what we've learned so that others can ask questions and make changes too. This report – our first comprehensive sustainability report – pushes us even further to continue to track our progress in our Chinese operations, and improve our efforts across the board.

Message from

LIAM CASEY

Founder and Chief Executive Officer

Dear readers, PCH employees, customers, suppliers, investors, partners, and interested parties everywhere.

Since I started PCH in 1996, I've been committed to sustainability and Making Better Business. This 2013 Sustainability Report represents that commitment. It's a transparent account of our sustainability ethos, impacts, challenges and goals. It's a starting point from which we can measure progress.

At PCH, we're in the business of customer service: we help our customers make and get their products to market in a timely, efficient manner. To get the best results, we constantly balance the needs of our customers with those of our suppliers. In maintaining this balance, we face many sustainability challenges, notably those related to production ramp cycles, reliance on temporary dispatch workers, and the short-term nature of product lifecycles. While our own direct operations are not energy intensive, one of our main challenges is monitoring and optimizing manufacturing processes to improve the efficiency of our suppliers. PCH is unique in that we manage almost every step of the supply chain, which brings a distinct opportunity and responsibility to address these challenges the best way we can.

For us, integrating sustainable practices across the organization is a core PCH business strategy, and aligns with our entrepreneurial "make it happen" culture. When we see an opportunity to do something better, we don't see boundaries.

Instead, we enable everyone in our organization to address challenges and pursue opportunities in their respective areas.

Our strategy takes a pilot project approach. We identify the areas with the most pressing need for improvement or change, and based on data and insights, we target the issues identified. We then measure our success before rolling the initiative out across the organization and amongst our supplier partners. This ensures that the solutions we invest in are socially, environmentally and fiscally responsible. At nearly one billion dollars in revenue, PCH has hit a major milestone in our history; we see a clear financial link between profit and sustainability, so a key part of our approach is tracking the return on investment of our sustainability practices.

Consumers show increased interest in the factories used to make their products, and clients are more aware than ever that the majority of the energy used in their supply chain is in upstream manufacturing facilities. These broader trends affect our own sustainability priorities. Partnerships and collaboration are essential to attain our collective sustainability goals. Our partnerships include Sustainable Packaging Initiative, United Nations Global Compact, Electronic Industry Citizenship Coalition, and participation in the IDH Sustainable Trade Initiative.

To maximize progress, we've undertaken some key initiatives since 2012:

- In August 2012, we piloted a hotline in our own factory facilities with China based NGO Little Bird; by the end of 2013, the hotline was also operating in five supplier factories.
- Since its launch, the hotline has logged 11,829 correspondences across our network and is helping us understand what is important to our workforce. During this period, we have experienced an increase in employee length of service. In 2013, over half of our factory workforce (51%) have worked with us for over a year compared to just 15% in 2012.
- Our partnerships with Little Bird and MicroBenefits (a training and education partner) have both a social and financial benefit; the return on our investment in these partnerships has been 5:1 and has resulted in a $1.38M saving associated with reduced labor turnover.
- On the energy front, our initial energy monitoring and improvement projects in factories have been successful, and we've seen significant energy and financial savings at some factory sites.

However, we've also encountered obstacles along the way. To address core sustainability issues, we need to gather better data. We have less actionable data on environmental sustainability than we do on our workforce, particularly relating to upstream supplier energy use. We also need to ensure we develop our suppliers, not just manage them. We must maintain a flexible supply base while proving our commitment to our suppliers, engaging with them to build on their capacities. To date, we've focused our sustainability efforts on our Chinese operations, but to have the most significant impact, we need to look at all areas of our business.

Our next step in 2014 and beyond is to expand our initiatives and then scale them across the entire supply chain. Since one of our greatest sustainability opportunities is influencing companies at the beginning of their product design phase, we will be working with our customers to reduce packaging, hazardous materials and chemicals in their products, as well as implementing smart, just-in-time manufacturing that reduces inventory, and potential waste.

When we committed to issuing this report, our key focus was to find ways to gather purposeful data to measure year-over-year progress. This report is our benchmark. We're not perfect. We have a lot to learn. But we have made a commitment to improve areas we control and to try to empower our customers and suppliers by making recommendations and adopting best practices in our own operations.

I want to thank the PCH community who are helping us Make Better Business. Thank you for taking the time to read our 2013 Sustainability Report. I welcome your suggestions and feedback. Please contact us at sustainability@pchintl.com ”

- Liam Casey

Founder and CEO

ABOUT PCH

ABOUT PCH

We Make.

PCH creates, develops and delivers the world's best products for the world's best brands. We provide product development and supply chain services, specifically the development, manufacturing, packaging and distribution of electronic goods and their accessories. We are proud to be responsible for some of the most successful consumer electronics accessories launches. We turn ideas into physical consumer products, while optimizing quality, cost, and time-to-market for our clients. Our clients are located all over the world, from the technology giants of Silicon Valley to startup companies looking to bring their ideas to the world.

Xiaolin Wang

What We Do

We turn product ideas into product realities for both seasoned global brand leaders as well as ambitious startups in need of supply chain support.

Our services span all stages of the consumer product development and supply chain, from concept to delivery, and all critical steps in between. We offer our clients a diverse range of services to best fulfill their needs. We combine our end-to-end services with a unique understanding of China to deliver peace of mind to our clients.

PCH services in China include:

Manufacturing Services

- creative (packaging and graphics)
- engineering (design for manufacture, electrical, and mechanical design)
- tooling and quality testing
- manufacturing (factory selection, quality control, manufacturing processes)
- compliance management

Postponement Services

- fulfilling orders
- creative
- retail packaging
- configuring to order
- building

Fulfillment Services

- delivery - direct to store/consumer
- order management
- forward logistics

Packaging Design

- ideation/creation
- design and development of packaging solutions that resonate with our client's values and maximizes brand engagement

Engineering Product Development (in partnership with PCH Lime Lab)

- technical research and development
- materials technology
- design for manufacture
- regulatory and compliance management
- tool design
- process development
- prototyping and testing

PCH in 2013

ESTIMATE ANNUAL
GROSS MERCHANDISE VALUE
$8BN

SERVICES AND
PRODUCTS
$919M

(see Workforce)

821,063,892
UNITS SOLD

SQUARE FEET OF
OPERATIONS:
1.2M
SQUARE FEET

SUPPLIER
NETWORK OF OVER
1,000
FACTORIES

(see Our Supplier Network)

TRANSACTIONS WITH
149 factories
2013

40M
BUSINESS TO BUSINESS
SHIPMENT TRANSACTIONS

1.4M
BUSINESS-TO-CONSUMER
SHIPMENTS

1 All monetary amounts expressed in this report are in United States Dollars.
Where a currency conversion was calculated from Chinese RMB, a rate of 1RMB=$0.16 USD was applied (rate of 31 December 2013)

Where We Operate

PCH International[2] is a private company founded in 1996, and has group headquarters located in Cork, Ireland.

PCH has a presence in nine countries: Australia, China, Hong Kong, Ireland, Japan, South Korea, South Africa, Taiwan, and the United States.

The total PCH global workforce as of December 2013 was 2,683.

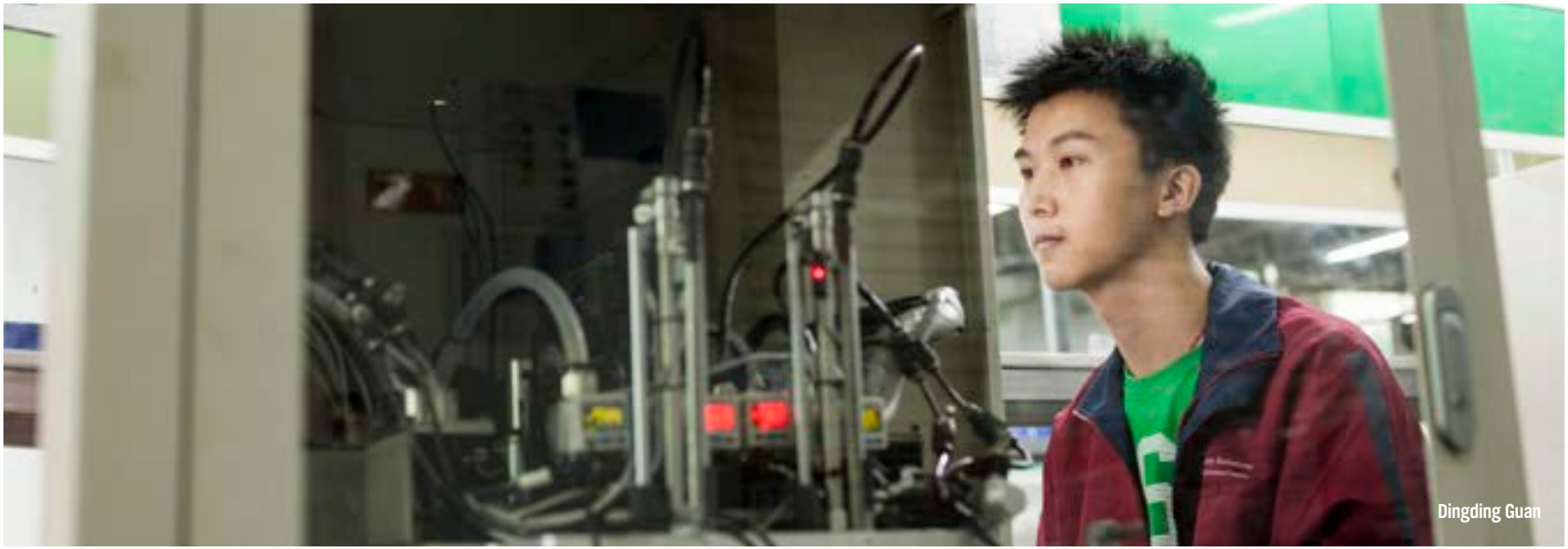
2 Refers to the PCH International global group of companies and is referred to as 'PCH'

PCH is an ecosystem of product making divisions.

Key Senior Management are based in Ireland and make strategic decisions in relation to the management of our cash and resources and the future strategic direction of the company. Members of our Finance, Information Technology, Client Services, Human Resources ('HR'), Sales, Legal, Incubator and e-commerce teams are based in Ireland.

PCH Lime Lab (a product design and engineering firm), Highway1 (a hardware incubator), and PCH Accelerator[3] (which reduces barriers to market entry for hardware startup companies) primary programs are run in San Francisco, California. PCH's significant manufacturing, packing, and fulfillment operations, China Turnkey Solutions ('CTS')[4], are based in the Futian Free Trade Zone in Shenzhen[5], Southern China, with retail distribution channels through our subsidiary, TNS Distribution based in Dublin, Ireland. There were no significant changes to operations in PCH China in 2013.

Our facilities in Shenzhen in the Guangdong province of Southern China include an operations office (PCH Shenzhen), a facility in Gongming (PCHD), and our two CTS operational facilities in the Futian Free Trade Zone in Shenzhen (CTS 1 and CTS 2). We also have a corporate office in Hong Kong, which is included in our consolidation of PCH China. CTS 1, CTS 2, and PCHD are three factory facilities where packing, kitting, and warehouse operations are carried out.


Dingding Guan

3 Renamed PCH Access in June 2014 and is referred to as PCH Access in this report

4 CTS consists of two separate buildings, CTS 1 and CTS 2. CTS 2 opened in August 2012 due to the expansion of our business and so, all 2012 CTS 2 data is for five months. All CTS data refers to both CTS 2 and CTS 1 unless otherwise stated.

5 A free trade zone is a Chinese government designated industrial zone endowed with special economic policies.

Compliance and Integrity

PCH operates across various jurisdictions and will always comply with, or exceed, all country or state laws in each relevant jurisdiction. PCH periodically reviews and evaluates best practices in line with local compliance and regulations.

No fines or sanctions were incurred by PCH for environment or labor practices or any other infractions during 2013.

At PCH, our core values are teamwork, integrity, and passion. These values are shared across our workforce from our Senior Leadership team down, and are integrated into all of our decisions. In our 2012 report we recognized the need to formalize these values and ethics currently applied in PCH operations on a day-to-day basis. Across the PCH platform, we are implementing an employee code of conduct. At PCH China, we expect to finalize this in early 2015. Our factories also operate an ethics management procedure, which guides the workforce on business integrity, anti-corruption, disclosure of information, intellectual property, fair business and competition, and community engagement. Seventy eight percent of our PCH China employees (all of our factory employees) are covered by a collective bargaining and trade union agreement.

Yueliang He / Shelia Shen

ABOUT THIS REPORT

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We Make Better Business.

This is PCH's second annual sustainability report, and covers the year 2013. This report is for all of the people that PCH touches: our employees, suppliers, clients, communities and the broader electronics industry. In committing to publishing an annual sustainability report, and by measuring our social, environmental and economic impact (along with their financial implications), we are pushing ourselves even further to be transparent about our operations and communicate our initiatives – both the successes and the areas for improvement.

What This Report Covers

This report covers our operations in China only, as it is here that we have the majority of our workforce as well as our greatest social, economic and environmental impact.

Unless otherwise stated, data in this report refers to PCH China, which consists of PCH Shenzhen (office), PCH Hong Kong (office), CTS Shenzhen (two factory facility buildings: packing, kitting, warehouse, and office), and PCHD Shenzhen (factory facility: packing, kitting, and warehouse). All data is as of December 31, 2013.

While our biggest sustainability impacts are in China, we recognize a need to incorporate sustainability into our entire end-to-end platform to maximize our impact. A next step for us will be to report on the entire company.

The aim of this report is to publicize our sustainability findings to date, and relay our experience finding ways to gather meaningful data on our operations and those of our suppliers. This report acts as an important benchmark. Furthermore, we want to make public both our successes and shortcomings for our own and our partners collective benefit. We plan to measure and identify areas needing improvement each year.

Our Reporting Guidelines

This report meets our Communication on Progress commitment to the United Nations Global Compact. It was written in accordance with GRI G4 guidelines at the Core level. In compiling this report we have identified that our most material impacts happen outside the boundary of our directly owned offices and factory facilities. We report on our management approach for each material aspect identified, but we do not yet have data for certain GRI indicators. In some cases we need to develop our own indicators to measure our real impact – the extent to which we can influence impacts beyond our immediate control. We believe that our transparent reporting of the challenges and successes we have had fulfills the spirit of GRI. This report, and our 2012 report, are available on our company website. We have not sought independent assurance of this report.

This report documents our sustainability performance (i.e., our social, environmental, and economic impact). This is not a report on the financial condition of the organization.

As PCH is a private company, we do not disclose certain financial information, capitalization structure of the organization, or details of the share capital and Executive Board structure of the organization in this report or in any public forum. Certain financial and operational information cannot be included due to commercial reasons, as we cannot disclose this information to our competitors, customers, suppliers, or the media.

Mutual non-disclosure agreements prevent us from naming suppliers and clients, unless they name us. We respect this and are working with our partners towards a transparent future when they will be eager to communicate their association with our brand. Many suppliers and clients do not wish to be named to protect trade secrets and maintain a competitive advantage.

PCH reports on all material aspects identified for PCH China. Where PCH is unable to make a full disclosure of a GRI indicator, we aim to be transparent and state this fact, and have indicated the reason in the GRI Index.


Yanrong Xie

SUSTAINABILITY AT PCH

SUSTAINABILITY AT PCH

We Make Sustainability our Business.

Our triple bottom line approach puts people, planet and profit at the core of PCH's sustainability initiative: positive economic, environmental, and social impacts of our operations are key to driving long-term financial performance. Beyond that, we believe this is the right way to do business. At PCH better business means a commitment to sustainability, including a commitment to overcoming the challenges it presents.

We acknowledge that when it comes to sustainability, there is often a gap between intention and reality and we are committed to working towards closing this gap.

How do we make sustainability a core part of our business?

We apply two key criteria to our sustainability programs: they must be a core competency of our business and they must add value to our business. Through our social and environmental initiatives we strive to continually measure and improve our performance, engaging with our people and partners to make a difference in the world. For us, our biggest impact lies in the early stages of a product, where we are able to collaborate with factories and clients in the design phase so that we may minimize negative social, economic, and environmental impacts.

"This is my 10th year in China with PCH, and it's a more exciting company today than it ever has been. Our unique vantage point helps us to understand and tackle the complex issues in any global supply network, and the company is genuinely committed to finding progressive ways to integrate sustainability into daily operations. We have learned a lot over the years on the ground and in the factories, but of course we don't have all the answers. PCH bridges the design and manufacturing bases to bring people together and drive progress."

- Alan Cuddihy
Head of Sustainability

Our Sustainability Origins

We began to really think about the term 'sustainability' back in 2003 when, despite rising costs, PCH decided to commit to Shenzhen and open our own factory and develop our supply base there. We were a fraction of the size we are now, but we knew that in order to succeed long-term, we had to look beyond short-term financial gain and towards sustainable social, economic, and environmental values.

A direct request from our CEO to find out whether the workers in our factories were content, and whether they had any issues – essentially a call to communicate – is what started this engagement. It wasn't a demand from an external source; we decided it was the right thing to do. By 2010, we understood that we needed to develop an infrastructure that would allow us to continuously engage with our workforce as we grew.

Since then, we have taken a bottom up as well as a top down approach to sustainability – ideas and direction come from all angles.

Our attitude has always been to go directly to the source, our employees, suppliers, and customers - partnering with them to make better business.

Sustainability Governance and Management

At PCH, sustainability governance starts at the top. We have a Board of Directors that governs the company, and the responsibility for steering sustainability across PCH has been delegated to the Senior Leadership team[6] of PCH. This team consists of the Chief Executive Officer, Chief Financial Officer (CFO), President of Global Operations and Sales, Chief Operations Officer, Chief Information Officer, Vice President of Global HR, Vice President of Corporate Development and Legal Affairs, Chief Technology Officer, Vice President/General Manager of Highway1 & PCH Access, and Head of Corporate Communications. More specifically, the Chief Financial Officer (CFO) holds the responsibility of overseeing our sustainability initiatives.

The Greentech team, which is helmed by the Head of Sustainability and the Head of Supplier Development, reports directly to the CFO and manages sustainability programs across PCH. The Greentech team presents initiatives to the Leadership Team and PCH International Board that focus on enhancing business through potential return on investment from social and environmental programs. Greentech team members are based in Shenzhen and the team has been focused on integration within the Operations team.

While we do not have a formalized sustainability strategy for all of our operations, our approach is to integrate sustainable thinking across as many facets of PCH as possible, particularly at the early design and material selection stage. We have made progress over the past few years, and there are many opportunities for us to go further. Integrating sustainable practices across the organization is a core company strategy and a key contribution to the value of our service offering.

At PCH, our approach is to gather meaningful data upon which our decisions are based. We start by trying projects out in our own factories, where we have access to our own workforce and production facilities. We believe that best practice always starts at home. Once economic feasibility has been proven, we roll out the project in key supplier partners. In our factory facilities, the Labor & Environment and Health & Safety committees manage day-to-day compliance with legislation on labor and environmental matters. This is supplemented by programs rolled out by the Greentech team across the PCH platform.

All members of our team at PCH have the power and influence to impact their sphere of the business. We collaborate across teams to make the world of manufacturing better, less wasteful, fairer to employees and more transparent across all of our operations. From an engineer who sees too much waste on a factory line, to a factory worker who organizes social activities to foster community development – 'We Make', also means we make platforms for everyone in our organization to champion sustainability.

We work with our supplier partners to enable them to do the same. Legal and regulatory requirements are reviewed every three months to determine what is applicable to us. We also comply with our clients' social responsibility standards where applicable. In 2013, one client audited our operations for labor, environmental, health, and safety practices, and all items that required corrective action were closed within one month. Our facilities are audited for compliance with various ISO guidelines. Full certification details and all our current company policies can be found on our website.

"At PCH, anything is possible"

- Erin O'Malley
Engineering Program Manager, Greentech

6 All GRI references to the 'Highest Governance body' are read as the Senior Leadership team of PCH in this report.

Our Stakeholders

We define our stakeholders as those who are affected by our operations or who affect us. We have the greatest potential social, economic, and environmental impact amongst our workforce and suppliers. This is where we focus our primary stakeholder engagement efforts. These stakeholders have not changed significantly over the years, but our access to people in those categories continues to open up, and the pool of new partners that we work with continues to diversify.

PCH Stakeholders:

- Our workforce:
  - Operator employees (i.e. all factory operators at our factory facilities who work in production, quality control and in our warehouse)
  - Office employees (or non-operator employees) are those based in our factory offices or in PCH offices
  - Supervised or dispatch workers (temporary operators who are hired through a dispatch agency and work as factory operators in our facilities or those of our suppliers)
- Suppliers and their employees
- Clients
- End product consumers
- Dispatch agencies
- Investors
- Little Bird
- MicroBenefits
- Landlord of our factory facilities
- Non-governmental organisations
- Academic partners
- Industrial service providers
- Trade unions at our factories
- Local communities
- Electronic Industry Citizenship Coalition
- United Nations Global Compact
- Industry peers
- End of lifecycle recycling and disposal plants
- Media

Stakeholder Engagement

We formally identified our stakeholders in 2011. In 2013, we didn't conduct a formal stakeholder assessment. However, we are very aware of the needs of our stakeholders and we engage with our network through a variety of means, tailoring the mode of communications to each individual group.

Employees

For us, day-to-day integration is the most important dialogue; if employees have any suggestions or concerns regarding the social and environmental efforts of our operations, they can go directly to our Greentech or the Senior Leadership Team.

Operators at our factory facilities

Through the Little Bird hotline service, we monitored 11,829 correspondences in our own and supplier partners' workforce since August 2012. This helps us understand and develop social programs for our factory workforce (see also Workforce). Our employee trade union and collective bargaining agreements also provide a means for employees to voice their opinion.

Non-operators (all office based staff)

Across the PCH workforce, we use email, social media, town hall meetings, monthly newsletters, employee surveys, and an employee benefits committee to measure, analyze, and respond to the needs of our workforce. PCH (excluding CTS) participated in the Great Place to Work® survey in October 2013 to understand our employees' trust in the company and how we can improve our working environment and career development programs.

From a sustainability perspective, we need to engage with the non-operator portion of our workforce even more in the future, particularly with our design and material selection teams at PCH Lime Lab, Highway1, and PCH Access.


Yingqi Chen

Suppliers


Haitao Wang

Our Greentech, quality, supplier management and client teams listen to - and learn from - our suppliers through on the ground factory visits, audits, assessments, and supplier development programs. Engagement begins with audits and we endeavor to go beyond audits to regular open communication (see also Our Supplier Network).

For example, in 2013, certain PCH client team members spent up to 100% of their total work time at our supplier facilities. One team spent over 220,000 hours in one facility alone.

Our Clients


Yueliang He

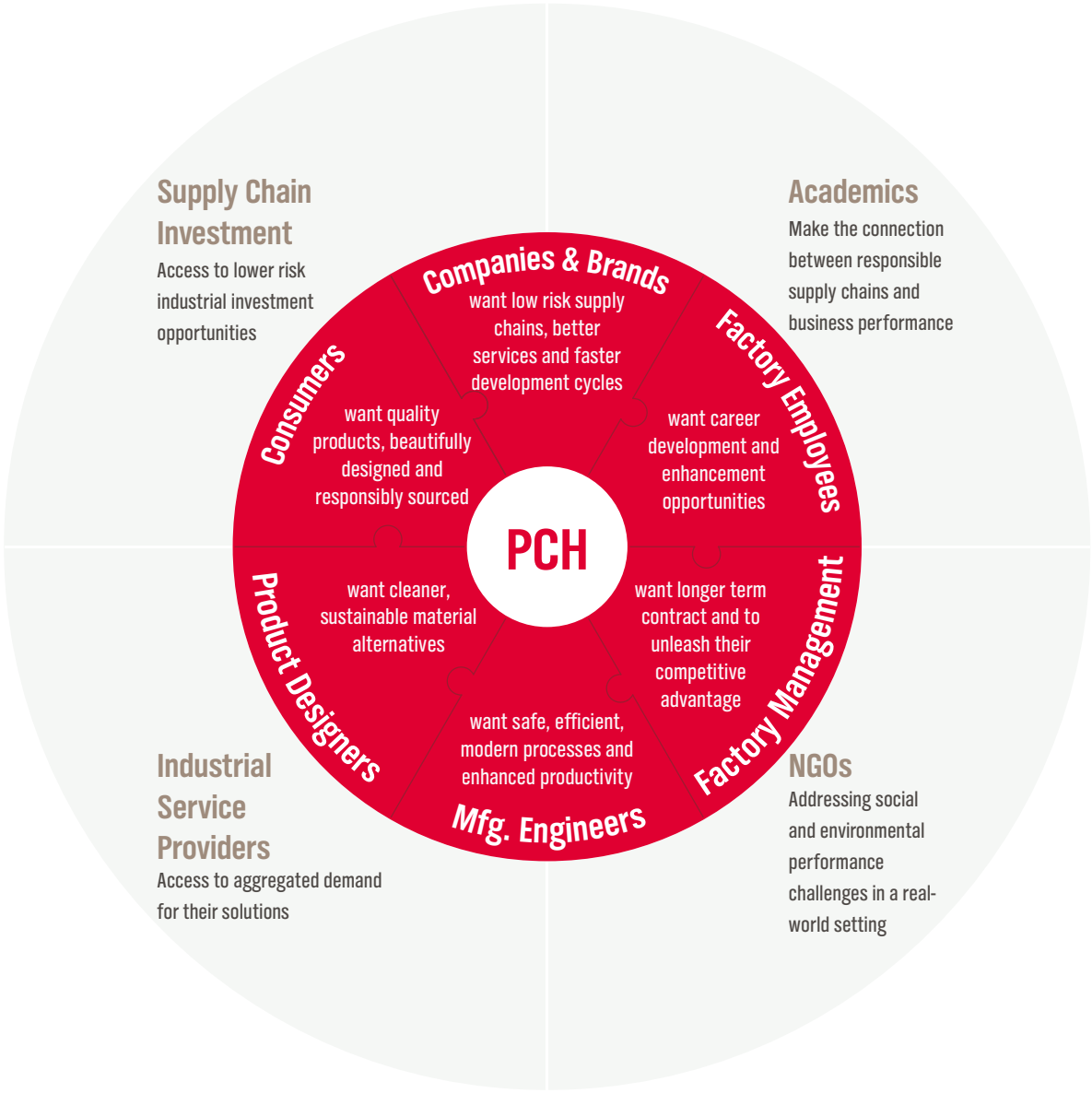
We distribute an annual client survey to gather feedback on our clients requirements. We also engage with our clients on a regular basis to ensure we deliver on their needs. Our clients show increasing interest and awareness about exploring opportunities for improved sustainability performance in their supply chain.

What our stakeholders want from PCH

How do we balance the needs of all our stakeholders?

When it comes to making a product, no single aspect of designing hardware should be isolated- we need everyone from the factory owner, to the engineer, to the designer to contribute so the most suitable choices are made. At PCH, we are asking questions of ourselves and our partners to help overcome barriers that may be preventing us from getting where we collectively need to go in relation to sustainability.

A Supply Base that is Transparent, with Collaborative Product Design



Material Issues

Our material, social, environmental, and economic issues are those that are vital to our business goals or highly important to our people and partners. In this report, we apply the most analysis and discussion to areas of greatest priority.

PCH carried out materiality assessments in 2011-12, as well as a gap analysis for ISO 26000 Guidance on Social Responsibility, which informed our early approach to materiality. Areas for improvement identified in these engagements included: enhancement of factory community engagement practices, the adoption of corporate social responsibility (CSR) practices in our factory facilities, expansion of existing employee anti-corruption training, and increased focus on developing sustainable packaging for clients. We did not conduct a formal materiality assessment in 2013, relying instead on our original assessment from 2011 combined with ongoing feedback from our workforce, suppliers, and clients. In 2014 we will reconsider our approach to identification of material issues.

Because of our unique position in the supply chain, we understand many of the issues faced by our network of suppliers and customers.

We feel we have a responsibility to improve processes (e.g., transport, product design, and material selection) and gradually integrate ourselves even further into the tiers of our supply chain.

OUR MATERIAL ISSUES

Material Topics and Subtopics	Why it Matters	Where it's Most Material	Page
Supply Chain	**We are in the business of customer service, enabling our clients to get their products to market in a timely and efficient manner. We rely on our relationships with our unique network of suppliers. We constantly balance the needs of our clients and the needs of our suppliers to get the best results.**		37
Stability of Supplier Relationships	The more stable the relationships with suppliers, the more incentive they have to invest in upgrading their manufacturing processes.	Our own operations and our suppliers	41
Supplier Practices	Clients and consumers want to know that their products were made in a way that treats workers fairly and respects human rights. PCH and our suppliers share these goals.	Our suppliers	41
Production Ramp and Dispatch System	To make, package, and deliver products to international markets in the fastest time possible, production is often condensed into a few months. This has implications for everything we do, from workforce management to logistics.	Our own operations and our suppliers	47

Material Topics and Subtopics	Why it Matters	Where it's Most Material	Page
Environmental Impacts of Manufacturing	**We operate in consumer electronics, which is resource intensive and generates considerable waste. We do not manufacture products ourselves; our suppliers manufacture components and the pieces come to us for packaging, kitting, or fulfillment. However, we are in a position to influence manufacturing processes and resource use.**		52
Energy and Air Emissions	Manufacturing uses a lot of energy and much of it is wasted. Our own energy use is limited to electricity for light and production line power. We need to understand where our suppliers' energy is going, monitor it, and find out what machines can be optimized to improve energy use.	Our suppliers and our clients	55
Transportation and Inventory Management	Transporting products to their final destination uses lots of energy, especially air shipments. But stockpiling products to compensate for slower shipping methods can lead to waste. We need to balance this through inventory management, ensuring our clients receive the right volume of products at the right time.	Our suppliers and our clients	56
Materials and Chemicals	The materials and chemicals used in hardware products and packaging have upstream impacts on resource use and manufacturing, and eventually end up as waste for consumers. Good design and material selection can reduce material waste and harmful chemical use.	Our suppliers and our clients	57
Water	Chemical pollutants that result from manufacturing processes can be released in factory wastewater discharges. We must work to remove the need for harmful chemicals from any product we are associated with and help our suppliers ensure effective treatment of any wastewater generated in manufacturing.	Our suppliers and our clients	59
Waste	Waste is generated at all stages of the product lifecycle; from manufacturing processes to the eventual end-of-life of a product. We can have the greatest impact on waste through engagement at the design stage of a product or through packaging. We can also reduce the amount of waste that is generated in supplier factories through our influence on manufacturing processes.	Our suppliers and our clients	59

Material Topics and Subtopics	Why it Matters	Where it's Most Material	Page
Workforce	**Workers in China have more options and ambitions than ever before. Maintaining a skilled and motivated workforce is critical to our success.**		**61**
Employment Conditions and Labor Turnover	High turnover levels are a fact of life in China, but by creating a sense of community and addressing labor issues we can improve retention.	Our own operations and our suppliers	66
Pay, Benefits and Overtime	We need to remain competitive to address the issue of high labor turnover. We must comply with legal requirements but workers also want overtime to earn more money.	Our own operations and our suppliers	68
Health & Safety	While our operations don't involve heavy machinery or dangerous chemicals, health and safety is always a priority.	Our own operations and our suppliers	71
Training and Development	An educated and well-trained workforce is a productive workforce. Our workforce is motivated to enhance their skills and explore development opportunities.	Our own operations and our suppliers	72
Grievances	Providing a grievance process for workers enables them to express concerns and shows us where we can focus our efforts to make a better workplace. Our suppliers may benefit from similar processes.	Our own operations and our suppliers	75

Our Progress

The PCH group embarked on our first formalized sustainability steps in 2011, establishing our Greentech team and assessing our areas of impact and priority. We then began to implement programs from 2012 onward. The results so far have been largely positive and we are beginning to collect and gather real measurable data.

1996	PCH was established, with sustainable practices integrated into our business from the beginning
2000	Operational center established in Shenzhen, China
2004	China Turnkey Solutions (CTS) was established, which is based in the Futian Free Trade Zone, Shenzhen, China
2011	PCH conducted assessments and began to identify areas of focus for sustainability programs
2012	Greentech began testing projects in our operations and with select supplier partners
	PCH joins EICC, Sustainable Packaging Initiative, IDH and UN Global Compact
	PCH partners with Little Bird
	PCH partners with MicroBenefits
	PCH published first annual sustainability report on PCH Shenzhen, with some data on our CTS operation and short-term targets on employee practices
2013	PCH announces plans to open new US headquarters in San Francisco
	Tyndall National Institute and PCH sign memorandum of understanding
	PCH begins supplier energy monitoring programs in key supplier partner facilities
	PCH begins to formalize the measurement and analysis of data to understand the financial impact of our social, environmental, and economic programs


Yangjie Wu

Collaboration and Partnerships

The value of collaboration cannot be underestimated.

We collaborate externally with our partners to understand trends in our industry and to create new solutions to old problems.

Our pool of external partners at PCH consists of social enterprises (MicroBenefits), leaders in the engineering community, non-governmental organizations (NGOs such as Little Bird), and academic institutions.

Throughout 2013, our industry partners included:

Sustainable Packaging Initiative/GreenBlue (2012)

PCH is a member of GreenBlue®, a non-profit that equips business with the science and resources to make products more sustainable. The Sustainable Packaging Coalition® (SPC) is a GreenBlue® industry working group dedicated to a more robust environmental vision for packaging.

United Nations Global Compact (2012)

Member companies commit to publish an annual communication on progress with particular focus on the areas of Human Rights, Labor, Environment and Anti-Corruption (i.e. this sustainability report).

Electronic Industry Citizenship Coalition (EICC) (2012)

PCH is a member of EICC and uses EICC templates and standards in our CSR audits and supplier code of conduct.

IDH Sustainable Trade Initiative (2012)

PCH participates in supplier improvement programs that aim to improve factory performance on critical areas such as worker-management communication, occupational health and safety, human resource practices and environmental issues.

Partnership with the Tyndall Institute (2013)

PCH and Tyndall National Institute, Ireland, signed a memorandum of understanding to support the generation and scaling of new high tech startup companies in Ireland targeting the global market.

Our Goals for 2014 and Beyond

To date we have focused our energies on a few initiatives. We want our decisions to be data driven, measurable and linked to their financial return. But first we must find accurate ways to gather purposeful data. We have commenced the process of recording and measuring data in relation to our sustainability programs. Our next step is to go beyond this to decide and define what exactly we should measure and target within those areas. Once we achieve this, we want to scale that beyond PCH across the entire supply chain. Then using that data, we will ensure continued progression on social and environmental initiatives in the supply chain.

In the interim, our short-term 2014 focus is outlined as follows (see also individual chapters for further details):

- Increase integration of the Greentech team across the PCH platform with particular focus on early stage startups that come through our Highway1 incubator and PCH Access platforms focusing on improving the design and material selection phase of products
- Increase industry collaboration in order to tackle supply chain issues in partnership with industry colleagues
- Publish annual sustainability reports on the PCH global platform
- Implement an employee code of conduct (PCH Ireland, 2014; PCH China, 2015), continue communication and education of our ethics and values across the PCH platform
- Establish measurement structures to assess the company's impact, particularly in relation to transport (focusing on areas where we have the greatest impact, e.g. energy and emissions)
- Establish suitable means of measuring our inventory management model to understand the impact of our operations

Xiaohong Peng

Supply Chain:

- Continue conducting quarterly business reviews and commence monthly business reviews with select suppliers within our active supplier network
- Continue to develop a network of flexible key supplier partners
- Work with clients to showcase how long-term contracts can provide the opportunity for technological advancement at a manufacturing facility, and how that in turn can lead to ongoing cost competitiveness
- Involve the Greentech team in the supplier selection and qualification process
- Expand on our current supplier collaboration approach focusing on accurate data gathering (full integration into current supplier qualification process in 2015)
- Continue HR support to our supplier partners in order to plan and manage recruitment needs
- Continue working with dispatch companies to ensure commitment and adherence to fair practices in worker management
- Continue improvement of factory efficiency to reduce labor shortages
- Automate certain dangerous positions where the machine will provide a return on investment and increase product quality, this will also lead to a reduction in labor requirements
- Help our supplier partners to improve their worker retention abilities

Manufacturing:

- Continue to build tools that will allow us to monitor real-time energy use in our own operations and in our supply chain, and use of other materials such as compressed air, water and critical raw materials
- Gather and record data on manufacturing energy use, processes and materials going beyond Tier 1 suppliers, deep into upstream suppliers
- Create a controlled substances list that incorporates progressive health and safety standards - educate all internal, Highway1, and PCH Access teams to ensure harmful materials are eradicated in design and manufacturing
- Increase integration of materials specialists at the early stages of product development and design (both packaging and manufacturing)
- Assist our clients' compliance, where we have influence, with incoming laws relating to conflict free minerals while identifying our own role in the supply chain in relation to these minerals
- Develop proposed terms for financial agreements to fund factory-level process upgrades with repayment based on shared savings
- Eventually, through the use of SourceFlo™, monitor and understand water use, waste and pollution in our supplier facilities.

Workforce:

- Open two additional Little Bird libraries
- Launch Company IQ and Company Link (a social media platform that delivers company news, employer polls, promotion opportunities, and HR support) in a supplier partner facility
- Bring new partners on board to expand education and training programs in our facilities
- Conduct additional surveys and interviews to tailor social program content to meet operator needs
- Increase tailored education and training programs for our factory workforce (ongoing)
- Relaunch the MicroBenefits discount network and company IQ app in our facilities

SUPPLY CHAIN

SUPPLY CHAIN

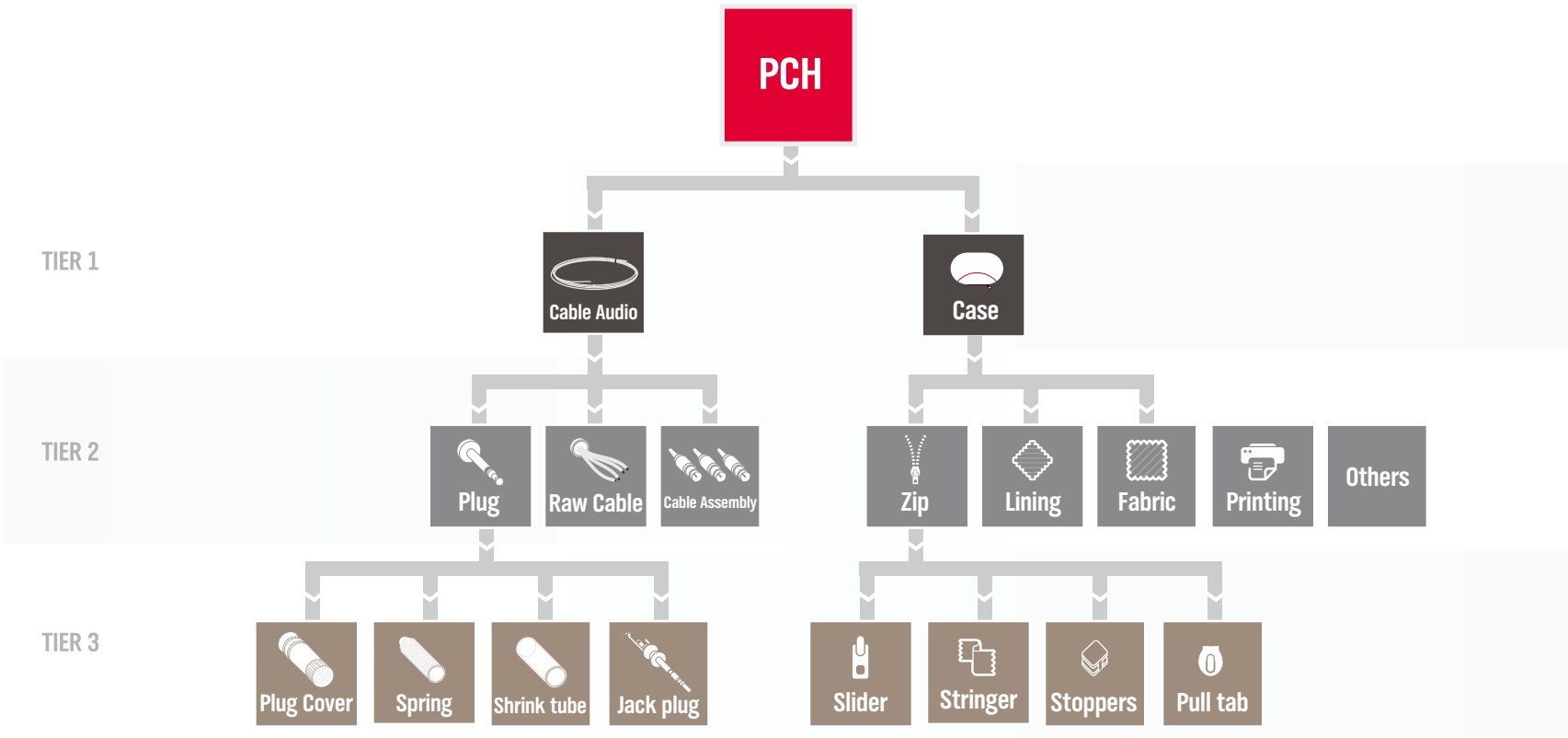
We Make the Complex Seem Easy.

What does it mean to manage a supply chain? It's managing all stages of consumer product development, from concept to delivery, as well as all the critical steps in between. At PCH, we are involved in all stages of the supply chain working on the ground in China and across global markets. Our gatekeeper business model means we are asset light; we keep on the staff we need and develop a network of suppliers to fulfill our clients' requirements.

We realize that for our business to succeed, we need to go beyond supply chain management to supply chain development.

How can PCH remove technical and financial barriers to enable our clients and suppliers to use sustainability for their competitive advantage? Tackling issues in upstream suppliers can be a daunting task; the body of work grows as we move up the supply tiers. At PCH we aim to design practical, scalable sustainability projects that will engage upstream suppliers. A healthy supply chain requires commitment from all parties: PCH, our clients, and our suppliers. To make the supply chain better and more cost efficient, we must focus on the creation of financial reward through long-term minimization of social, environmental, and economic risks.

Product A



The above diagram is a simplified representation of the complexities and tiers within a supply chain. The diagram depicts only two parts of a product, and each of their components, though it's common for a product to have several more tier 1 parts. Often each of these components would be sourced from separate suppliers.

Our Supplier Network

PCH has access to a diverse network of suppliers, the majority of which are based in China. In 2013, 90.34% of PCH spend was in China and 9.66% was outside of China. For more information on the types of factories in our network, please see Manufacturing.

PCH has engaged with over 1,000 factories since we came to China in 1996 and in turn, thousands of workers form part of our network. Our level of engagement varies on an annual basis depending on the number of active projects that we have each year. In 2013, we engaged with 149 suppliers, and grew our active supplier base by 45% (in 2012 we engaged with 103 approved suppliers). This expansion was due to the changing manufacturing needs of our clients and a need to increase our expertise and flexibility amongst our supplier pool (we needed to add more soft goods suppliers to adapt to changing marketplace requirements).

We have access to two distinct categories of supplier:

- Suppliers selected by our clients (In 2013, 50% were client-selected vendors)
- Suppliers selected by PCH (In 2013, 50% were PCH-selected vendors)

Our material issues related to managing our supplier network are:

- Stability of Supplier Relationships
- Supplier Practices
  - Our Supplier Code of Conduct
  - Supplier Assessments and Upgrades
- Production Ramp and Dispatch System
  - Dispatch Agencies


Zhirong Lin

Sustainability in our Supply Chain

We Make Sustainability our Business.

Sourcing from suppliers in the Guangdong region provides PCH with access to our suppliers and allows our teams to work on site with them. We have access to over 1,000 suppliers globally and we have been working with certain factories for up to ten years, which reflects the trusting relationships we have built in this region.

How do we encourage supplier participation in our sustainability initiatives when their chief concern is cost, quality and speed?

We see the benefit of departing from short-term supplier relationships to the development of a network of stable, local suppliers. This will ensure that our clients gain access to the right product and materials as and when required. This takes work on our part, as we need to show our suppliers and clients that sustainability is financially feasible to get their commitment. Improving how a factory "makes" provides a multitude of benefits, including risk management, increased process and product quality, flexibility, optimized labor, and reductions in health risks, safety risks, energy, material, and water use. We tailor our choice of supplier to suit the client's product. We see a window of opportunity to decrease cost and improve quality by focusing on improving manufacturing processes.

We have to keep our clients happy; our business is to make operating in China easy for them. But we also have a reliance and duty towards our suppliers, they rely on us and we work in partnership with them to create positive long-term relationships.

"I joined PCH because it is the best platform for doing what needs to be done: integrate sustainable value with ongoing business decision-making and practices. As a factory guy, I especially appreciate that owners and managers of our partner factories can tell that our incentives are aligned. We want to make it easy to do the right thing."

- Terry Foecke

Head of Supplier Development, Greentech Team

Stability of Supplier Relationships

Making it Long-Term

Building a strong relationship with our core group of suppliers is essential to gaining their trust. We cannot ask a supplier to commit to an investment and improvement plan if we are only going to use that supplier for six months. To gain this trust, we need to concentrate our spend in a few factories, as giving them a substantial amount of business will encourage those suppliers to engage with PCH. If we are not a supplier's primary client, they are not always willing to work with us and take our advice.

We believe that anything over three years is a long-term relationship. In 2013, the average length of relationships with our actively engaged suppliers was 2.5 years. A long-term relationship with a client allows a supplier to plan and invest in their factories with greater reward. Suppliers want to improve their processes and upgrade their equipment, but they will not commit if they only have short-term purchase orders and no guarantee of continued business. While some factory equipment upgrade investments pay for themselves within a few months, many take up to two years. A long-term commitment might not eradicate the need for these busy production periods, but it can also allow a manufacturer to plan and put systems in place to manage their busiest time.

Key Supplier Program

Our Quarterly Business Review (QBR) program, which commenced in 2010, was set up to develop a network of key strategic, flexible suppliers. Suppliers are chosen for the QBR based on PCH spend (33% of all PCH supplier spend in 2013 was on QBR suppliers) and we had seven suppliers in this program during 2013. At the QBR, suppliers and PCH teams meet to review operational performance, quality metrics and Key Performance Indicators (KPIs). In 2013, our top seven suppliers had relationships of up to 9.4 years with PCH, with an average relationship length of 3 years.

NEXT STEPS: Stability of Supplier Relationships

- We recognize that doing a QBR with a few suppliers once a quarter is not enough. In 2014, we will commence a Monthly Business Review (MBR) with a larger pool of suppliers. This will help us enhance communication and work in even closer partnership with our suppliers. Regardless of the scale of the relationship, we want to be consistently aware of a supplier's capabilities and performance.
- We will continue to develop a network of key flexible long-term supplier partners, focusing on working with them to improve manufacturing processes and resource use.
- In 2014, we will focus on working with clients to showcase how long-term contracts can provide the opportunity for technological advancement at a manufacturing facility, and how that, in turn, can lead to ongoing cost competitiveness.

Supplier Practices

There has been a lot of public focus on labor conditions in China. Consumers want to be able to trust that their electronic devices have been 'made in China' without the use of child or forced labor and under safe and fair working conditions. Good intentions are not enough so we have put in place a number of measures to ensure that everyone involved can have peace of mind. These include a supplier code of conduct, supplier assessment and deeper levels of support for suppliers.

Our Supplier Code of Conduct

Our supplier code of conduct covers labor, human rights, ethics, and our environment and management system expectations of our suppliers. All PCH selected suppliers sign our Supplier Code of Conduct. The Code is monitored through an annual audit and through constant PCH engagement with suppliers year-round. Suppliers must sign the Code of Conduct to conduct business with PCH. While we engaged with 149 suppliers in 2013, 122 signed our code because in some instances, suppliers who already have equivalent legal agreements in place with our clients do not sign our Code of Conduct (suppliers in the client chosen category).

Supplier Assessments and Upgrades

The standard practice in our industry is to assess suppliers based on factory audits. In our experience these audits are of limited value because our observations show that they fail to remove the underlying risks that cause health and safety issues, pollution and waste. While audits have their place in any rigorous labor and human rights program, we must treat audits as the beginning, not the end of our engagement with suppliers.

Besides annual audits, we consistently work with our suppliers to help them upgrade their facilities and supplier ratings (see Supplier Upgrades). The PCH way has always been to encourage an open, trusting relationship with our suppliers and work with them to improve and fix problems rather than ignoring them. Our aim for next year is to look into alternative ways of measuring our relationships with suppliers. We recognize an opportunity to go beyond paperwork to real time data about the manufacturing environment.

We apply four different grades (A-D) based on the capabilities of the supplier or based on the service they are providing us. The frequency and degree of auditing depends on the supplier's category.

Client quality managers carry out initial supplier visits and evaluation screenings to assess the potential of the supplier's capabilities. If the suppiler scores 60% or more in their initial screening, the appropriate supplier qualification process is determined based on the following criteria:

1. Full audit is conducted where:
   - The supplier works as PCH's final assembly house
   - The supplier supplies for PCH's top 10 clients
   - They are safety part suppliers (depending on the component and potential issues)
   - Their business is projected to be greater than $100K USD/year
2. Simplified Audit is conducted where:
   - business projected is less than $100K USD/year
3. Where client/PCH deem an audit is necessary before conducting business

In 2013 we actively engaged with 149 suppliers. Of those, 72 qualified for an audit (39 new, 33 existing) and we audited 100% of these suppliers. This included 39 potential new suppliers (full and simplified audits).

How We Audit

Our supplier qualification process consists of three assessments:

1. The supplier's quality systems
2. Security and environmental substances management
3. Corporate social responsibility (CSR) practices (covering labor and environment, health and safety [EHS] practices)

Suppliers must get over 60% in each assessment and must obtain a combined score of over 65% to pass. They are then graded based on the outcome of this process.


Hongyun Bin

Making better business means getting to the root of the problem.

We must treat audits as the beginning, not the end of our engagement with suppliers.

CSR Audit

The Labor audit assesses:

- Child Labor and Youth Workers[7]
- Forced Labor
- Disciplinary Practices
- Working Hours
- Wages and Benefits
- Freedom of Association
- Discrimination
- Ethics and Management System

The EHS audit assesses:

- General EHS Management
- Environment
- Emergency Protection
- Hazardous Materials (Chemical Materials) Management
- Occupational Health and Safety
- Electrical Facilities Usage Safety
- Dormitory and Canteen
- Medical Emergency
- Special Operation/Hazardous Area
- Ergonomics

Supplier labor and environmental health & safety practices are graded in accordance with the following criteria:

Zero Tolerance (ZT)	Serious breach of laws, regulations and PCH requirements, resulting in a severe impact to individual rights, life, safety and/or PCH's corporate reputation
Immediate Action (IA)	Breach of laws, regulations and PCH requirements that result in negative impact to individual rights and life safety and/or PCH's corporate reputation
Continuous Improvement (CI)	Labor, health & safety, and environmental issues that can be improved in the factory for the well being of workers and/or betterment of its reputation or management practice
Compliance	Full compliance to requirements, laws and regulations (EICC standard and local regulation)


Yanrong Dong

7 Child workers refer to workers under the age of 16. Youth workers refer to workers between the ages of 16 and 18. Youth workers are not allowed to perform hazardous work and may be restricted from night work with consideration given to educational needs.

Our audit programs were developed using Electronic Industry Citizenship Coalition guidance and client & industry standards. We consider the categories of zero tolerance and immediate action as well as an overall result of less than 60% to be "significant actual and potential negative impacts" for purposes of GRI reporting. Ten suppliers failed their CSR audit for these reasons in 2013.

Zero tolerance practices include child labor. Other practices that are not tolerated include: fines or restrictions that would prevent leaving employment, falsification of time or pay records, underpayment of wages, or any type of mental or physical punishment.

A simplified audit addresses all 'zero tolerance' practices, including: child labor and youth worker, forced labor, disciplinary practices, working hours, wages and benefits, environment, emergency preparedness and protection, hazardous materials (chemical materials) management, occupational health and safety, management systems.

Audits are conducted by at least two PCH auditors who spend at least one day with the suppliers. A meeting is held after the audit with the supplier and PCH Client Quality Manager to explain the findings and any requests for follow up. If an existing supplier is found to have engaged in any 'zero tolerance' practices, or if their overall score does not reach the minimum required, we give them up to three months to rectify the situation.

Following the audit, PCH client, quality, and supply base management teams tailor management strategies to each supplier depending on their contribution to our business.

We terminate relationships only when it is absolutely necessary, and will disqualify a supplier when:

- They fail their first/annual audit and two consecutive audits
- Their three-month grace period expires (determined by the client team)
- They are consistently unable to meet the PCH standard in two consecutive quarters
- They are unable to provide corrective actions to critical issues within six months
- They are unable to improve their cost/quality/delivery/service within six months
- Suppliers may also be disqualified on a case-by-case basis for other unforeseen reasons (e.g., business credit, ethics, and disasters)

Our preference is to work with a supplier who is having difficulty passing their assessment to help them reach an adequate standard to work with PCH. This involves client teams working in partnership with the supplier to help them prepare for a subsequent audit. PCH supply base teams work with the individual supplier to improve the relevant practice, and we provide guidance on what needs to be improved. This can take a number of forms, depending on the supplier: we may provide simple advice, offer help on record keeping, require that workers are issued protection equipment, or ask a supplier to implement an EHS policy.

Audit Outcomes

In 2013, PCH audited all suppliers that qualified for an audit (72 of 149). The minimum score required to pass a CSR audit is 60%.

A total of 15 supplier assessments were failed by existing (4) and potential (11) suppliers during 2013. Ten suppliers failed due to the results of their CSR audit, and five failed due to an overall score of less than 65 due to quality reasons. Business was terminated or did not commence with 8 of these suppliers (53%). The remaining 7 (47%) committed to an improvement program, were re-audited and passed (1), re-classified to a different supplier grade (2), or are working with their supply base team to improve their insufficient practices and prepare for another audit (4).

The results between existing and new suppliers are generally similar. From our labor audits, the areas of most concern among potential and existing suppliers are freedom of association, ethics and management systems, and working hours. For environment, health and safety audits, the lowest overall scores were in safety in high-risk zones within the factory, ergonomics and general environment, and health and safety management.

In one example, a supplier failed its labor audit. However, we wanted to work with them as a supplier, so we rolled out the Little Bird hotline and MicroBenefits in their operations to help understand and improve their employee practices. We also have a PCH human resources presence in their factory (see Dispatch work) to help with their HR practices. Making better business means working with our suppliers to implement sustainable practices, because it is something we will all collectively benefit from.

2013 Audits

Number of Audits	Full Audits	Simplified Audits	Total Audits	Number that failed Audit
Top 7 suppliers	10	0	10	2
Annual audits on existing suppliers	23	5	28	2
New suppliers[8]	33	6	39	11
Total audits	**66**	**11**	**77**[9]	**15**[10]
Total active suppliers in 2013			149	
% of active suppliers audited for Labor and Environment, Health & Safety			48%	
Number of suppliers terminated				4
Number of suppliers business did not commence with				4
Continuous improvement program/ re-audited				7

8 All 39 potential new suppliers who qualified for an audit were screened for Labor, Environment, Health & Safety Practices.

9 72 suppliers were audited. The number of audits is 77 because 5 suppliers were audited twice.

10 4 simplified and 11 full audits.

- 15 suppliers failed their supplier qualification process in 2013
- 10 failed due to the results of their CSR audit
- 5 passed their CSR audit but failed due to quality/overall score of less than 65
- 4 were existing suppliers, 11 were potential new suppliers
- No suppliers failed due to child labour, forced labour or disciplinary practices

Labor areas for improvement identified:

- Working hours management
- Ethics and Management Systems
- Freedom of Association

Environment areas for improvement identified:

- High risk zone management
- Ergonomic Management
- General Environment Health and Safety management systems

Supplier Upgrades

As noted, when we work with a supplier, the annual audit is just the beginning of the process. However, we cannot assume that auditing alone can drive improvements in supplier performance. While we will continue to conduct audits at a minimum, we advocate towards constant engagement. Our client team conducts regular reviews and communicates day-to-day with suppliers to help them continuously improve their overall equipment effectiveness and social programs.

Child Labor

Child labor is a risk in the manufacturing industry. We operate a zero tolerance policy and if child labor is found in a factory, management are obliged to remove the child from their facility and put a remediation plan in place to support the child's education and provide financial assistance until they turn 18. The same applies to forced (prison, indenture, or bonded) or compulsory labor.

Our qualified HR staff employ age verification measures on potential employees and use a 'double check' system whereby two staff members check employee ID when an employee is hired through a dispatch agency. In 2013, the youngest employee in our PCH facilities was 18 years old. CTS employed no youth or student workers in 2013. In our supplier factories, our annual audits found no incidences of child forced/compulsory labor in our supplier network.

We never knowingly accept underage workers in our own factories. It must be acknowledged, however, that it is difficult to verify this and there could be incidences of child labor in some factories in the region.

"The way to make factories better is to focus on key suppliers and work with them to improve their practices. For suppliers who become approved suppliers but do not receive any contracts within six months to one year (and become inactive), how can we help them improve? With a longer-term partnership, improvements can be made over time. The key to getting customer commitment on factory improvement programs is to show them the potential economic return."

- Chris Yang

Quality Technical Administrator

Production Ramp and Dispatch System

For us, our biggest challenge occurs during production ramp: the busiest production period in our factories where customer orders require us to increase our workforce by up to 133%[11], to get products to market in the fastest time possible. Typically, production ramp can commence any time between June and September, and usually runs until December (pre-Christmas). Production output (number of units produced) was 105% higher in December 2013 compared to July 2013.

Short, seasonal production demand puts a strain on all resources: workers are required to work long hours (see also Employee overtime) quality can slide, and inefficiencies in production can occur.

How can we balance the seasonal demands of consumer markets while trying to lengthen and stabilise our relationships with our suppliers?

A long-term contract will not necessarily eradicate production ramp periods, but it will allow a factory to plan and manage recruitment needs carefully, and reduce any overreliance on dispatch workers during short peak periods.

Dispatch Agencies

The availability of labor has decreased in Shenzhen since we began operations here in 1996. Recruitment is a challenge during busy production periods when most factories in the region compete to fulfill their client's orders. We do not have the human resources capability to hire and manage the volume of workers required within a short period of time, so we use dispatch labor agencies to fill labor needs during production ramp periods.

Dispatch agencies employ and manage temporary workers dispatching them to factories that require labor. They are only used to provide extra labor, and we never replace permanent workers with dispatch staff. Agencies also manage living quarters, day-to-day management of workers and any employee disputes that cannot be handled on site. To reduce the risk of delay in payment, it is CTS policy to pay salary directly to all dispatch workers instead of paying the agency and relying on it to pay the workers. Social insurance[12] is paid directly by the agency but is regularly monitored by CTS HR. Dispatch workers are legally entitled to receive the same salary as our employees.

"Production ramp drives the requirement for increased operators for a short period of time. During this time, factories become stretched – dorms are full, food quality goes down, human resources are stretched. Longer-term stable contracts with factories would allow a supplier to invest in the resources and labor requirements necessary to fulfill client orders. A stable contract means the supplier knows where their next payment is coming from and so they will invest in improvements if they have this security."

- Sanno Lee

Sustainability Program Manager, Greentech team

Chinese New Year

Chinese New Year, also known as the Spring Festival, is an important traditional Chinese holiday celebrated at the turn of the Chinese calendar. It generally falls in January/February with the festival lasting fifteen days.

Often workers will resign from their position before Chinese New Year, return home and take a long leave and, if returning to Shenzhen after the holiday, will look for a new job in a different factory. In January 2013, the turnover rate in our factories was 61%, which can be attributed to both the Chinese New Year holiday and a reduction in production demand.

11 Our factory workforce grew by 133% between May and June 2012. The greatest monthly growth in 2013 was 16% (between July and August).

12 Social insurance is a mandatory employee contribution to a Chinese government fund that covers medical, accident, maternity, pension and unemployment for all Chinese employees.

There is an inherent risk in using an indirect service provider for the provision of labor, particularly regarding legal violations of contract law and worker payment delays.

If a dispatch operator works at one of our facilities for three months, they can apply to become an employee of our factory (in 2013, 1% of dispatch workers chose this option). We find that if they are offered employment in the first half of the year, before production ramp, they are more likely to accept; however, at the end of year, they are less likely to accept as they are often planning to return to their home town for the Spring Festival (see Chinese New Year). Dispatch workers need to provide three days' notice when leaving their position whereas fulltime operators must give one month. We believe many dispatch workers prefer the nature of dispatch work because when a factory requires dispatch workers, it usually correlates with an availability of overtime (for more see Employee Overtime).

As with all of our supplier partnerships, we build long-term trusted relationships in sourcing labor for our CTS operations. Our relationship with these locally based Shenzhen suppliers dates back to 2008 and 2012.

% of Dispatch Workers in the Workforce

Dispatch Workers	2012	2013	2012	2013	2012	2013
Dispatch workers as percentage of factory workforce	**Low**	**Low**	**High**	**High**	**Annual Average**	**Annual Average**
PCH factory (CTS)	10%	0%	53%	22%	34%	8%
Supplier partner	0%	0%	3%	23%	1%	6%

While our supplier partner facility has a lower percentage of dispatch workers, the overall workforce reached over 6,500 during production ramp which means there can be up to 1,200 dispatch workers in a month.

New regulations for dispatch operators will come into effect in China in 2014 whereby the total population of dispatch operators can only be 10% of the factory population. In 2014, we will conduct a full assessment of the new legal requirement to ensure compliance.

Selecting Dispatch Agencies

We vet potential dispatch agencies by audit, reputation and background checks, as well as day-to-day engagement. Our HR, supply base, internal audit and quality teams interview agency representatives and verify their labor practices and abilities to meet PCH supplier standards and our labor requirements.

While we are not responsible for workers once they have finished at our facility, we do look at the agency's ability to find future positions for workers. Unfortunately, it is extremely difficult to fully ensure agencies are complying with their legal and social responsibilities. The only way to eradicate this risk is to bring all worker management in-house. This is a challenge that factories face as any investment in HR might not pay off if production ramp is for a limited period only.

Dispatch agencies are audited for labor and human rights practices on an annual basis as well as monthly ongoing monitoring of salary payment records, contributions to social insurance and housing funds, and any other issues that arise. When the agency signs a contract with a new worker, the worker's contract and ID documents are checked by the agency and again by factory HR before the employee can commence work.

In 2013, our dispatch agencies attained an average audit score of 82% (70% required to pass). Areas for improvement included high turnover of workers, onward transfer of workers after they finished at our facility, the agency's speed and adequacy of response to any worker issues that arise, their ability to meet factory hiring requirements, and improvement of general management systems.

If a dispatch worker has any grievances, they can contact their employee representative, HR, Little Bird hotline, or their production line leader. In 2013, over 10% of our hotline calls related to dispatch work, the majority from our supplier partner facility.

NEXT STEPS: Production Ramp

- Continued HR support to our supplier partners in order to plan and manage recruitment needs
- Continued assessment of dispatch company performance, continued communication to monitor and understand CSR compliance status, commitment status, etc.
- Continued improvement of factory efficiency to reduce labor requirements
- Automation of certain dangerous positions where the machine will provide a return on investment and increase product quality, this will also lead to a reduction in labor requirements (see Manufacturing)
- Help our supplier partners to improve their worker retention abilities (see Workforce)


Yuhui Peng

Helping a Supplier Partner Choose a Dispatch Agency

Our supplier partners have a greater need for dispatch labor in their facilities. Since 2013, we have been working with one of our top seven supplier partners to put best practices in place to manage the risks inherent in using dispatch agencies.

We made our selection based on a number of factors, including an agency's ability to supply the most workers, and how the agency treats its workers. Our engagement with supplier HR, constant communication, and the availability of the Little Bird hotline in these facilities helps us gauge which agencies treat people the best.

In this particular instance, the factory population was high (during production ramp it grew by 119% between June and July 2013), the work carried out in the factory was physically demanding, and the HR department was not adequately resourced. Because production ramp lasted for a limited time period (and was subject to delay), the supplier would not invest in additional HR staff to carry out hiring and training during this time.

During production ramp the Little Bird hotline received complaints in relation to food, dorms and payment practices. The quality of food was sometimes insufficient, or there were extra charges for meals. Workers signed contracts that did not align with their verbal agreement. Pay was docked when dispatch workers gave less than one-month notice, even though they are only required to give three days' notice. There are also challenges related to dorm crowding, with limited space to store personal belongings. Since the dorms are not utilized year-round, factories are not in a position to invest in additional dorm space.

In 2013, we based a PCH HR representative in this factory to liaise with the supplier's HR staff to prevent non-compliance with labor law. We continue to work with our supplier to encourage them to invest in their labor management practices and bring dispatch management responsibility in house. In particular, it is hoped that in 2014, the supplier will begin to pay dispatch operators salary directly to prevent any interference with worker pay. Any reduction in an agent's role in managing workers, results in a corresponding increase in their service fee (to make up the potential loss) so this can be difficult to negotiate.

The challenge with this case is that there is no major indication of overall improved practices. In 2013, factory management reacted to individual complaints once they were reported by Little Bird hotline staff or PCH HR. Often, in the case of dispatch workers, they leave by the time an issue can be resolved. Whether the same issues will arise again in 2014 remains to be seen.

MANUFACTURING

MANUFACTURING

Making Manufacturing Better.

At PCH, we design, develop and manufacture products including both electronics and the packaging they come in. This has an impact on the environment, from the energy used to make a product, to the waste created from packaging. We want to modernize our manufacturing partners – to change the way things are made – and help our clients do the same. This will take more work on our part and that of our suppliers. We need to assess everything that's happening in our factories, including materials, energy, resources and people. Our approach is always to go to the root cause of any problem, in this way we can begin to create meaningful change that affects the entire life cycle of a product.

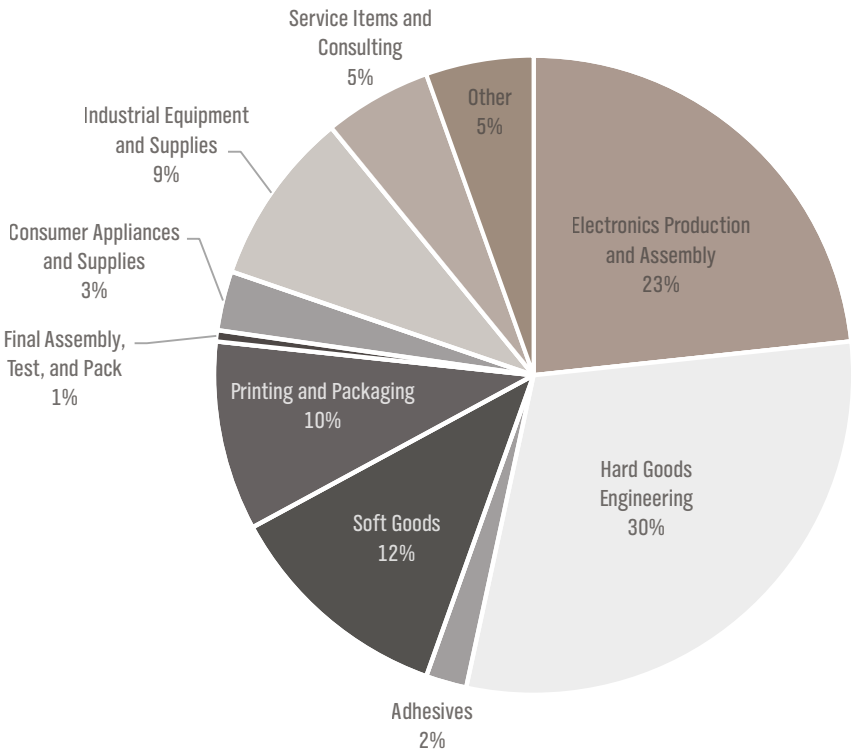
Our Environmental Impact

The greatest environmental impact at PCH is not in our own offices or facilities: it lies in design (packaging, product design and material selection) and manufacturing (manufacturing processes and material use). When we work with our suppliers in assembly, component manufacture or even raw material extraction, it is clear that this is where the greatest environmental impact occurs.

Within our own facilities, we do not use any raw materials, chemicals, heat, fuel, steam or cooling processes, nor do we have significant amounts of industrial or hazardous waste in our operations. Electricity is the only significant form of energy consumed in our factories (lighting and machinery associated with packaging and fulfillment).

The relatively short lifecycle of consumer electronics products is a major sustainability challenge for PCH. The cyclical nature of production schedules, combined with ever-evolving technologies, requires PCH as an organization to ensure that to manage our environmental impact, we have on-the-ground expertise in many different manufacturing disciplines located across many different manufacturing sites.

PCH Supplier Categories



While we work with our clients to encourage responsible material selection and disposal, the final products do not belong to PCH. Therefore, we are currently unable to monitor weight or volume and whether products or materials are renewable or non-renewable.

We must take collective responsibility for these indirect impacts. We are in a useful position to enable progress in upstream supply chain sites.

We must always work with clients and supplier factories to minimize environmental impacts at their level in manufacturing processes, material choice and design decisions.

Factory Improvements

What we Typically See in Factories	What we do in Partnership with our Suppliers to Fix this
Energy waste in production equipment	· Improve motor use in manufacturing equipment · Optimize use of support systems like air compressors and ventilation · Implement real time energy monitoring systems
Toxic and hazardous chemicals used to make plastics, process paper, coatings and adhesives	· Identify materials used and seek alternatives · Improve efficiency of processing equipment to reduce unnecessary chemical use · Provide information to designers about the impact of their design decisions on the manufacturing process
Water pollution (particularly from heavy metals)	Optimize chemical processing of metal parts to prevent wastewater contamination
Heavy metal waste from rejected/poor quality products	Reduce excess waste by improving manufacturing processes, especially manual processes with better design and processing equipment
OHS danger for workers: · Hand soldering: dangerous for workers and can affect product quality · Solvent cleaning of finished part	· Automate or partially automate soldering operations · Reduce contamination that causes the need for cleaning and use safer alternative cleaning materials
Water and paper waste causing unnecessary use of timber, water and energy	· Improve production processes with better product design and processing equipment operation · Improve storage of raw materials and finished products

Whilst the devices being made in Chinese factories are constantly evolving, many of the factories in which they are made are primed for industrial upgrade, allowing them to become modern, safer and more productive environments. Our supply base is varied and so the environmental impact of each factory also varies.

How can we overcome the technical and financial barriers that accelerate industrial upgrades? Solving this is a key sustainability goal for us.

We find that often the missing critical component of this upgrade process is factory data, which would allow us to improve energy intensity, material use intensity, water use intensity as well as proving the economic feasibility of the improvement bringing financial benefits to clients, suppliers and ourselves.

How We Are Managing Our Impact

At both our PCH office in Shenzhen and our CTS facilities, we monitor consumption of water, paper, electricity, hazardous waste, and employee transport spend. At CTS we remodeled our operations between 2012 and 2013 to reduce aging stock, the amount of space used and the defect rate in our packaging and fulfilment centre.

We carry out an annual Environment Risk Assessment on the PCH Shenzhen business and our CTS facilities. This is carried out by our Quality and Internal Audit teams in compliance with ISO 14001 standards. Through this process we have identified the areas of greatest environmental risks to be: the supplier selection process, material selection, energy and water use, and waste and air emissions.

Our material issues related to Manufacturing are:

- Energy and Air Emissions
- Transportation and Inventory Management
- Materials and Chemicals
- Water
- Waste


Sanmei Hao

Energy and Air Emissions

The majority of Chinese energy consumption – 72%[13] – is used in manufacturing. Most of air emissions arise upstream in factory production and downstream in transportation. Our clients have made great progress downstream in managing the environmental impacts of what they can control in their supply chain (e.g. inventory management and encouraging consumer recycling). However, they tell us that they struggle to have meaningful impact on manufacturing facilities because they do not have adequate access at all stages of the process. PCH acts as a key link between our global network of clients and suppliers throughout China.

In late 2013, we began developing and testing detection technologies to monitor energy consumption in our network of supplier factories. Collecting accurate data on factories' energy use (e.g. air compression, lighting, HVAC and machines) enables us to set realistic performance indicators and helps us to identify areas for improvement. In 2013, we piloted equipment in select supplier factories. In one supplier partner factory, we adjusted air pressure in 22 plastic injection machines, saving our supplier over $4,000 in electricity costs and 26 tons of CO2.

Energy and Emissions

Resource	2012[14]	2013	Percentage Increase/ Decrease
Electricity[15]			
Total use	3,671,189 KWH	3,938,043 KWH	7% increase
GHG emissions (Scope 2)[16]	2812 tons	3017 tons	7% increase

Sourceflo
PCH Software Solution

In late 2013, we began to pilot our own technology, SourceFlo™, which will allow us to compare our factories with others in the region as well as global best practices. In turn, this will help us not only evaluate factory environmental performance, but also improve our data management and supply chain transparency credentials.

Energy Use in Our Operations

Energy consumption in our factories is minimal compared with upstream supplier factories – we just carry out packaging, kitting, and fulfillment. Our aim is to enable our suppliers to reduce energy consumption in their manufacturing facilities.

The increase in electricity use is the result of two offsetting forces. Our CTS 2 factory facility energy use increased as it was operating for a full 12 months in 2013, compared to five months in 2012. Our CTS 1 factory's energy use decreased by 21% on the production lines and in the office, mainly through improved operational efficiencies.

NEXT STEPS: Energy and Air Emissions

- In 2014, we will test detection technologies in our CTS facilities and supplier facilities that will allow us to identify areas for energy consumption improvement and emission reduction.

13 http://china.lbl.gov/sites/all/files/key-china-energy-statistics-2012-june-2012.pdf

14 Total at December 31 in PCH China (excluding PCHD).

15 No fuel use as all heat, light and power come from purchased electricity.

16 International Energy Association (IEA) uses 0.766 as a conversion factor. GHG emissions result from the generation of electricity purchased from other organizations for our own consumption.

Transportation and Inventory Management

Since we don't ship product through our own means, we are not directly responsible for transportation emissions. How a product gets from our factory to the customer is a decision made by our customers and is not always within our sphere of influence. Reducing transportation emissions (e.g., using ships instead of planes) is difficult to alter, as speed to market is key to our business. We recognize this is a place where we can leverage our unique position in the supply chain to begin asking key questions that will lead to better business.

Our unique position in the supply chain allows us to ask key questions that will lead to better business.

We also use energy to transport employees, including air travel, buses to move workforce to and from dorms, and car travel from offices to factories or suppliers. We have not tracked the GHG emissions associated with transportation. We do not expect the need to transport our people will reduce over the coming years and while we have not measured the impact of employee transport, we believe it will be minor in comparison to the transport emissions associated with moving inventory. That is why we chose to assess this area of our business over the coming years to establish how we can make this better.

Inventory refers to the raw material, components and finished goods that PCH manages on behalf of our clients. The longer time inventory remains in a warehouse or in transit, the greater the chance it will become obsolete/lose value and have to be disposed of. This is both economically and environmentally wasteful.

We work with our clients to manage production and inventory to reduce excess waste and resulting landfill. From our distribution hub in China, we arrange the shipment of our clients' products to market in record time. While this reduces waste, it increases air transportation emissions. This is an unfortunate trade-off. We can eradicate the need for excessive manufacturing by managing inventory in the most specific manner possible – by replacing it with real data. The factory-level data we are collecting on materials use, energy and labor makes it possible to meet real demand without the need for excess inventory. We want to eradicate the current practice of reliance on forecasts and replace it with real knowledge of what products need to be made. In working towards this, we will reduce the waste that comes from oversupply of inventory.

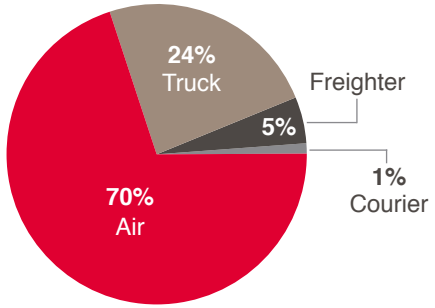
NEXT STEPS: Transport and Inventory Management

- Our current practice in assessing our business performance considers service, quality, cost, etc. We do not yet formally include the environmental impacts associated with our business in these assessments, but feel this is a natural next step for us in order to integrate sustainable thinking into our business decisions.
- In 2014 we will begin to assess how to incorporate environmental indicators into our business indicators to measure and understand the impact of, amongst others, our inventory management model.

"As a company whose core business is getting a product to market, transport should be an area of focus and we should analyze the footprint of our business model. We have a real opportunity to lead here."

- John Garvey

Chief Technology Officer



How our products are delivered

Between 2012 and 2013, we reduced the number of days our stock stayed in warehouses by 9% and reduced the value of aging stock in our warehouse by 6%.

Materials and Chemicals

Materials used in products and packaging pose environmental risks, including emissions and pollutants. At PCH, we are working with our clients and internal teams to focus on design and material selection; in this way, we hope to mitigate as many environmental risks as possible.

It starts with awareness. We must question the components, colors and coatings used in manufacturing and consider better alternatives. In 2013, we recognized a need to develop a materials library, so that our engineers can track alternative materials for use in manufacturing. Our SourceFlo™ technology will enable us to gather this data.

"Material waste starts with design. When it comes to material selection for hardware, technology is still underdeveloped. At this time, we can have a greater impact on packaging as we have influence with our customer, but we need to become more proactive in getting involved in material selection with our clients."

- Johnson Qi

Materials Director

Materials & Chemicals in Products

Our clients are increasingly interested in using alternative materials in their hardware products. However, they are generally not willing to pay more for this service. We need to get behind this trend and show our clients their options and our capabilities. We want to show them that better material can be cheaper. We have the expertise to do this while keeping short lead times, quality and cost in check. For example, it is possible to get more use out of a piece of leather and reduce scrap by automating cutting or altering patterns.

Saving on materials can improve quality too:

- With one product, we switched from a nylon fabric with PU coating, to a polyester alternative. Not only did this provide a **41% cost saving,** but the polyester option is more likely to be recycled.
- By using alternative biodegradable LD-PE resin in plastic packaging, our client made a **20% cost saving per ton,** it's recyclable, and the can is biodegradable under the right conditions.

Our next steps are to integrate our material teams' expertise at the early development stage of a client project to reduce, prevent or even eliminate supply chain risk. In 2014, we will create a list of restricted chemicals to be deployed across the organization with particular focus on startup companies.

Conflict Minerals

The use of conflict minerals in our clients' products – minerals mined in conditions of armed conflict and human rights abuses – is of great concern to us. We are not currently required by law to disclose the minerals in our supply chain. However, as a responsible company, we will update our management procedures under the guidance of the OECD guidance for responsible supply chain of minerals from conflict-affected and high-risk areas. PCH is working on new ways to improve robustness of existing material qualification procedures.

Through the introduction of SourceFlo™ we will begin to identify the use of gold, tin, tantalum and tungsten in our supply chain. We will also explore solutions for the best ways of managing this issue.

Materials & Chemicals in Packaging

We believe that packaging that can be recycled isn't good enough. Instead, when we design packaging and select materials, we ask ourselves whether an item is *likely* to be recycled.

To have the greatest potential impact on packaging, we need to take an all-inclusive approach to design.

We consider and review all aspects and attributes that go into product packaging, with a goal of developing products and processes that abide by our own definition of recyclable: An item is recyclable when it can pass through a conventional, mixed-input recycling plant with a sorting floor and end up in a marketable bale designated for a new product.

Our design specialists concentrate on creating packaging that saves on environmental and transport impacts, while enhancing what the consumer sees on the shelf. We consider the use of non-hazardous materials, waste reduction within processes, optimizing packaging for transport, and end-of-life recycling programs. Packaging is designed to save space, use the best choice materials that can withstand overseas transit, source surface materials and finishes from responsible manufacturers, and include components that are truly recyclable and labeled to encourage consumer recycling.

NEXT STEPS: Materials

- Gather and record data on manufacturing energy use, processes, and materials going beyond Tier 1 suppliers deep into upstream suppliers
- Increased integration of materials specialists at the early stages of product development and design (both packaging and manufacturing)
- Assist our clients' compliance with incoming laws relating to Conflict Free Minerals while identifying our own role in the supply chain in relation to these minerals
- Create a list of restricted chemicals to be deployed across the organization

In 2013, we overhauled a client's packaging to make it more recyclable and eliminate excess packaging. Our lifecycle modeling indicates substantial potential improvements in fossil fuel consumption (80% less), water use (39% less) and GHG emissions (79% less) over the course of the next decade. The resulting lighter packaging will also save the client 19% on ocean transportation and 20% on air freight transportation costs.

Water

Water is used for domestic purposes only in the Shenzhen office and at our facilities (e.g., toilet flushing, dish cleaning). Our water comes from the Donjuang River in Shenzhen and is not recycled after use (we don't know where it goes). Our landlord fees at our facilities cover water disposal charges. We achieved a 22% reduction in water use during 2013, even though we included CTS 2 water use for the full year (compared to five months in 2012).

Water Use in PCH Operations

Resource	2012[17]	2013[18]	Change
Water[19]	43,296 tons	33,987 tons	22% decrease

Water use in supplier manufacturing facilities is of greater concern to us. Chemical pollutants are released in water, particularly in hard goods manufacturing facilities, as well as in printing and packaging suppliers. We recognize a need to evaluate the rate of discharge at factories as well as ongoing monitoring and improvement of wastewater treatment technologies in supplier factories.

NEXT STEPS: Water

- Through the use of SourceFlo™ we will eventually be able to monitor and understand water use, waste and pollution in our supplier facilities.

Waste

The local authorities in the free trade zone control domestic waste management in our factories. For this reason we do not have data on the quantities of waste picked up from our facilities. Domestic waste and production related waste (e.g., cartons, pallets, stretch film, and plastic bags that package incoming raw material) are part of our client's bill of material and are collected by a qualified recycling company that disposes of the waste in the Chinese domestic market. Hazardous waste (e.g., batteries and fluorescent lights) is disposed of by a qualified disposal company in the Chinese domestic market (159.1kg in 2013). Any raw material from the client's bill of material is shipped directly to a qualified disposal company in Hong Kong.

Waste is of greater significance in our network of supplier factories. Waste can mean energy, water, materials, even time. Our supplier sustainability program is essentially about minimizing all waste, and reducing costs, which leads to positive environmental and social impacts. In terms of reducing waste at factories, we need to continue to pursue manufacturing modernization and overcome technical and financial barriers - which leads to more efficient and less wasteful manufacturing.

NEXT STEPS: Waste

- We will continue to focus on eliminating waste through improved manufacturing processes and design.

17 One factory (CTS 2) commenced operations in August 2012, so 2012 includes only five months of data.

18 Total at December 31 in PCH China (excluding PCHD).

19 All data comes from bills and factory meters.

WORKFORCE

WORKFORCE

We Make Communities.

A successful company is one with a motivated workforce.

How can we assemble the best team at every stage of the supply chain?

We believe that when we apply best practices, and they are carried out by a team of people living our values, we have a recipe for a successful business – anywhere in the world.

We also want to create a sustainable company where our employees make a life – not just a living.

Since 2012, we have invested in programs that enhance our workforce communities, particularly in our factories, helping operators build networks and thrive in new communities.

PCH Global Workforce

Country	Employees[21]		Supervised Workers[22]	Total Workforce	% of Total Workforce
	Operators	Non-operators[23]			
Ireland	-	98	0	98	4%
China[24]	1,536	648	328	2,512	94%
Australia	-	1	-	1	0%
Japan	-	1	-	1	0%
Korea	-	5	-	5	0%
South Africa	-	5	-	5	0%
Taiwan	-	2	-	2	0%
USA	-	59	-	59	2%
Total	1,536	819	328	2,683	100%

About Our Workforce

At PCH, our workforce includes both our employees and dispatch workers, those workers hired through agencies but supervised by us (see also Dispatch Agencies).

The majority of our global workforce is located in China: 75% of our China workforce work in our factory facilities while the remaining 25% are office based staff. In China, 62% of our workforce are female and 38% are male[20]. Twenty-two percent of the PCH Senior Leadership team are female.

20 PCH China excluding PCHD (60 people)

21 All employees are full-time. No part-time employees were employed by PCH China in 2013.

22 Supervised worker refers to non-employees i.e. operators hired through a dispatch agency or contractors. PCH employed 7 contractors and 321 dispatch staff at December 2013.

23 Refers to office based staff

24 PCH China consists of CTS 1 (49% of workforce), CTS 2 (31%), PCHD (2%) (total in factories is 82%), PCH Shenzhen office (17%), PCH Hong Kong (1%) as at December 2013.

The Migrant Experience

Shenzhen is home to one of the largest migrant communities in China. At PCH, we are a company of migrants represented by 14 different nationalities and 97% of our factory workforce are migrants. The majority of our workforce have migrated to Shenzhen from other parts of China, and face many issues: they are often alone, are separated from their communities and families, and have no local hukou rights or local knowledge. We need to consistently ensure these workers are treated and paid fairly, and receive opportunities for training and education that provides them with long-term benefits beyond their time with PCH. Most workers stay at factories for less than a year, so they're not committing to us for the long-term. As a result, high labor turnover is important for us.

Our material issues related to Workforce are:

- Employment conditions and labor turnover
- Pay, benefits and overtime
- Health & safety
- Training and development
- Grievances

About Hukou

The term Chinese 'migrant worker' refers to the Hukou Chinese household registration system (not applicable to Hong Kong). If a person is born in a rural area, their hukou (meaning household record) is registered there. Full access to social services (e.g., schools, hospitals) is determined by a person's hukou.

China is home to over 262 million migrant workers who have moved from their home province to another for work. Shenzhen is home to one of the largest migrant communities in China with just 25% of residents (2.68m) holding local hukou (2011).

In 2013, 11% of the PCH China workforce had Shenzhen hukou. PCH abides by the minimum local legal requirements on transfer of hukou to Shenzhen. In addition, we have our own minimum requirements when an employee wishes to transfer their hukou.

PCH policy requires a certain period of service by an employee prior to supporting an application for transfer to Shenzhen hukou. For factory operators, the employee must complete at least three years' service and have management approval to transfer their hukou. There is no specific policy on who will be supported in their application for transfer of hukou. Transfer is only available for CTS permanent employees and excludes dispatch staff. Any dispatch staff who wish to transfer need to do so through their direct employer, the dispatch agency.

Generally factory operators do not apply to transfer their hukou because it ties them to that city and often workers plan to return home at Chinese New Year, they do not plan to retire in Shenzhen, they wish to remain flexible in order to move to a new location for a higher salary and transferring hukou results in an increase in social insurance contributions which would impact net pay.

PCH and CTS employees made approximately 10 hukou transfer applications in 2013.

How We Manage Our Workforce

PCH and CTS have separate human resources divisions and practices. We monitor performance and job satisfaction in the following ways:

In October 2013, PCH (excluding CTS) participated in the Great Place to Work® survey to understand our employees' trust in the company and how we can improve our working environment and career development programs. The survey was distributed to 580 PCH office staff globally; 464 people responded (PCH overall response rate 80%). The results were positive: 79% of PCH Shenzhen and Hong Kong said that, "Taking everything into account, I would say this is a great place to work," and say they value our company culture, ethics and fairness. Areas for improvement include training and development, communications in relation to compensation and benefits, and recognition/career development. In 2014, we will develop a response plan, and conduct the survey again in 2015.

PCH employees receive regular performance and career development reviews, which focus on goal setting, coaching, and areas for further development. New employees receive a formal probation review after six months, in addition to ongoing dialogue and coaching throughout their probationary period.

In 2013, factory staff also received regular performance and career development review. Factory worker satisfaction is gauged through the Little Bird hotline.

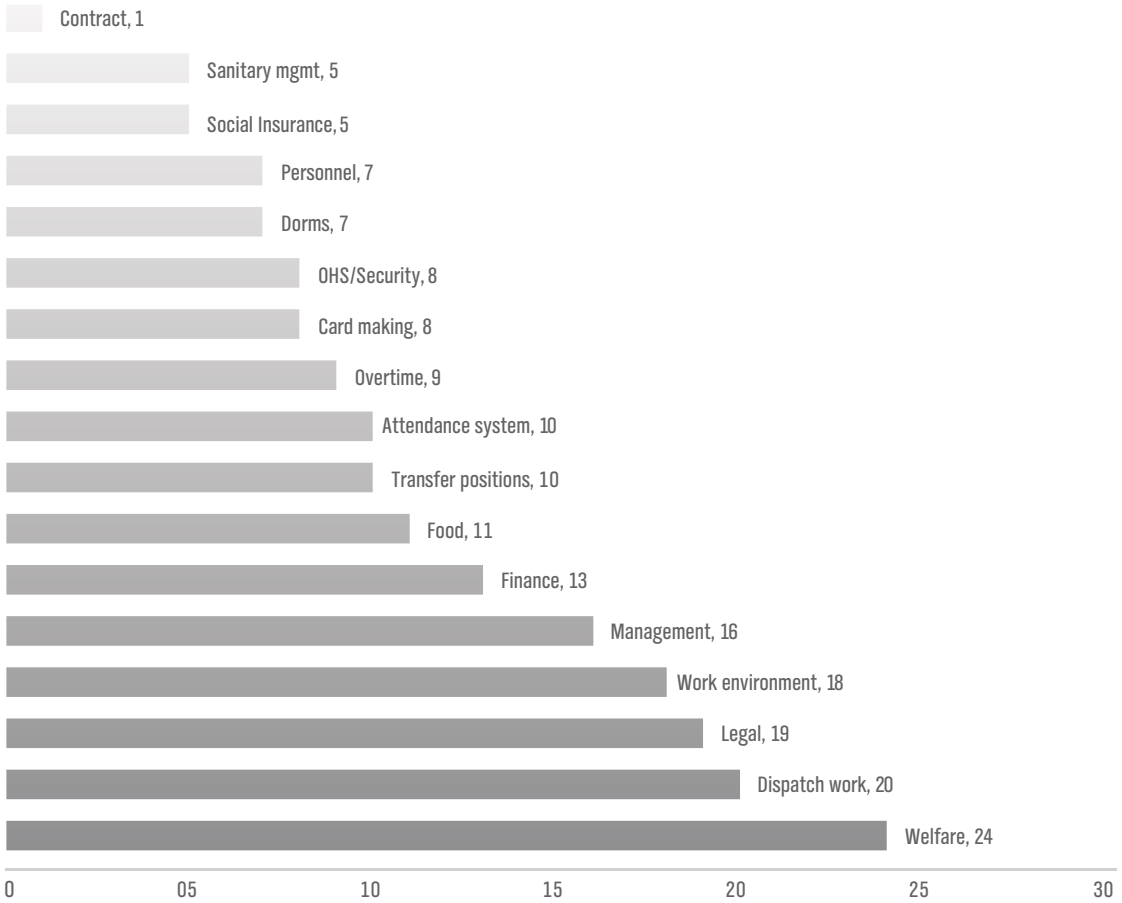
To help us address high labor turnover and provide opportunities for workers, we have turned to two partner organizations: Little Bird and MicroBenefits, who have been key partners in reforming the Shenzhen factory floor.

In our 2012 report, we set targets in relation to our employee practices:

- To include Corporate Social Responsibility (CSR) training at induction and have all current employees attend CSR training. Status: CTS carries out CSR training at induction and PCH Greentech team conducts a sustainability overview and induction for new joiners.
- To set a formal procedure around minimum notice periods regarding significant operational changes. Status: A four-week notice period is now incorporated in all PCH employee contracts. At CTS, a formal procedure is not in place, but our practice is to consult with the employee and upon their agreement with the proposed change, one week's notice is provided in the event of a change in their role.

Little Bird

Little Bird is an independently owned and operated non-governmental organization (NGO) that provides advisory services for factory operators. We were the first company to partner with Little Bird, and have been working with them since August 2012 beginning in two of our own factories reaching seven by December 2013 (two at PCH and five suppliers).



Topics raised through Little Bird hotline, 2013

Little Bird runs an independent confidential operator hotline that we use to gather feedback from operators, provide guidance and develop social activities. Through Little Bird, approximately 4,500 workers in our network have access to the hotline each month. Little Bird liaises with a dedicated PCH program manager and factory management to respond to the needs of the workforce.

In 2013, 59% of all hotline correspondences came from our supplier partner facilities. Little Bird received 1,643 phone calls and 8,456 correspondences[25] on QQ talk (instant messaging system). In September 2013 alone (production ramp) 3,125 correspondences were received.

People call the hotline for a variety of reasons. At our larger supplier partner facility (where there are a lot of dispatch workers), queries largely related to the challenges of Dispatch Agencies[26]. In smaller supplier partners, the chief concerns related to legal knowledge. At our own facilities, the primary topics raised were welfare, transfer positions, management and social insurance.

25 A correspondence is calculated as one call or one full engagement through QQ (number of correspondences back and forth are not counted, rather the entire engagement).

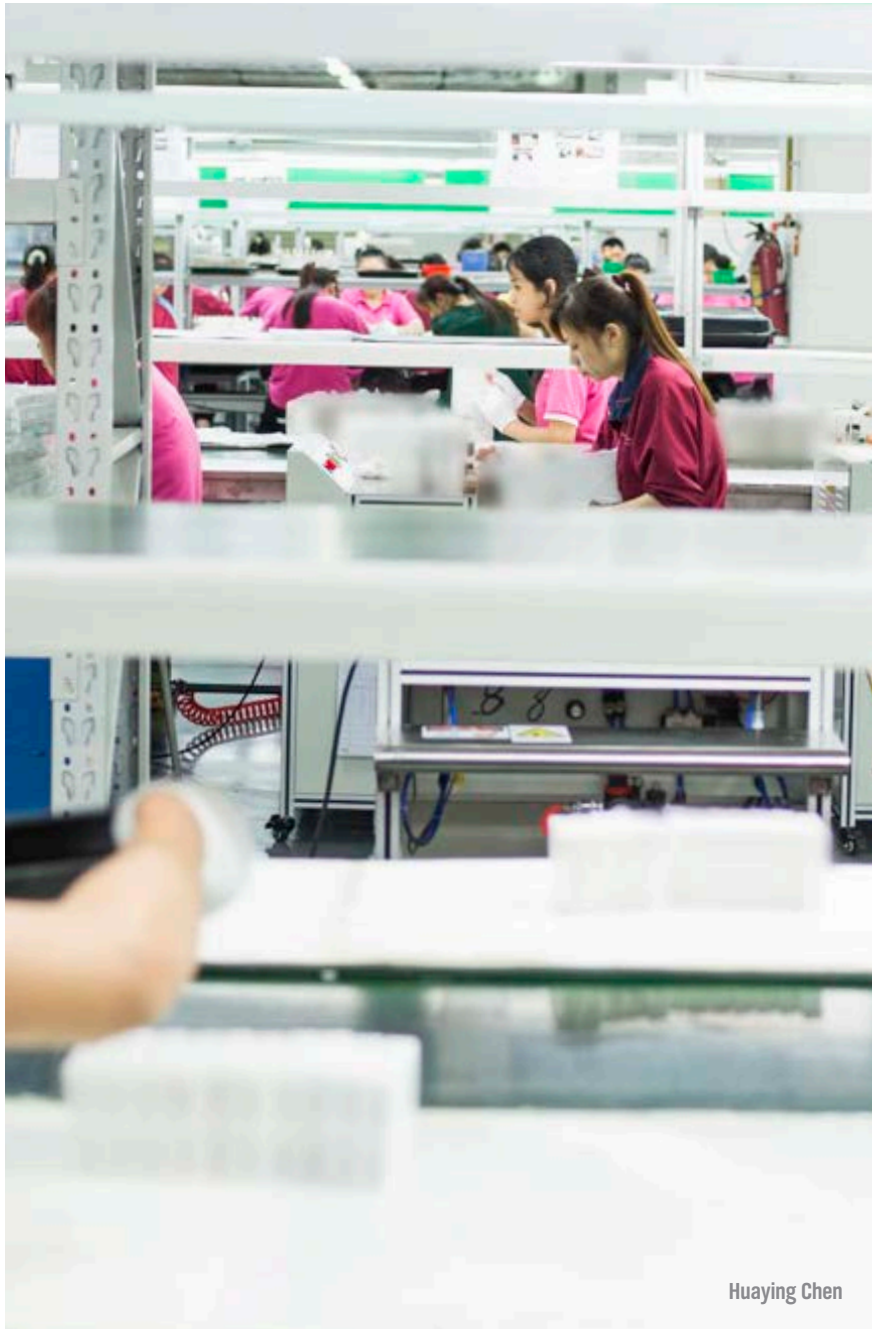
26 Analysis of sample data of 191 correspondence with the Little Bird hotline across seven facilities during 2013.

MicroBenefits

MicroBenefits is a social enterprise committed to enhancing frontline workers' livelihoods while enabling employers to generate cost savings. It partners with employers to customize worker engagement programs, using technology-related initiatives to increase employee satisfaction and loyalty, reduce turnover rates, and improve productivity.

From listening to our workforce (through the Little Bird hotline), we understood the need for social and educational platforms.

In January 2013, we began partnering with MicroBenefits to launch a loyalty program in our facilities. This includes a welcome pack for new joiners, participation in a retail discount network and a Company IQ education and training application for smartphones. In November 2013, we expanded the MicroBenefits program to our partner supplier facility. On average, 2,840 operators had access to the MicroBenefits program each month from March to December 2013.



Huaying Chen

Employment Conditions and Labor Turnover

For companies operating in Shenzhen, managing turnover is critical to business success. This is why so many of our workplace programs are oriented towards employee loyalty/satisfaction and building a sense of community.

PCH China	2013	Rate
Total employees at Jan 1, 2013	2,551	-
New hires[27]	2,094	88%[28]
Leavers (voluntary and involuntary)	2,461	104%[29]
Total employees at Dec 31, 2013	2,184	-

In 2012, we had to replace on average 21% of our factory workforce each month. Not only is it costly to hire and train a new operator, it also interferes with our productivity, quality, and profitability.

We launched the Little Bird hotline and gathered initial data from over 500 calls with our employees, and an additional 973 with our supplier employees. We noticed that while wage was a consistent reason in deciding whether to stay or leave a factory, promotion and learning opportunity, as well as a sense of belonging and community and a good work environment were also considered important. We recognized that in addition to competing on pay and benefits, we also needed to do more to reduce turnover by creating programs to encourage workers to stay longer.

As a result, we invested more in programs (e.g., Little Bird library and MicroBenefits) to enhance our factory communities while readying operators for life beyond the factory. Since that time, we have experienced a drop in replacement hire rates (those hired to replace someone who has left) and their associated costs, specifically a $1.38m saving on labor costs in 12 months with a return on investment of 5:1. The insight and learning into factory worker's perspectives provided by our partnerships with Little Bird and MicroBenefits allows us to develop and tailor these initiatives to the needs of our workforce.

During 2013, the need for replacement workers decreased significantly, compared to 2012. Changes were implemented in our factories that reduced the need for operators including increased overall factory efficiency and a decrease in peak monthly volume. However, as well as a reduction in the need for employees, it is also possible that our social programs were a contributing factor in the reduction in turnover.


Xiaohong Peng

27 Those hired to fulfill business needs as well as those hired to replace someone who left

28 Calculated as new hires who commenced during 2013 as a percentage of average total employees in 2013

29 Attrition rate calculated as all those who left during 2013 as a percentage of average total employees in 2013

Financial Benefits of a Healthy Workforce: Case study on PCH CTS 1 facility[30]

In addition to health and work benefits, having an educated, trained and productive workforce has financial benefits.

The cost of one replacement hire is $320[31] USD.

In 2012, we had to replace operators in our CTS 1 facility 5,214 times, for a total cost of $1.6M (on average 21% of factory workers were replaced each month). In 2012, just 12% of the CTS 1 factory workforce had stayed for more than one year.

In 2013, the average monthly replacement hire rate in the same facility dropped to six percent, creating a $1.3M saving between 2012 and 2013. In 2013, 53% of our staff were working at the facility for one year or longer.

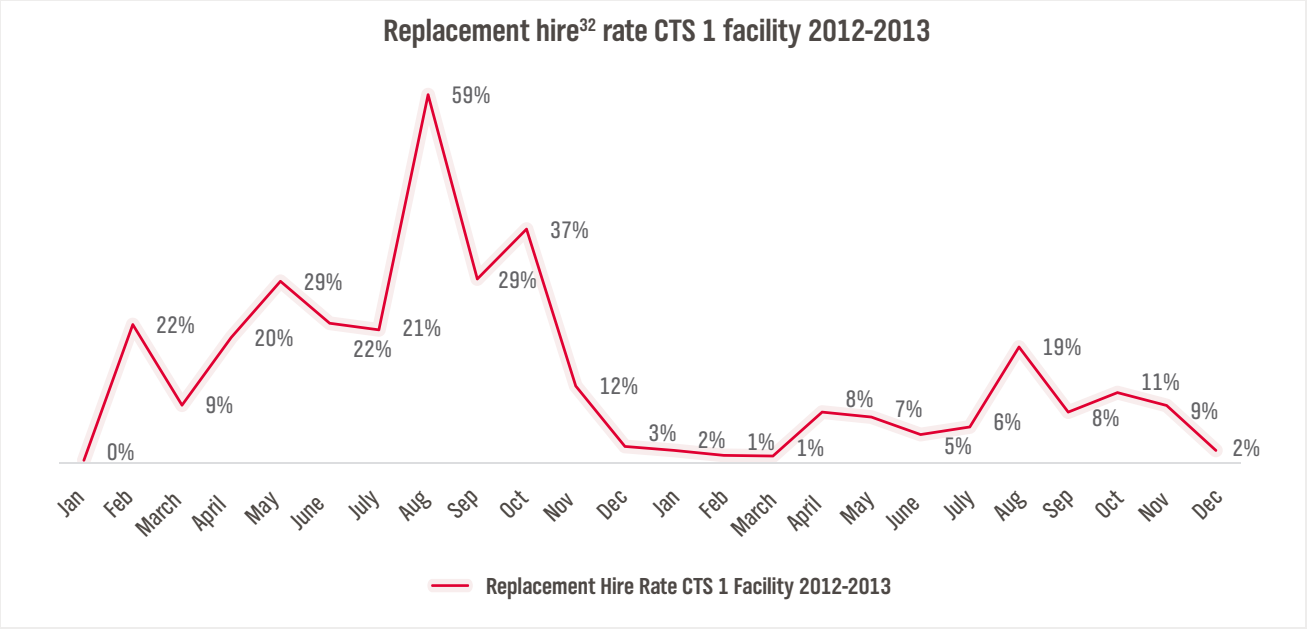
Being more efficient in our operations affected our factory floor operations as well:

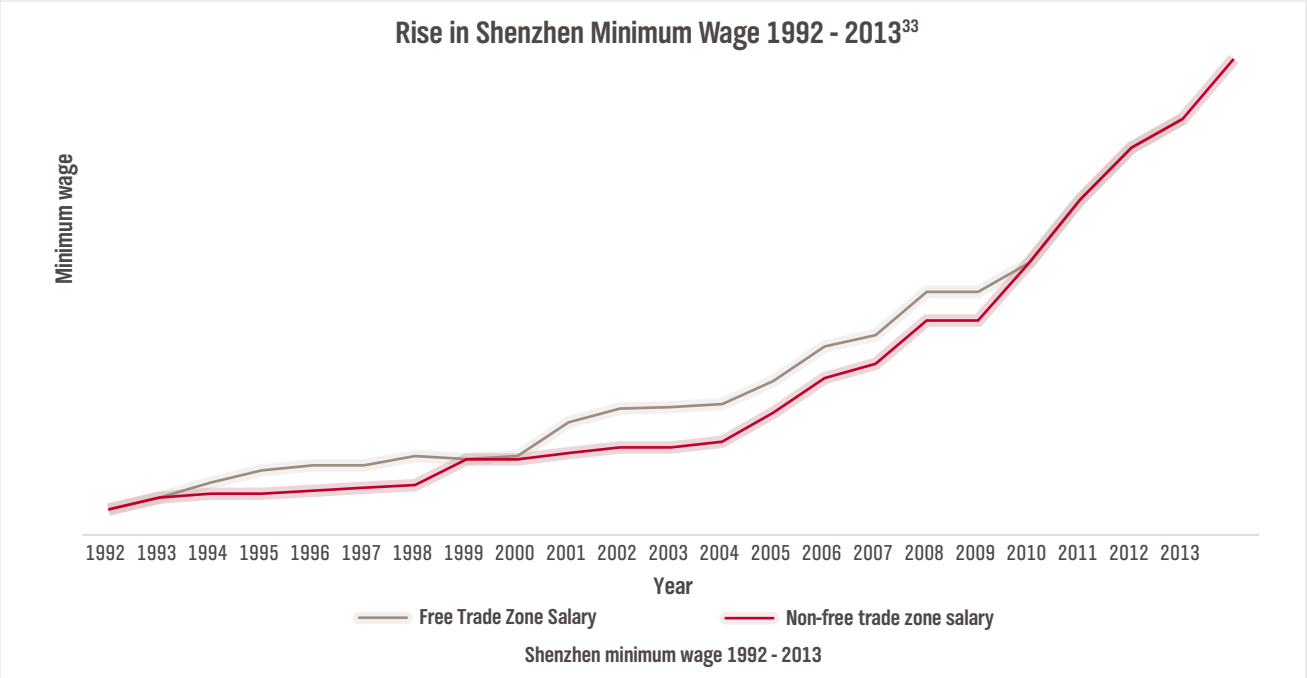
- 3% increase in annual volume (units shipped)
- 10% reduction in space used for lines, raw materials and warehouse
- 29% growth in operator efficiency
- 68% increase in units per hour per person
- 3% decrease in average inventory turnover

Zhifang Li / Qiaofen Liang

30 Case study refers only to our CTS 1 factory facility as we have two full years of employee data available

31 We use a conservative calculation in defining on the cost of replacing an employee. We referred to market research (Hay report), our social enterprise partners and our own payroll calculations in determining this value, opting for a median amount of $320.





NEXT STEPS: Employment and Turnover

- Continued investment in social programs including the introduction of new partners in order to maintain low turnover in our factory facilities
- Continued introduction of social programs to supplier partner facilities

32 An operator hired to replace somebody who has left.

Pay, Benefits and Overtime

Over the past decade, the minimum wage in Shenzhen has increased by over 167%. Like most factories in the region, we pay the minimum wage, and compete on the basis of benefits. In a salary analysis of compensation and benefits offered by companies in the Shenzhen Futian Free Trade Zone in 2012, CTS ranked fifth from thirteen companies.

33 Salaries as set by the local Shenzhen government, basic salary for a 40-hour week excluding any additional benefits or overtime. Free trade zone and non-free trade zone salaries differed until 2011.

PCH Shenzhen and HK

Permanent PCH employees receive base salary, Chinese new year bonus (Chinese/HK nationals only), performance based bonus, life and health care insurance, disability and invalidity coverage, retirement provision, social insurance (Chinese employees), and leave entitlements (i.e., annual, public holidays, parental, and marriage leave). Expats, interns and consultants also get a housing allowance; travel allowances are provided to some staff.

Base pay is based on market value for that role in a particular geography. The PCH policy around our annual compensation review process is to compare all positions with market median data. One hundred percent of our workforce receives social accident insurance and social health insurance (where applicable). Permanent employees at PCH China receive an annual performance based bonus, based on their individual performance rating.

CTS

All factory employees receive at a minimum, the local minimum wage as set by the Shenzhen government, and are paid legally required overtime rates. All staff (including dispatch) receive base pay, Chinese new-year bonus, meals, dormitory/housing allowance (discontinued for those who joined after the first of March, 2013), high temperature allowance, night shift/on call allowance (where applicable), transportation (buses for employees in certain remote dormitories), mandatory social insurance and housing fund (Chinese nationals only), leave entitlements (i.e., annual, public holidays, parental, and marriage leave), company uniforms, vending machine cards, and red pocket for Chinese New Year. Operator employees receive a monthly bonus for attendance of one full month's work.

Dispatch workers receive the same pay as our employee operators (social insurance payments are administered by the dispatch agency, all other benefits are paid by factory HR).

Employee Overtime

Working overtime is a common occurrence both in our own facility and those of our suppliers. Ensuring overtime hours are not excessive is a key focus at PCH. Through the Little Bird hotline and surveys, we have observed that workers are usually eager to work overtime. In fact, none of them say that overtime is unacceptable and 28% accept overtime with pleasure. Fifty-six percent of workers say they work overtime for pay, and their optimal amount of overtime is two to three hours per day. During production ramp, only 16% of workers do not want to work voluntary overtime.

A standard working week in China is 40 hours per week with no more than 36 overtime hours per month. Workers are entitled to at least one day off per seven-day week.

Working weeks exceeding 60 hours are deemed excessive by industry associations, and our supplier code of conduct requires that no employee should work for more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off per seven-day week and all overtime must be entirely voluntary. We constantly engage with employees to understand the level of overtime they are comfortable with. PCH achieved 99% compliance with our code of conduct in 2013 and the average factory operator working week in Q4 2013 during production ramp was 53 hours per week.

Ultimately, achieving a workweek that is well planned, balanced and meets employees' requirements (but is not excessive) is our goal. During seasonal production ramp we offer working weeks of up to 60 hours, always ensuring this is voluntary overtime, compliant with our code of conduct and aligned with information collected from our ongoing worker engagements.

Parental Leave

We abide by all parental leave entitlements in accordance with local laws. In 2013, 40 PCH China employees took parental leave. We estimate that at a minimum 63 people were entitled to parental leave, but some (approximately 23 factory operators) did not avail of their leave entitlements and chose to leave work instead, probably to return to their hometown.

2013	Total	Female	Male
Employees entitled to parental leave[34]	63	52	11
Employees who took parental leave	40	29	11
Employees who returned to work after parental leave	34	23	11
Employees still employed 12 months after returning from parental leave	20	10	10
Return to work rate as a percentage of those who claimed parental leave	85%	79%	100%
Return to work rate as a percentage of those entitled to parental leave	54%	44%	100%

NEXT STEPS: Pay and Benefits

- Maintain competitive employee benefits packages to prevent high turnover
- Continue to monitor factory worker overtime

34 Data excludes PCHD

Health and Safety

At our directly owned factory facilities at CTS, where we carry out fulfillment and packaging, our operations at PCH China are not as hazardous as other areas of our supply chain. We carry out annual internal and government mandated risk assessments at our facilities to identify areas of priority. In 2013, one station at our CTS facility was deemed hazardous and the 27 operators who work on this are issued with personal protection equipment and undergo a health check before being assigned this station.

Injuries are reported to the local social security bureau. In 2013, one female was injured in a traffic accident on the way to work (a 20 day scheduled workday absence). The employee was still employed by CTS at the time of reporting.

Health and Safety Performance

PCH China	Number of incidents	Incident rate
Fatalities	0	0%
Injury rate[35]	1[36]	0%
Occupational disease rate[37]	0	0%
Lost day rate[38]	34	0%
Absentee rate[39]	13,466	3%

NEXT STEPS: Health and Safety

- Continue to maintain high standards in our facilities while enabling our supplier partners to do the same


Wei Zhou / Xiaomei Hu / Hedong Zhang

35 Injury rate is calculated as number of injuries as a percentage of average number of CTS factory employees in 2013

36 We do not include minor injuries in this data and use a government-mandated definition on what is deemed an injury.

37 Occupational disease rate is calculated as frequency of occupational diseases relative to the total time worked by factory employees in 2013.

38 Lost day rate is calculated as total lost days due to minor injuries/occupational injury/disease as a percentage of total days scheduled to be worked by factory employees in 2013.

39 Absentee rate is calculated as total absent days as a percentage of total days scheduled to be worked by factory employees in 2013.

Training and Development

We want to encourage our workers to engage with our factories and benefit from their time working at PCH. This is why we constantly implement, monitor and adapt our training and education programs. Our workforce tends to be young (51% of operators are under 30 years old, 49% are 30-50 years old), are in Shenzhen to earn money, and don't want to complete extensive training courses. Workers also don't want to participate in courses if it interferes with their ability to earn overtime.

How can we encourage participation in education for our factory workforce?

In surveys, many of our operators tell us they have aspirations of running their own businesses when they leave the factory. The majority of our factory workforce (50%) has attained middle school education. With this in mind, we focus on short-term practical courses that help workers move up the ranks within our operations while also equipping them for future career change.

In 2013, 19 operators (warehouse keepers/leaders) were promoted to supervisor positions.

PCH

In 2013 PCH created a learning and development program called Envision. Envision incorporates professional development, soft skills training, technical training, orientation training, leadership college, English language training, Chinese language training and continuing education.

CTS

At CTS, all new employees receive orientation training to equip them for their individual position. An annual training plan is created for each department at CTS. The training plan depends on the person's role (and business requirements). All line leaders and supervisors also undergo monthly management skills training conducted by HR. Throughout 2013, the following training programs ran in our factory facilities (see also MicroBenefits):

- Business English training program for CTS employees: In 2013, we held courses for over 80 non-operator employees.
- In July 2013, 134 participants began a worker management communication program. The 25-hour course for direct staff leaders helped improve management skills through communication.
- In 2013, CTS began a program to prepare internal trainers to develop and deliver training to other employees. The monthly course, which runs until May 2014, trains 32 employees across CTS in skills such as presentation, PowerPoint training and course design.

We are currently designing a training program for over 100 CTS employees, which will cover topics such as personal finance, starting a small business, and living skills. Participants in the program will focus on operators who are not currently engaged in skilled labor.

At PCH China, we do not currently have data on individual annual training plans. A records management system is expected to be rolled out in June 2014, which will allow us to monitor training participation initially at CTS.

Little Bird Activities

In January 2013, Little Bird opened a library at our partner supplier facility to provide a learning and listening resource for workers, and a multi-functional platform for employees to relax and learn. In 2014, the number of library staff will be increased to service the needs of even more workers. We will also open up two additional libraries in the dorms of our CTS facilities.

Throughout 2013, Little Bird held various activities (13) across the workforce (all facilities). These were attended by 363 people: (66% male and 33% female). In 2014, Little Bird will continue to organize relevant activities as requested by employees.

MicroBenefits

In 2013, we used three of MicroBenefit's products to engage with staff: a Welcome Pack, the company IQ smartphone application and discount network cards.

MicroBenefits Welcome Pack – This pack is provided to all new workers, and provides details about MicroBenefits and Little Bird, as well as a discount network card, a postcard to send to families, a list of retailers, and details of career progression opportunities. In 2013, 2,500 Welcome Packs were distributed in PCH facilities, and 14,000 were distributed in our supplier facilities.

Company IQ Application – In April 2013, MicroBenefits piloted 'Company IQ' in our CTS facilities. This mobile app turns corporate training and personal development courses into a game to help workers learn in a fun and motivating environment. There was a low adoption rate, because of lack of relevant content. We must ensure that we maximize the use of this platform by tailoring content towards the needs of our workforce. MicroBenefits estimate that 70-80% of workers own a smartphone so for those who do not have access to the app, we are looking into making computers/smartphones available for use in the libraries.

Activities Held By Little Bird in 2012

- Women's Day
- Mooncake making
- Urban integration training
- PCH Little Bird party
- Mid-Autumn day
- Cantonese lecture
- Picnic
- Shenzhen cultural tour
- Psychological health lecture
- Singles party
- Talent contest
- Cultural and outdoor activities


Zhirong Lin

Discount Network – In June 2013, we launched the MicroBenefits discount network at PCH, and expanded to our supplier partner in November 2013. Each month, the network gives over 3,750 employees access to up to 153 retailers, who offer a 19% discount (on average) on daily services such as clothing, restaurants, hairdressers and pharmacies. In seven months, workers spent over $35,000 and saved over $5,600 at local retailers, through the discount network. Eighty-six percent of spend was from workers in our supplier facility in November and December alone.

The program was not very successful in our own employee network. MicroBenefits are working to resolve this by building relationships with local retailers. When the discount network was launched at our supplier partner facility in November, it was far more successful as MicroBenefits learned from the CTS experience and had an aggressive 90-day plan to get the program off the ground. Line leaders surveyed following the launch of the network noted that it boosted employee morale during peak season because it showed the employees that the company cared.

NEXT STEPS: Training and Education

- Open two additional Little Bird libraries in 2014
- Launch of Company IQ and Company Link (a social media platform that delivers company news, employer polls, promotion opportunities, HR support) in a supplier partner facility
- Relaunch of MicroBenefits discount network and company IQ app in our own factories
- Introduce new social partners to expand education and training programs in factories
- Conduct additional surveys and interviews in order to tailor social program content to meet operator needs
- Increase tailored education and training programs for our factory workforce

Grievances

PCH

Should any employee have concerns about our labor, human rights or environmental practices (grievances), they can approach their direct managers, any member of management and any member of HR to share their concerns. In 2013, PCH appointed an employee relations manager to provide a point of contact for all employees to discuss anything of concern to them. We currently do not have any official grievance mechanism in the PCH office, however we endeavor to continually monitor this and if the risk should arise, we will take corrective action.

CTS

The risk of grievances is greater in our network of factory facilities. At CTS, the Ethics Management Procedure provides a whistleblowing procedure. The general manager and HR's phone number are available for all staff.

Little Bird can escalate any grievances to their PCH program manager or facility management (see also Little Bird). A suggestion box is available in the dining hall at our CTS facilities, which is checked monthly. Any grievances are addressed within 15 working days with the results posted on a public bulletin board. In 2013, all grievances were closed within fifteen days.

We are noticing a trend that with the opening of communication channels and improvements in factory conditions comes an increase in grievances. While the number of grievances received in 2013 increased by 440%, this could be because of a number of factors:

1. An actual increase in labor rights abuses at our facilities
2. Increased awareness of practices that are acceptable in our factories
3. Increased expectations amongst our workforce
4. Increased awareness of how to communicate issues that arise
5. Increased employee trust of the independence of Little Bird and having confidence that their employer wants to engage with them and is seeking to improve

The accessibility of the Little Bird hotline brings our workforce closer to PCH allowing us to react to any employee concerns.

CTS employees accounted for over 525 correspondences with the Little Bird hotline during 2013. Little Bird escalated 16 complaints through CTS's formal grievance procedure; in other words, approximately three percent of calls from CTS facilities merited formal grievance procedure escalation to factory managment.

Dormitory Standards

Local regulations in Shenzhen require that all dorm facilities carry an Environment Impact Assessment Permit and a fire protection verification permit. There is no local law regarding the number of people or amount of space to be provided per person in dormitories. PCH applies our own standard to our CTS dorms:

CTS dorm standards
Between 41.69sqm – 62.01sqm
No more than 8 people in any one dorm
One toilet per room, one locker per person
Dorms are separated by gender
Double bunk beds in each dorm room

NEXT STEPS: Grievances

- Continue to work with factory management and HR to ensure labor and human rights standards and practices are upheld in our own and supplier factories

- 100% of grievances were resolved within 15 working days
- 59% of grievances were reported via Little Bird hotline
- 30% of grievances related to human rights and 70% related to labor practices

Sample Employee Grievances from Little Bird Hotline

PCH:

Social Insurance: In 2013, 16% of calls to Little Bird at one factory facility related to wages and social insurance. On further investigation it was determined that the calls related to workers being unaware that their social insurance card must be transferred from their previous employer in order to have contributions paid by the factory.

Outcome: All employees received social insurance contributions and employees are made aware of how to transfer their account from a prior employer by HR/Little Bird staff.

Supplier:

Allowance for certain skilled operator positions: Workers complained via the Little Bird hotline that they had not received their allowance.

Outcome: HR checked this and where a complaint was valid, the allowance was paid in cash in the same month.

Supplier:

Operator Sick Leave: Operators complained that they did not receive sick leave benefits.

Outcome: Little Bird and HR explained the requirement for a doctor's certificate. When employees are sick, they require a sick certificate from a doctor. All operators have access to a doctor through their social insurance benefits. No violation had occurred.

LOOKING AHEAD

LOOKING AHEAD

This report has dealt mainly with projects that have been successfully implemented. However, there are additional projects that require our focus.

There remain instances where suppliers are not managing materials and processes as safely as we require. We are working with designers to eliminate the need for some of these harmful substances, and we are building our suppliers' capacity to process remaining materials safely and efficiently.

We will be working with a number of factories in 2014 to prove the value of real-time energy monitoring and management, but beyond that we must reduce the cost of installation to encourage uptake of this technology amongst our suppliers.

More education opportunities for factory employees is a key objective in 2014. We will expand our online training platform to enhance career opportunities and provide customized educational content.

We are committed to Making Better Business, and in 2014 we will continue to focus on implementing projects that yield real data upon which we will base our decisions. We are always ready to share information on our approach and of course constantly looking for new ideas and approaches to sustainability.

Please contact Alan Cuddihy, Head of Sustainability, sustainability@pchintl.com

Haitao Wang

GRI INDEX

GENERAL STANDARD DISCLOSURES[40]	
Page Number (or Link)	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.
STRATEGY AND ANALYSIS	
G4-1	Message from CEO Liam Casey
ORGANIZATIONAL PROFILE	
G4-3	Welcome
G4-4	About PCH
G4-5	Where We Operate
G4-6	Where We Operate
G4-7	Where We Operate
G4-8	About PCH
G4-9	What We Do
G4-10	About Our Workforce
G4-11	Compliance and Integrity
G4-12	Our Supplier Network
G4-13	Where We Operate
G4-14	The precautionary principle has not been specifically addressed.
G4-15	Collaboration and Partnerships
G4-16	Collaboration and Partnerships

40 This report has not been reviewed or assured by a third party.

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	
G4-17	What This Report Covers
G4-18	Material Issues
G4-19	Material Issues
G4-20	Material Issues
G4-21	Material Issues
G4-22	No material restatements
G4-23	First GRI G4 Core report so aspect boundaries were not previously reported
STAKEHOLDER ENGAGEMENT	
G4-24	Stakeholder Engagement
G4-25	Stakeholder Engagement
G4-26	Stakeholder Engagement – no engagement was done specifically for this report
G4-27	Stakeholder Engagement
REPORT PROFILE	
G4-28	About This Report
G4-29	Our Reporting Guidelines
G4-30	About This Report
G4-31	Looking Ahead
G4-32	Our Reporting Guidelines
G4-33	Our Reporting Guidelines
GOVERNANCE	
G4-34	Sustainability Governance and Management
ETHICS AND INTEGRITY	
G4-56	Compliance and Integrity

SPECIFIC STANDARD DISCLOSURES				
DMA and Indicators	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organization. In these circumstances, the organization may elect to add a specific reference to where the relevant information can be found.	**Identified Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	**Reason(s) for Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	**Explanation for Omission(s)** In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.

CATEGORY: ECONOMIC

MATERIAL ASPECT: PROCUREMENT PRACTICES	
G4-DMA	Our Supplier Network
G4-EC9	Proportion of spend on Chinese Suppliers

NON-GRI MATERIAL ASPECT[41]: STABILITY OF SUPPLIER RELATIONSHIP	
G4-DMA	Stability of Supplier Relationships
PCH-1	Length of Supplier Relationship

NON-GRI MATERIAL ASPECT: PRODUCTION RAMP	
G4-DMA	Production Ramp and Dispatch System
PCH-2	Dispatch Workers as Percentage of Factory Workforce

CATEGORY: ENVIRONMENTAL

MATERIAL ASPECT: ENERGY	
G4-DMA	Energy and Air Emissions
G4-EN3	Energy Use in Our Operations

41 PCH has several material aspects that are not addressed by GRI so we have identified these and are working to develop the best indicators of performance.

MATERIAL ASPECT: EMISSIONS				
G4-DMA	Energy and Air Emissions			
G4-EN16	Energy indirect Greenhouse Gas (GHG) Emissions (Scope 2): Energy Use in Our Operations			

MATERIAL ASPECT: MATERIALS AND CHEMICALS				
G4-DMA	Materials and Chemicals			
PCH-3	Indicator to be developed 2014	Quantitative data is not reported	Data not available	We have not yet established systems for tracking impacts

MATERIAL ASPECT: TRANSPORT				
G4-DMA	Transportation and Inventory Management			
PCH-4	Indicator to be developed in 2014	Quantitative data is not reported	Data not available	We have not yet established systems for tracking impacts

MATERIAL ASPECT: WATER[42]	
G4-DMA	Water
G4-EN8	Water

MATERIAL ASPECT: WASTE				
G4-DMA	Waste			
PCH-5	Indicator to be developed in 2014	Quantitative data is not reported	Data not available	We have not yet established systems for tracking impacts

MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL, LABOR AND HUMAN RIGHTS ASSESSMENT (Note: the same process covers environmental, labor and human rights supplier assessments so it is only reported once here.)	
G4-DMA	Supplier Assessments and Upgrades
G4-EN32, G4-LA14, G4-HR10	Audit Outcomes Supplier Assessments and Upgrades
G4-EN33, G4-LA15, G4-HR11	Audit Outcomes Supplier Assessments and Upgrades

42 Water is not material in our own operations, but since it can be material for our suppliers, we are reporting on our own use to develop insight into our suppliers' situation.

CATEGORY: SOCIAL

SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK

MATERIAL ASPECT: EMPLOYMENT				
G4-DMA	Workforce – Employment and Turnover			
G4-LA1	Employment Conditions and Labor Turnover- partial	Turnover by age and gender not reported	Data not available	Turnover calculations have not been linked to gender or age
G4-LA2	Pay, Benefits and Overtime			
G4-LA3	Pay, Benefits and Overtime			

MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY	
G4-DMA	Health and Safety
G4-LA6	Health and Safety

MATERIAL ASPECT: TRAINING AND EDUCATION				
G4-DMA	Training and Development			
G4-LA9	Average hours of training by employees	Quantitative data is not reported	Data not available	We have not yet established a tracking system

MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS	
G4-DMA	Grievances
G4-LA16, G4-HR3	Factory Labor Grievances

SUB-CATEGORY: HUMAN RIGHTS

MATERIAL ASPECT: CHILD LABOR	
G4-DMA	Child Labor
G4-HR5	All operations in China have some risk of child labor.

SUB-CATEGORY: SOCIETY

NON-MATERIAL ASPECT: COMPLIANCE[43]	
G4-DMA	Compliance and Integrity
G4-SO8, G4-EN29, PR9	Significant Fines and Sanctions – all kinds

43 Compliance was not identified as a material aspect for PCH, but as our approach is compliance as a minimum in all we do, we have reported on this indicator.

we make