



Impact by Design

2014 Sustainability Report

pch

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Welcome

At PCH, we know that design makes the biggest impact on how products are made. Throughout our supply chain, we are improving our positive impact on people, communities and the environment, and it all starts with design. From changes in processes and systems, to integrating sustainability at the earliest stages of prototyping and product development, we strive to make an impact at every level of our business.

In the following chapters, we explain how sustainability is integrated in everything we do. The content of this Report does not represent a finish line for sustainability at PCH, rather a snapshot in time of a long-term commitment to sustainability. By being transparent about how we operate, we will continue to design a more sustainable business in the future.

Message From Liam Casey

Founder and Chief Executive Officer

Our goal is to enable our clients to make the best products possible while balancing cost, quality and sustainability. It is not about saying no; it is about showing how. Since the inception of PCH in 1996 through today, we are deeply committed to sustainability – plain and simple, it's better for business and is the right thing to do. In 2014, we expanded our sustainability efforts across the entire PCH business:

We Think: At Highway1, our accelerator program for startups, we began to educate startups on sustainability choices at the earliest stages of the company life cycle. The earlier sustainable practices can be introduced and incorporated into a company's ethos, the greater the potential impact. See page 21.

We Scale: At PCH Access, we help our startup clients find the most suitable factories for their product, choose materials and optimize processes as they bring their ideas from prototype to production and distribution. In 2014, we engaged with our existing supply base through the lens of sustainability programs to ensure that we use the right factories for PCH Access clients. See page 25.



We Design: It's not always easy or possible, but at PCH Lime Lab we are committed to incorporating sustainability early into the product design process. This past year, we helped our clients understand how sustainability can be successfully integrated into product and packaging development. [See page 29.](#)

We Build: In our manufacturing operations, we determined in 2014 that the area in greatest need for improvement in our supply chain is related to chemical management. Over the past year, we have made inroads in chemical mapping. As the factory landscape opens up, it is becoming easier to track every chemical, material and component that makes a product and where each was produced. [See page 33.](#)

We Partner: Last year we continued to extend our sustainability efforts beyond PCH-owned facilities to improve sustainability performance at partner factories. Partnering with and influencing our suppliers is crucial to developing a sustainable supply chain. Central to this effort is transparency. We realized last year that while many suppliers are eager to improve transparency in their operations, they often lack the knowledge or resources to do so. It has become apparent that if we are serious about improving transparency in our supply chain, we must build and implement tools to help our partners improve their own operations. We must also work with our clients to enhance the stability of relationships with our suppliers. Only through these long-term trusted partnerships can we encourage our suppliers to engage in our sustainability programs. [See page 39.](#)

We Deliver: We only want to make what people will actually buy. We continue to advocate live sell-through to ship on demand, replacing inventory with data and reducing the waste of unwanted inventory. This has a positive impact on both cost and our environmental impact. [See page 55.](#)

We Listen: The work we do to make a positive impact on our workforce is one of the most important pillars of sustainability. Worker wellbeing is not just better for our bottom line; I believe strongly it is the right thing to do. Every employee is part of our company's story. We continue to make significant investments in our workforce at both PCH-owned and supplier factories, including opening three factory libraries and holding over 60 social activities. One area we must improve is employee retention, as turnover remains high in certain partner factories. Additionally, accurate production forecasting is crucial to avoid strains on our workforce. [See page 59.](#)

The reality is that many sustainability, workforce and supply chain challenges are not easy to fix. We admit that we don't have all the answers. We continue to work hard to operate with sustainability at the forefront, and each year, we will find ways to better track and improve our positive impact.

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We are deeply committed to sustainability – plain and simple, it's better for business and is the right thing to do.

— **Liam Casey**, Founder and Chief Executive Officer, PCH

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About PCH

PCH is a privately held Irish company with global headquarters in Cork, Ireland, U.S. Innovation Hub in San Francisco and operational headquarters in Shenzhen, China. PCH works with both startups and Fortune 500 companies to design engineer, make and deliver consumer products internationally.

What We Do

At PCH, we make. We design custom product solutions for the world's best brands. From design engineering and development, manufacturing, packaging and fulfilment, to distribution and retail, PCH takes on the toughest challenges.

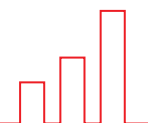
PCH clients span a wide range of sectors, including consumer electronics, consumer medical devices, furniture, fashion, food and automotive. The majority of our business is conducted with multinational clients, with the remainder dedicated to startups and non-profit organizations.

We Think



Highway1 is a startup accelerator that helps early stage hardware companies develop products that deliver real value to clients, are delightful to use and can be manufactured at scale. Highway1 provides startups 24/7 access to a 1,000 square foot prototyping lab, dedicated staff to assist with engineering, business development and marketing, funding and a rich network of mentors. See page 21.

We Scale



PCH Access provides an integrated platform to move late stage hardware startups from advanced prototype to mass manufacturing with an array of capabilities normally exclusive to Fortune 500 companies. These span product design engineering, development, manufacturing and fulfilment. See page 25.

We Design



At PCH Lime Lab our passion is making and our expertise is engineering. We take on the most sophisticated design engineering challenges – no detail is too small and each project is unique. PCH Lime Lab works with the world's most innovative brands, guiding product creation through all phases, from opportunity, concept, design engineering and development, to packaging, manufacturing, and the customer experience. See page 29.

We Build



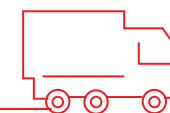
At PCH, we design engineer, develop and manufacture consumer products and the packaging in which these products are delivered. In our partner supplier factories, we manage the manufacturing of electronics, hard goods and soft goods. In PCH-owned factories, we focus on product packaging, kitting and fulfilment – the final phase of production before a product is shipped. See page 33.

We Partner



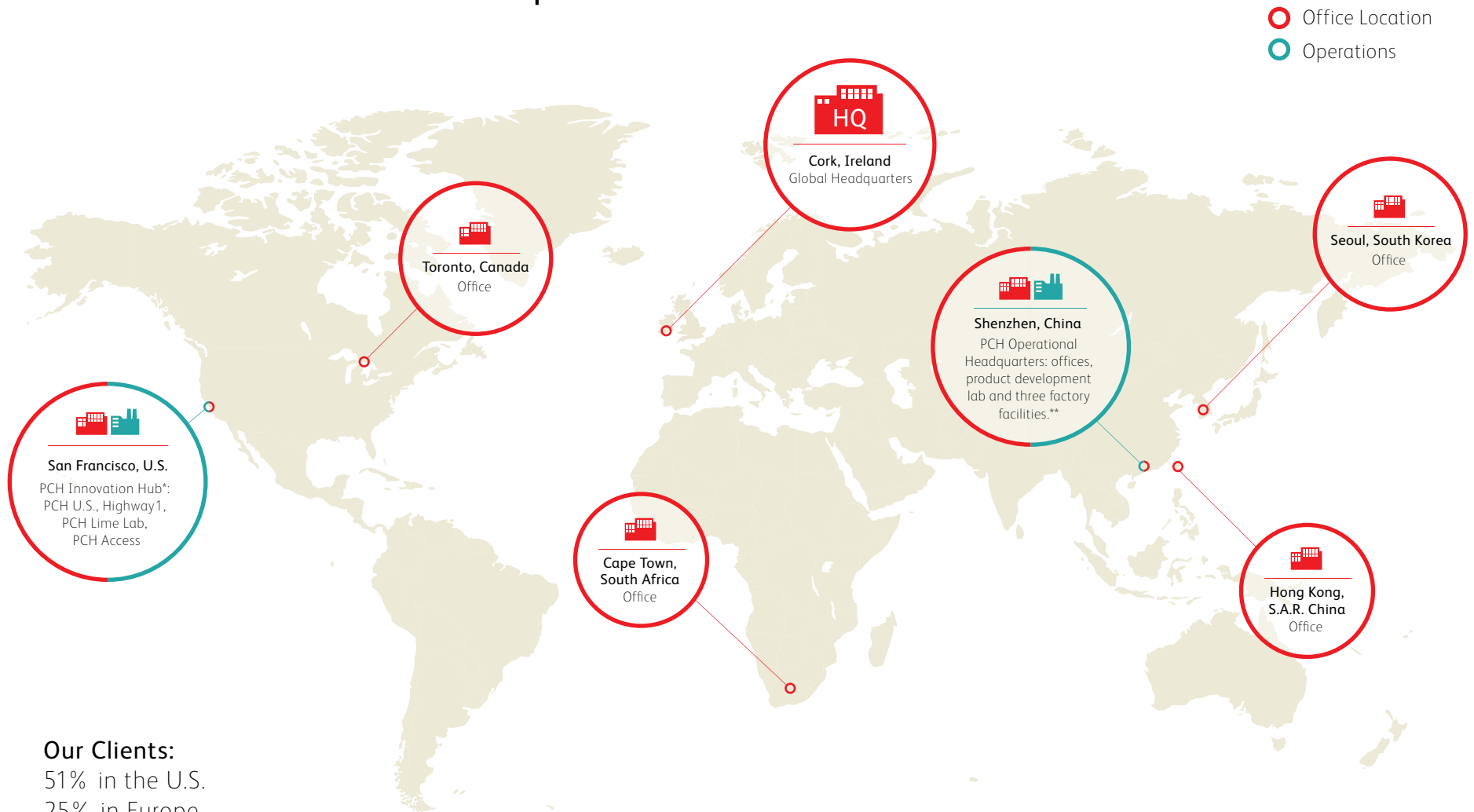
We partner with tried and trusted suppliers to design and manage agile, lean supply chains for our clients. With more than 1,200 factories in our network, we match clients with suppliers capable of meeting their unique needs, managing every step along the way of making a product. See page 39.

We Deliver



We pride ourselves on our global reach—located just three days away from 90 percent of worldwide customers. This proximity allows us to manage all stages of the supply chain, from storage and inventory management to tracking, receiving and processing orders. See page 55.

Where We Operate



Our Clients:

51% in the U.S.
25% in Europe
21% in Asia
3% in rest of the world

* PCH Innovation Hub opened in January 2014 with 30,000 square feet dedicated to the product journey from concept to consumer.

**PCH-owned factories consist of three separate factory facilities but one business.

PCH in 2014

Components Handled Daily



11.5M

Factories Transacted with (China)



229

Highway1 Companies



35

Global Workforce



2,648

Factories in Our Network



1,200+

Services and Products (Revenue)



\$1.1BN*

Percentage of Workforce in China



94%

B2B Shipments per Year



60M

Total Number of Vendors Used Globally



333

Square Feet of Operations



885,000sqft

B2C Shipments per Year



4M

Average number of workers with access to worker feedback hotline



6,000

* 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 2014)

PCH Sustainability



Celine Zhai

We make sustainability our business. The positive economic, environmental and social impacts of our operations are key to driving long-term financial performance. Top-down and bottom-up, we believe this is the right way to do business.

Our focus is on action: finding projects that demonstrate sustainability principles, piloting projects and building relationships across our supply base.

The majority of our sustainability work focuses on PCH-owned and supplier-owned factories in China. We select key product supply-chains; analyze their sustainability performance (including labor, human rights, environmental factors, chemical use and waste), and identify areas for improvement. In 2014, we conducted over 33 sustainability assessment and improvement programs going beyond our usual initial supplier qualification sustainability audits. Suppliers were chosen for

these assessments based on the products and processes they carry out, which, if interrupted, would compromise supply of essential parts and components in our supply chain.

We are driven to do what is right to protect workers and improve efficiency in our supply chain. We aim to integrate our sustainability approach with PCH clients and within our supplier management teams, particularly at the early design and material selection stage.

Each of our clients is unique, as are their sustainability values. While our sustainability programs vary by client, we incorporate PCH sustainability values in everything we do. Some clients require that we implement their standards, while others expect us to put a system in place for them. We also conduct client packaging and product reviews for sustainability optimization.

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Starting our sustainability engagement with Highway1 clients is a step in the right direction to get product designers to think about, and act on, sustainability practices. Ready to develop many new products during 2014 highlighted some of the biggest challenges we face - the further upstream we go the more challenges we see. We are getting better at identifying problems and finding effective resolutions.

— Alan Cuddihy, Head of Sustainability (See also page 53)

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It is a core criterion that each project we choose adds value to our business and our clients' businesses, and that we actively measure the social, environmental and financial return.

During 2014, the Sustainability Team delivered on our plan to engage companies at the design phase by working with Highway1 and PCH Access companies in planning their products and manufacturing.

For more detail on our sustainability programs and governance at PCH, see our [website](#).

We Commit

We will continue to focus where improvement is needed the most: the supply base. In 2015 we will drive ourselves to build products that are not only made right, but also impact the world in a positive way.

How Sustainability at PCH Works

- > PCH is governed by a Board of Directors which delegates governance and responsibility for Sustainability to the PCH Senior Leadership team.
- > Specifically, our Chief Financial Officer (CFO) oversees Sustainability initiatives at PCH.
- > Each program is initiated within our China-based Sustainability Team, led by the Head of Sustainability. This is reported back to the CFO to ensure that there is a viable business case for each project.
- > Programs focus on supply base development, Environment, Health and Safety (EHS), worker engagement and social initiatives, as well as industry partnerships.
- > Sustainability reviews are conducted on product and packaging across PCH platforms in U.S. and China, including new project proposals.
- > The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Technology Officer (CTO), Chief Operating Officer (COO) and Senior Leadership Team review all programs.
- > The PCH Compliance Team conducts all China-based supplier qualification audits for labor, environmental and chemical management practices.
- > PCH-owned factories have a Sustainability Committee with Labor, Environment, Health and Safety (EHS) and Ethics subcommittees.
- > Our suppliers are expected to adhere to our [Supplier Code of Conduct](#).

2014 Sustainability Progress

	2013 Sustainability Report Goals	2014 Progress Toward Goals
General PCH 	Publish annual Sustainability Reports on the PCH global platform.	Reporting on all PCH entities, excluding TNS Distribution in 2014. 2015 goal to report on the entire PCH group of companies.
	Implement an Employee Code of Conduct.	A global Employee Code of Conduct will be implemented from Q4 2015.
	Increase industry collaboration in order to tackle supply chain issues in partnership with industry colleagues.	We worked with key suppliers to help them comply with client audits. Rolled out programs across the supply chain including the Sustainable Trade Initiative (IDH) in partnership with clients. PCH joined the Clinton Global Initiative in 2014 and will finalize our Commitment to Action in 2015.
	Expand our sustainability initiatives and scale them throughout the supply chain.	33 sustainability assessment and improvement programs conducted at supplier facilities including chemical management and worker engagement programs.
	Begin to include sustainability impacts when assessing PCH overall business performance.	Ongoing.
We Think 	Integration of sustainable design practices across PCH, with emphasis on Highway1 and PCH Access.	35 sustainability reviews and information sessions with Highway1 companies. PCH Access factory assessment and improvement plans See Case study: Making the right factory choice, page 26.
We Design 	Influence design and material selection phase of packaging and products to reduce, prevent or eliminate risk.	Ongoing product design and packaging reviews. See Case study: Packaging overhaul for PCH Access client, page 31.

2013 Sustainability Report Goals

2014 Progress Toward Goals

We Build



Assist our clients' compliance with laws relating to conflict minerals, while identifying our role in the supply chain in relation to these minerals.

PCH has complied with all client data requests and will roll out our own conflict minerals program in 2015/16.

Automate certain factory work stations where the machine will provide a return on investment, increase product quality and reduce safety risk.

Implemented automation projects in our own and supplier partner facilities.
See Case study: Equipment upgrades/automation, page 38.

Monitor real-time energy use in our own operations and in our supply chain, as well as use of chemicals, compressed air, water, critical raw materials and other materials.

Five pilot wireless sensor networks rolled out in factories during 2014.
Supply chain mapping (to Tier 3) in 25 factories: 135+ materials, 165+ processes, 40+ supplier questionnaires on factory processes.

Eventually integrate this with our supplier qualification process.

Create a controlled substances list that incorporates progressive health and safety standards; educate PCH teams to ensure harmful materials are eradicated in design and manufacturing.

Provided training to PCH staff, suppliers and clients on chemical management.
PCH chemical evaluation tool and restricted substance list are in development.
See Case study: Helping suppliers improve health, safety and chemical management standards, page 44.

Continue to maintain high standards of health and safety in our facilities while enabling our supplier partners to do the same.

Environmental, health and safety management assistance provided to suppliers complying with client audits.

Reduce packaging, hazardous materials and chemicals in products.

Conducted packaging reviews and sourced material alternatives on a case-by-case basis.
See Case study: Packaging overhaul for PCH Access client, page 31.

2013 Sustainability Report Goals

2014 Progress Toward Goals

We Partner



Continue to develop a network of flexible, long-term, key supplier partners.

Growth in total number of suppliers used (229) in 2014 resulted in an average length of supplier relationship of 1.1 years (4.4 years with key suppliers).

Continue to maintain high standards of health and safety in our own facilities while enabling our supplier partners to do the same.

Conducted health and safety assessments in supplier facilities and implemented improvement plans.

Involve the Sustainability Team in the supplier selection and qualification process.

This commenced in 2014 with five PCH Access supplier assessments and improvement plans.

HR support to key supplier to plan and manage recruitment needs.

PCH employees continued to base themselves in a supplier facility to assist them in meeting recruitment needs.

Assess our relationship with dispatch companies to ensure commitment and adherence to fair practices in worker management.

Annual audit completed on all dispatch agencies who supply labor for PCH-owned factories.

Improve factory efficiencies to reduce labor shortages.

Factory efficiencies continue to result in increase in unit per hour output per employee, and help diminish labor shortages.

Showcase the value of long-term partnerships with suppliers as an opportunity for technological advancement at a manufacturing facility and how that, in turn, can lead to ongoing cost competitiveness.

Ongoing education on the benefits of long-term partnerships with suppliers and clients.

We Deliver



Establish measurement structures to assess the company's greatest environmental impacts caused by transport and inventory management

Transport and inventory management impact reduction projects conducted on a case-by-case basis.

2013 Sustainability Report Goals

2014 Progress Toward Goals

We Listen



Launch smartphone application and a social media platform that delivers training, company news, employer polls, promotion opportunities and HR support in a supplier partner facility.

Employee educational smartphone application available to over 2,500 supplier employees and over 1,500 PCH employees each month.

Continued investment in social programs to reduce turnover in our factory facilities and advance education and training programs available for our factory workforce.

Eighty-two courses now available on the MicroBenefits smartphone application.

PCH education and training center for all PCH factory staff will open in 2015.

Currently identifying relevant content providers for use on our MicroBenefits smartphone application and in our education center.

Launch smartphone application and a social media platform that delivers training, company news, employer polls, promotion opportunities and HR support in a supplier partner facility.

Employee educational smartphone application available to over 2,500 supplier employees and over 1,500 PCH employees each month.

Open additional employee libraries in factory facilities in partnership with non-governmental partner Little Bird.

We opened three Little Bird libraries, two within our facilities and one at a supplier facility.

Conduct surveys and interviews to tailor social program content to meet operator needs.

Nineteen surveys conducted by Little Bird and MicroBenefits throughout 2014, with over 1,000 respondents.





Sustainability is part of the PCH value add. We believe we will have the greatest long-term financial, social and environmental reward by continuing to invest in doing the right thing.



— Fiachra Kirwan, Chief Financial Officer, PCH



Stakeholder Engagement

In 2014, we conducted a formal stakeholder review to reassess who our stakeholders are, and what impacts each group.

Stakeholder Group 	Location 	Mode of Communication 
PCH Factory Employees	China	MicroBenefits, Little Bird, face-to-face, posters
PCH Corporate Employees (global)	Global	Newsletter, face-to-face, surveys, town halls, posters, Sustainability Report
PCH Office Employees in Factory	China	Newsletter, face-to-face, posters, Sustainability Report
Large Clients	Global	Face-to-face, Sustainability Report
Medium Clients	Global	Face-to-face, Sustainability Report
Small Clients (startups)	Global	Face-to-face, Sustainability Report
Pro-social Entrepreneurs	Global	Face-to-face, Sustainability Report
PCH Chosen Suppliers	China	Audits, face-to-face
Investors and Board of Directors	Global	Sustainability Report, face-to-face
Factory Owners	China	Audits, training, face-to-face
Supplier Employees	China	MicroBenefits, Little Bird
PCH Dispatch Agency Hires	China	Little Bird, face-to-face
Social Enterprises (MicroBenefits)	China	Face-to-face
Non-governmental organizations	Global	Conferences, face-to-face, Sustainability Report

Stakeholder Group 	Location 	Mode of Communication 
Prospective Clients	China	Face-to-face, media, Sustainability Report
Client Chosen Suppliers	China	Audit, face-to-face
Local Communities	China/U.S./Ireland	Media
Media and Social Media	Global	Sustainability Report, face-to-face, events
Prospective Workforce	Global	Recruitment fairs, agencies, word-of-mouth
Factory Landlords	China	Face-to-face
Supplier Dispatch Workers	China	Little Bird
Dispatch Agencies	China	Audit
Peer Companies	Global	Report, face-to-face, events
Academia	Global	Sustainability Report
End of life Recycling Plants	U.S./Europe/Asia	Face-to-face
Industrial Service Providers	China	Face-to-face
Direct Consumers	U.S./Europe/Asia	Sustainability Report, website, media
Other Consumers (End-product)	U.S./Europe/Asia	Sustainability Report, through clients
Trade Unions	China	Face-to-face
Industry Associations	Global	Conferences, Sustainability Report

Client Engagement

Client satisfaction and retention are important to us. Tailoring engagement to each client, Highway1 regularly surveys participants to gauge feedback on the program. For larger clients, we conduct business reviews monthly or quarterly, where together we align objectives and plan for continuous improvement and efficiency.

PCH will commence a client feedback process in 2015 to gather feedback from all PCH Access program participants. This will then be extended to additional clients. We will report the results of these client satisfaction measures in our 2015 Report.

Materiality

Our material, social, environmental and economic issues are those that are vital to our business goals, or are highly important to our people and partners.

Our business is diverse, and we are faced with a wide range of topics on which we could report. Although many material impacts happen outside the boundary of our directly owned offices and factories, the PCH approach is to focus on where action is needed most, regardless of whether they are directly owned by PCH.

In compiling this Report, we carried out the following activities to understand the current areas of priority across all divisions of PCH:

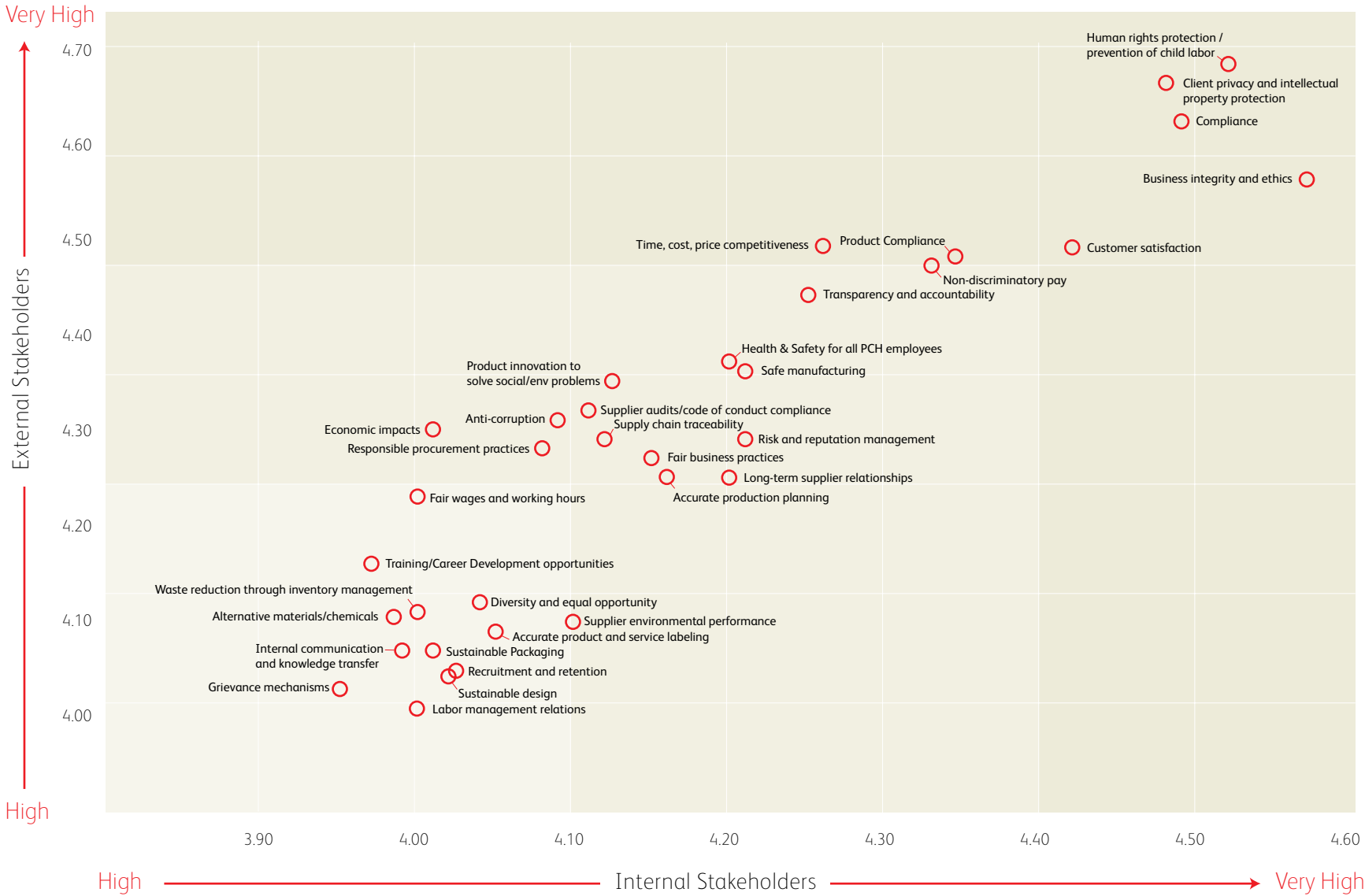
- > Employee workshops and interviews
- > Workshops and consultation sessions with PCH Senior Leadership Team and Heads of Department, including HR, Compliance, Supply Base Management, Quality, Client, Sales and Engineering Teams
- > Personal interviews with Sustainability experts from within and outside the company



- > A comprehensive review of sustainability topics relevant to our business sector, as well as those that were reported in the media and attracted public interest
- > Reviews of our 2013 Sustainability Report by peer companies and media representatives
- > Peer consultations with other companies operating in the same region/industry
- > Face-to-face supplier meetings and more than 40 detailed questionnaires on materials/processes distributed in supplier factories
- > Energy assessments and advisory sessions with our key suppliers. Through this process, we also elicited material topics for our Tier 1 and 2 suppliers
- > A materiality survey distributed to more than 15 identified stakeholder groups, completed by more than 200 stakeholders
- > Materiality survey distributed to PCH Board of Directors and PCH Senior Management Team. All survey comments were relayed to the relevant department at PCH for follow up
- > Conducted 69 supplier audits and 33 sustainability assessments and improvement programs in 2014

The outcome of this engagement process enabled us to prioritize the issues that are most important to our business and stakeholders (see matrix of material issues on the next page).

PCH 2014 Materiality Matrix



2014 Stakeholder Feedback

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Energy efficiency in the supply chain is very important and something that should be encouraged as it generates good financial returns and improves the environment.

—Social/Environmental Impact Company, Asia

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See Supply Chain Environmental Impacts, page 46.



Anthony Mazzei / Kaitlin Pike

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Having access to a library advances my personal development. My goal is to eventually start my own business so I take English classes at the library and I also go there to look up information online.

—Production Worker, PCH factory

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See We Listen, page 59.

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The product design phase has the biggest environmental impact. Having a materials and finishes library allows our clients to review and consider alternative options.

—PCH Corporate Employee, North America

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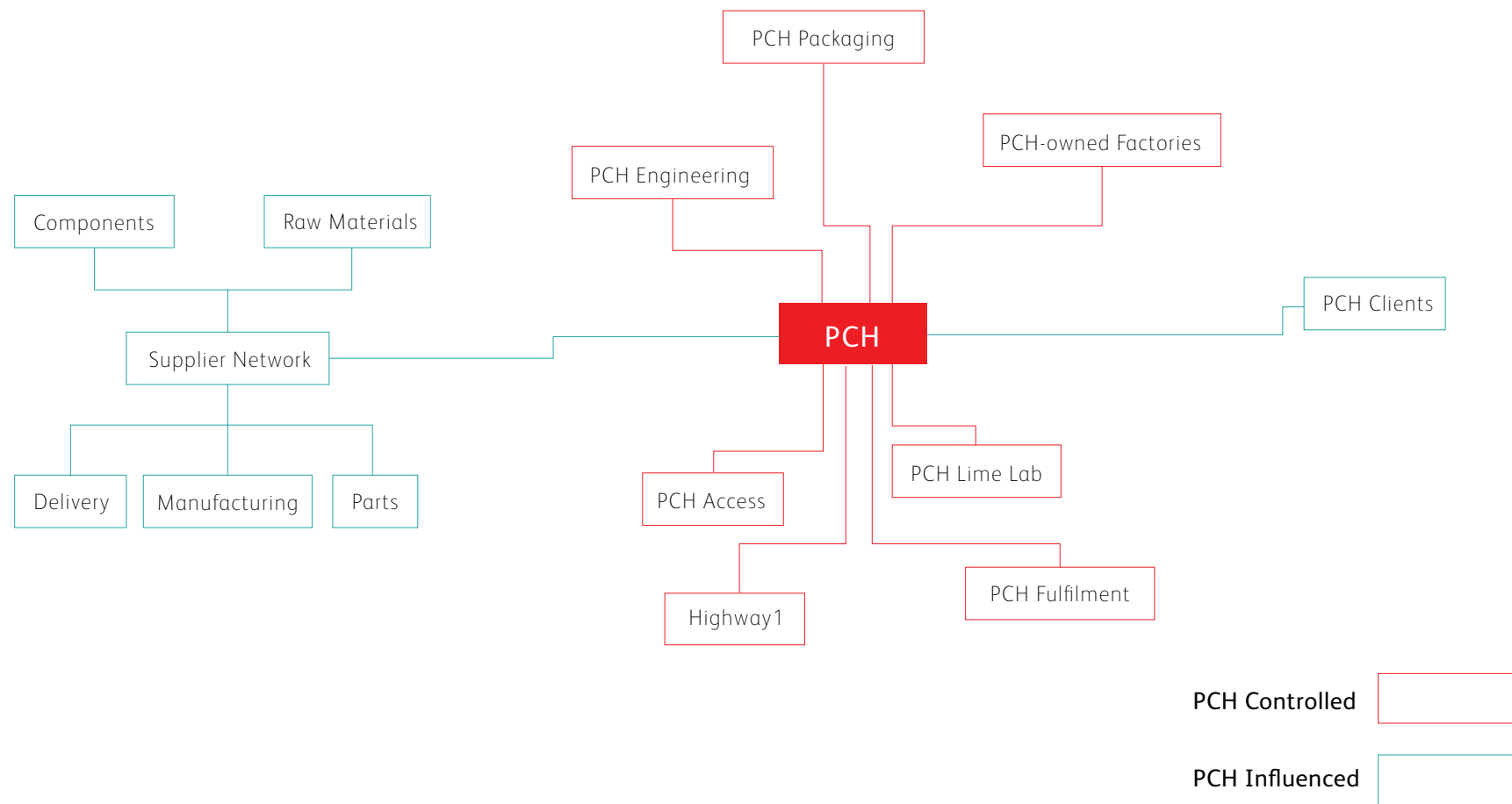
See Sustainable Product and Packaging Design, page 30.



Shilan Liu

The PCH Supply Chain

To create each product, multiple factories are often required. In turn, these factories utilize other factories to produce their materials. The diagram below represents the complexity of the supply chain for each product, as well as the influences and controls that PCH has over each link in the chain.



We Think

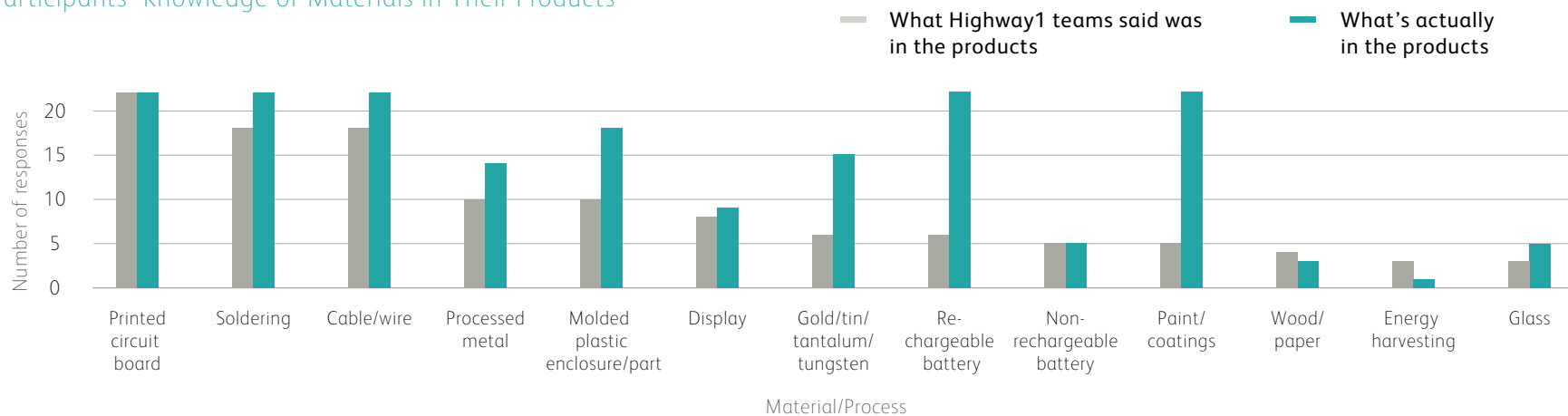
PCH shapes the global hardware landscape through our accelerator, Highway1. We work with startups still forming their company, so we have the opportunity to educate them about sustainability in the early stages of design and development. In helping startups to build a company, we endeavor to influence designers to make the best decisions possible, and to engrain sustainability into their company culture from the beginning.

Thinking Sustainably

Getting in to Highway1

Highway1 accepts hardware startups with a strong team building innovative products across the Internet of Things (IoT) spectrum. We look for startups with an existing proof of concept, a mature electronic engineering architecture or approach, a commitment to design and a long-term vision to build a company, not just a single product.

Participants' Knowledge of Materials in Their Products



Sustainability at Highway1

Once in the Highway1 program, participants have access to the PCH Sustainability Team who encourage sustainable thinking from the get-go. We hope that starting early will embed sustainable practices into the core values of each company. At Highway1, we find the process of working with startups refreshing, as many are open to change and suggestions on how to best make their products. However, it is difficult for us to quantify the impact of this work, as most startups do not yet have a final product.

How the Sustainability Program at Highway1 Works

1. Participants are surveyed to establish existing knowledge and awareness of sustainability.

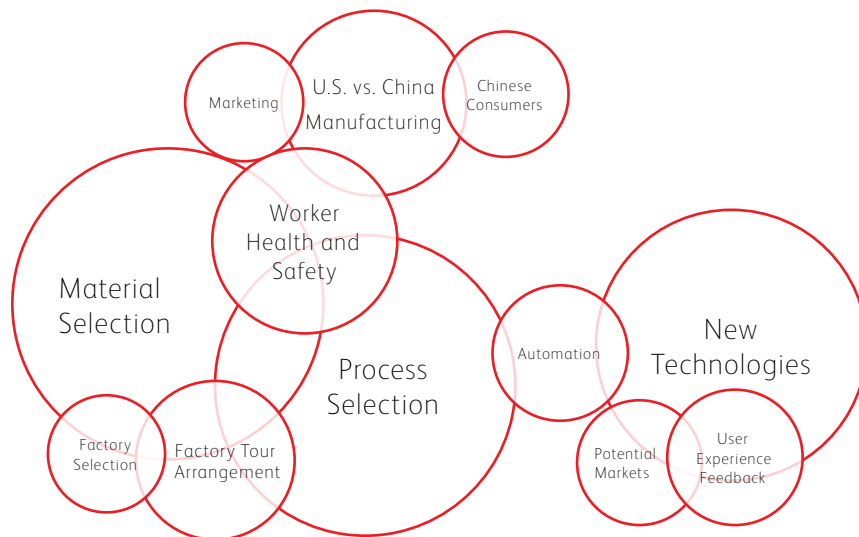
We found a great disparity between what startups think is in their product and what is actually in their product, as seen in the graph below. (24 clients surveyed, 92 percent response rate). In response, we have focused on educating startups on inks, paints and coatings and their impact.

2. PCH Sustainability Team reviews and scores product sustainability performance.

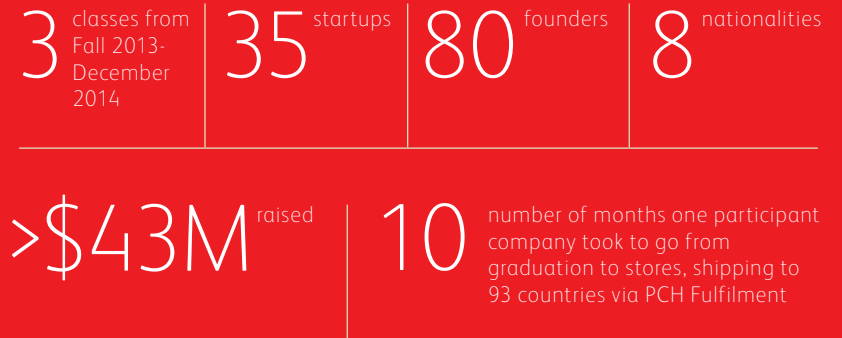
Products are rated on typical sustainability criteria such as material and energy use. But we also go beyond environmental impact and think of the social, financial and economic impact of products. This review arms the Sustainability Team with the knowledge we need to advise companies on how to best design their products for sustainability.

3. Sustainability Team holds information session on the practical implementation of sustainability.

What are teams asking about?



Highway1 2013-2014



Participants are provided with guidance on efficient design, processes, chemical use and material selection. In 2014, all 35 Highway1 companies engaged in the Highway1 sustainability program. We found teams to be very receptive to general information sessions where they learned about where their greatest design impact lies.

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Startups in Highway1 are balancing technical risk, financial risk and unknown market acceptance, while moving quickly through many product iterations. Adopting a new material or production process that is more sustainable— lower pollution, safer for workers, etc. — can add another level of risk. PCH gets those sustainable processes and materials in the minds of the teams from day one, so when the time is right they will be ready to adopt best practices.

—Terry Foecke, Head of Supplier Development and Highway1 consultant, PCH

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4. Individual consultations to identify risks that can be mitigated early in design.

Of the 35 companies that participated in the Highway1 sustainability program between October 2013 and December 2014, 67 percent followed up and engaged with the Sustainability Team after their initial review and assessment. Some startups discontinued their participation at this point because they were too early in the product development process to truly benefit from this program.

5. Follow-up research by sustainability specialists.

The Sustainability Team provides technical and cost information on alternative materials and manufacturing processes, if alternatives are readily available. This approach balances the risk of trying new ways of making products with a full assessment of environmental and social risks.

6. Continued evaluation and support.

Among the wins, in 2014, startups subsequently investigated alternative outside coatings for their product, began to think about energy efficiency, including battery life and circuit optimization, began to consider new materials related to eradicating electroplated plastic from design and began to avoid certain coated/painted products.



We Commit

It is difficult to quantify improvements made as a result of our work with Highway1 startups, and many struggled to implement our suggestions at such an early stage. While it is valuable to influence clients at the earliest stage possible, it is also important to work with our more advanced startups who are beginning to manufacture products.

In 2015, we will continue to support Highway1 companies. We will also provide sustainability advice, manufacturing and material analysis to our PCH Access clients who are preparing for manufacturing.

We Scale

PCH Access turns advanced prototypes or early products into consumer-ready mass-market products. We collaborate with innovative startups whose products can potentially change the world. Securing investment and getting to market is paramount in the minds of these startups, but it's only the start of building a successful company. Success, they recognize, is about creating a long-lasting, sustainable business. To read more about how we help our medium and large clients scale, see [‘We Build’](#) and [‘We Partner’](#).

PCH Access and Sustainability

We leverage suppliers from our existing approved supplier pool to find suitable factories for our PCH Access clients. An approved supplier is a supplier admitted to our network having met our quality, sustainability and chemical management standards at audit (see also [We Partner](#), page 39).

Finding the right factories can be challenging for startups whose orders are magnitudes smaller than what factories receive from global brands. Moreover, the design and features of PCH Access client products are on the cutting edge of technology and many factories have never made such products. In essence, we are asking factories to switch from high volume mass manufacturing to low volume, highly complex products. In addition, many startups are crowd funded or are still testing the market, so there is uncertainty in demand. PCH attempts to consolidate production in factories wherever possible to minimize the challenges and make working with our PCH Access clients more attractive for our suppliers. Twenty eight percent of factories used by PCH Access clients received business from more than one PCH Access client during 2014.

PCH's Sustainability Team assists the PCH Access operations team in finding suitable factories within our existing supply base and provides training, chemical analysis, design and material support on individual projects.

Case study: Making the right factory choice

In late 2014, the Sustainability Team visited five partner factories (already part of our existing supply base) with the goal of identifying factories that are capable of and willing to work with PCH Access clients. Many manufacturers are eager to work on startup products. To meet our PCH Access client needs, factories must prove to be flexible enough to work on new products they have never made before, which require high mix, low volume and new processes.

These visits were not audits and this was made clear to the factories. Our aim was to gauge levels of readiness amongst our existing suppliers for the new products and processes that would come with an influx of PCH Access clients, and provide supplier support beyond usual supplier engagement.

Suppliers were initially screened on basic competencies and ability to innovate. Once this was established, the Sustainability Team conducted a detailed assessment and scored the factory on external relationships, social and environmental practices, HR, process management and quality factors.

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When the Sustainability Team visits PCH Access suppliers, they come with a different perspective, this is valuable to us.

— Roger Luo, PCH Access Supply Base Manager

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PCH Access in 2014

20 percent of Highway1 companies have been accepted into PCH Access

32 factories used

71 percent of PCH Access clients are manufacturing/shipping products

Ryan Francis / Philippe Manoux / Celia Corrente / Alexandra Siano





The Sustainability Team suggested potential areas for improvement such as developing detailed process maps, developing new processes or converting from on-the-job training for workers to skills-based training and testing. It's noteworthy that most improvements were determined to be achievable within six months (2 factories) to one year (3 factories).

Following the visit, each supplier was provided with practical suggestions on health and safety, chemical management and energy efficiency. We found suppliers to be very receptive of our suggestions and four out of five continued to seek PCH advice following the visit. These factories worked with all PCH Access clients who had progressed to production during 2014.

We Commit

We will continue to work with individual PCH Access clients to ensure their products are manufactured sustainably. This will include chemical assessments, material analysis and supplier development projects.

A photograph of two men in a workshop or office setting. They are standing in front of a large whiteboard covered in hand-drawn sketches, diagrams, and sticky notes. The man on the left is wearing a grey t-shirt and dark pants, and the man on the right is wearing a light blue button-down shirt and khaki pants. They are both looking at the whiteboard, with the man on the right pointing at a specific sketch. The whiteboard contains various sketches, including what appears to be a mechanical part, a flow diagram, and a cross-section. There are also several yellow sticky notes attached to the board. To the left of the whiteboard, there is a desk with a computer monitor and keyboard. The overall atmosphere is one of collaborative design and innovation.

We Design

We have more than 200 engineers globally whose experience and skill at every stage of prototyping, product testing, tooling and design for manufacture have helped us to build a client list that includes many of the world's biggest and best brands. We collaborate closely with our partners on product design engineering features, function, product testing and design for mass production. From concept sketch to technical inspiration, from feasibility to optimal manufacturing, we are a catalyst for innovation in hardware.

Sustainable Product and Packaging Design



Incorporating sustainability at the early stages of design is a priority for us. We want our clients to think about sustainability when designing a product – everything from materials, packaging and manufacturing processes, to the person who makes the product as well as the end user and the end of life process.

We have observed that sustainability is often perceived as expensive and difficult by some of our clients. It can appear time consuming, costly and potentially lead to delays in product development. It is our responsibility to change this perception.

Our engineers help clients understand that sustainability can be successfully integrated early in the product development process. In 2014 reviews were conducted on a case-by-case basis. To enhance sustainability services and make it a standard part of our design process, PCH Lime Lab will begin to build a materials library in 2015. This will provide our engineers with practical samples and information on material availability. The library will eventually be integrated across both design and manufacturing and will include sustainability assessments and ratings.

In addition, we see the need to offer full lifecycle analysis of a product at the design stage so that our clients can understand the potential footprint of their product and its packaging. This will commence in 2015.

Materials in Packaging

We consider time, quality, cost and sustainability when analyzing packaging for our clients. Whenever possible, we use materials that are recyclable. We define an item as 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.

We find that client values vary when it comes to ‘sustainability.’ In one example, every component of a client’s packaging was assessed for human health impacts in line with the client’s brand values. We looked at chemical use and risk of potential harm to worker health was greatly reduced in the manufacturing processes selected. The reality is that the packaging cost increased by 8 percent, however, a potential dangerous process was removed from production, the packaging could be recycled and the client remained true to the values their customers expect.

Case study: Packaging overhaul for PCH Access client

When clients want to reduce cost, reevaluating packaging and shipping methods can often be fruitful. In the case of one of our startup clients, we looked not only at packaging materials, but also the shipping method. To keep shipping cost low, packaging must meet very specific weight criteria. We designed lighter packaging and reduced shipping, material, and kitting costs as well as the environmental impact of packaging and transport.

	Unit	Percentage change
Weight	Tons	-13%*
Manufacturing and end of life disposal emissions	Greenhouse gas tons of CO ₂	-76%
Ocean freight emissions	Greenhouse gas tons of CO ₂	-30%
Air freight emissions	Greenhouse gas tons of CO ₂	-13%
Manufacturing and ocean freight emissions	Greenhouse gas tons of CO ₂	-68%

* Data calculated using [NYK Group calculator](#) for 10,000 units shipped from Hong Kong to Long Beach, California, U.S.



We Commit

We will continue to educate our team members and clients on how sustainability can be implemented at the design phase to show the benefits of starting early in the process.

PCH Lime Lab will begin to develop a materials library in 2015. Eventually, materials will be rated based on cost, performance and sustainability impact.

We will also begin to offer a full lifecycle assessment of products and packaging at the design stage.

Our Environmental Impact

PCH Facilities in China

We perform product development, manufacturing, packaging, kitting and fulfillment in our PCH-owned facilities in China

These facilities have a low risk of occupational hazards and environmental pollution

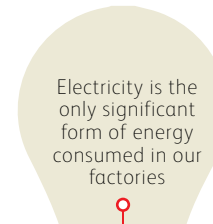
All materials and subsequent production waste in PCH facilities are owned by clients



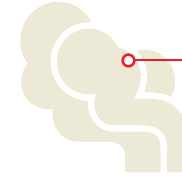
We operate three factory facilities, one product development lab and office space in Shenzhen, China



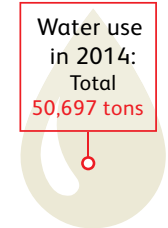
Our factory facilities do not utilize heat, fuel, steam or cooling processes



We use it primarily for air conditioning, lighting and operating machinery associated with packaging & fulfillment.



PCH greenhouse gas (GHG) emissions (Scope 2) : **5,291 metric tons of CO₂**



Water use in 2014: **Total 50,697 tons**

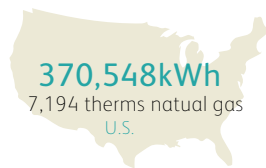
San Francisco **3,321 tons**

Shenzhen Office **1,532 tons**

PCH-owned factories and product development lab **45,843 tons**

Total electricity use across PCH in 2014:

5,856,030kWh (2013:3,938,043kWh)



Our increase in overall company electricity use is the result of inclusion of the energy use of our 30,000 sqft. PCH Innovation Hub in San Francisco as well as additional facilities in China.

We leased 885,000 square feet of factory space in China of which 500,000 square feet was used for manufacturing lines, storage and warehousing in 2014.

Total Waste Produced by the PCH Innovation Hub in San Francisco, in 2014: **32,728 lbs**



15,080 lbs
(46%)

Landfill



5,782 lbs
(36%)

Recycling



11,866 lbs
(18%)

Compost

Total hazardous waste produced by PCH-owned factories in 2014: **800 lbs**

364 lbs Waste water mixed with lubricant oil

213 lbs Waste lubricant oil

91 lbs Light tubes

44 lbs Hazardous chemical container

36 lbs Waste batteries

33 lbs Waste electronics

11 lbs Clean cloth mixed with lubricant oil

6 lbs Oil pen / stamp

2 lbs Ribbons

1 lb Clean cloth mixed with alcohol

All hazardous waste generated by our factory facilities is disposed of by a licensed operator in China.

Our U.S. sites recycled **154 lbs** of electronic waste during 2014.

We did not dispose of any hazardous waste in the U.S. in 2014, but will create a hazardous waste removal process in 2015 for oily rags, aerosol paint cans and coolant.

LEED Certification

The PCH Innovation Hub at 135 Mississippi Street, San Francisco, facility is a LEED gold certified building (office and workshop). We considered sustainability when selecting equipment for the lab. For example, we purchased machines that use water-based coolants. At this site, we use natural gas for our heating system and hot water and electricity for all other power needs.

We Build

How it's made is just as important to us as what is made. We take a custom approach to each endeavor because there is no such thing as 'one size fits all.' We consider everything from material selection, manufacturing processes, packaging and transportation, to recycling and reuse, which helps us make the best choices to mitigate potential environmental impacts. We advocate process improvement in factories – be it automation, chemical management, health and safety management or people management resulting in reduced waste, increased efficiencies and safer, happier work environments.

Making Safety and Sustainability a Priority

The majority of our making happens in our network of supplier factories (see also [We Partner](#), page 39). We work with these factories to make the components that will eventually arrive at our PCH-owned facilities for packaging, kitting, fulfilment and delivery to their final destination. The key difference is that we can control our own factories, but we can only influence our supplier partners.

Risk Management

PCH regularly reviews local legal requirements to determine what is applicable to our operations. Our Compliance and Internal Audit teams conduct environmental risk assessments PCH offices and our factory facilities in China for compliance with ISO 14001 standards. Through this process, we have identified the areas of greatest environmental risks in our PCH-owned factories as: disposal of hazardous waste, food waste and machine hazardous waste. The greatest areas of risk in our overall PCH operations in China are: the supplier selection process, material selection, energy and water use and waste and air emissions. Full certification details and all of our current company policies can be found on our [website](#).

External Audits of PCH

We comply with our clients' social and environmental responsibility standards where applicable. Typically, our larger clients have standards and Codes of Conduct to which we adhere while our startup clients do not yet have a formal structure in place. Clients audit certain PCH facilities and operations as part of their own supplier qualification and monitoring programs.

In 2014, PCH factory facilities were audited four times by our clients for labor, environmental, health and safety practices. Results varied from a 100 percent compliant rating by one client to 16 findings that required corrective action by another. Examples of areas identified for improvement included management of overtime, emergency exit signage and wastewater management. All items that required corrective action were resolved within one month.

Health and Safety

We take safety seriously, as accidents can happen in a manufacturing environment. We believe dedicated safety training and procedures are the best way to prevent accidents from occurring and escalating. PCH did not experience any serious accidents in our own factories in 2014.

Our PCH-owned factories have a Social and Environmental Committee (200 people), which includes a Health and Safety sub-Committee (16 people) comprised of management, production staff and engineers. One percent of the overall factory workforce participate in the committee.

We conduct self-assessments at our factories to analyze potential safety hazards related to fire safety, chemical use, equipment safety and occupational health. Within PCH-owned factories, only one station is deemed hazardous by local authorities (a carton sealing station which is noisy). All 70 operators who work at that station undergo a

health assessment before being assigned and are provided training and personal protective equipment (PPE).

In 2014, PCH recorded no injuries or illness amongst our corporate employees globally who work in our own and our supplier facilities (i.e. non-factory operator staff such as product design teams or engineers). Our factories reported four injuries to three men and one woman, namely a fall, a vehicle accident on the way to work, a machine-related accident and an object falling on an employee's foot in the cafeteria. All were employees, and all subsequently returned to work. Injuries were reported to the local social security bureau.

PCH 2014*	Number of incidents	Incident rate (per 100 employees)
Fatalities/ Occupational disease	0	0%
Injuries	4 incidents	.14 (per 100 members of the workforce, per year)
Lost days	71.5 days	2.44 (per 100 members of the workforce, per year)

* PCH follows the U.S. Occupational Safety and Health (OSHA) recordkeeping rules and formulas to record and measure injury and lost workday rates worldwide.

The PCH Innovation Hub in San Francisco has a chemical management system in place and provides training on workshop machine use. There have been no known incidents so far, but because there is some potentially dangerous and heavy machinery in the lab (e.g. wood room) a safety plan will be implemented in 2015.

For the wider PCH workforce, particularly those who spend their time in our supplier factories, we do not currently have a formal health and safety management structure in place. We realized in 2014 that there were gaps in our health and safety management procedures across the supplier factories we actively manage. While these factories have the minimum health and safety management processes in place, there is

room for improvement. PCH employees are frequently in factories and are unaware of the health and safety risks in particular facilities.

We learned that we need a formal structure for all employees to report possible work-related illness. The reporting process will be integrated to our Employee Code of Conduct due for release in 2015.

Case study: Health and safety at design

In one case, a client asked us to use particular chemicals in our product development lab, with specific levels of concentration and ventilation. PCH employees who were working with these chemicals began to feel unwell and were encouraged by their managers to get medical checks. Because this incident occurred in a product development lab, we switched from a solvent-based adhesive to a water-based adhesive very quickly.

The lack of an effective reporting system makes it difficult to definitively say how many employees experienced illness that resulted directly from their work in the lab, so it's essential that we develop more effective reporting. We cannot ask our suppliers to incorporate best practices in chemical management in their factories without us first setting the best example.

The Sustainability Team offered training on chemicals, health and safety best practices during 2014 to PCH staff and suppliers. We will formalize our health and safety standards in our Employee Code of Conduct in 2015.

We Commit

To implement health and safety management and injury or incident reporting system companywide.

PCH Lime Lab will develop a machinery safety plan in 2015.

Conflict Minerals

The use of minerals in electronic products mined in conditions of armed conflict and human rights abuses is of great concern to us. We are committed to participating in industry initiatives to improve transparency of minerals in products and mitigate human rights abuses in the supply chain.

PCH is a privately held Irish company and is not under a legal obligation to disclose or trace the presence of conflict minerals in our supply chain, however, as an issue of paramount concern, we have created our own policy. Many of our clients are required to release an annual report on conflict minerals such as tungsten, tin, tantalum and gold commonly found in electronics that have been mined from the Democratic Republic of Congo and neighboring countries. We assist our clients in fulfilling such reporting obligations. We will roll out our own conflict minerals program across our supply base in 2015-2016.

To view our full policy and to learn more about our conflict minerals program, see our [website](#).

We Commit

In 2015, we will develop a conflict minerals mapping and identification program for relevant suppliers.

Workplace Improvements

A happy workforce is a productive workforce and we believe that by improving the factory work environment, we will make social and financial gains measured in employee wellbeing and improved production output.

Case study: Factory upgrades, PCH workshop

A PCH client that considers sustainability and safe and comfortable working conditions as a core brand value wanted to build a workshop where both product quality and worker comfort are equally prioritized. Their final product assembly was to be conducted in a PCH factory, where all workshops already meet minimum local regulatory requirements, but this client desired to go even further.

The PCH Sustainability Team reviewed a 7,400 square feet workshop to be used by about 30 people. We installed a lighting system that automatically adjusts light levels in response to motion and real time monitors for temperature, humidity and carbon dioxide (CO₂). If CO₂ is high, fans automatically run to circulate fresh air. We also retrofitted the air conditioning so the temperature settings can be changed in individual locations in the workshop.

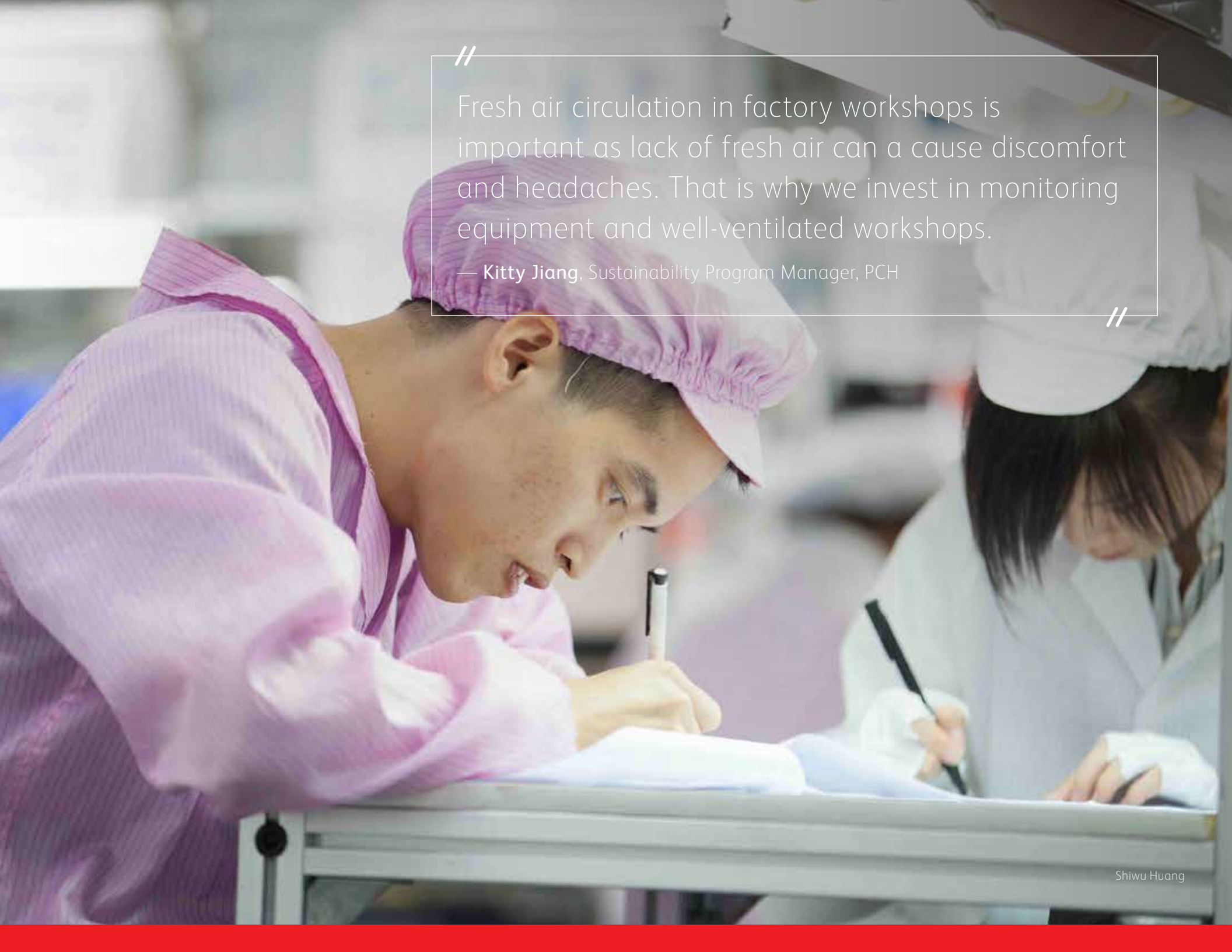
We will track the return on investment during 2015. The energy saving is not expected to be substantial on this project. However, we expect that this project will prove that comfortable and empowered workers are more productive workers.

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Fresh air circulation in factory workshops is important as lack of fresh air can cause discomfort and headaches. That is why we invest in monitoring equipment and well-ventilated workshops.

— **Kitty Jiang**, Sustainability Program Manager, PCH

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Case study: Equipment upgrades/automation

We spoke about factory equipment upgrades in supplier factories in our 2013 Report, and how a long-term partnership enables a factory to invest in equipment and see a return on investment. We endeavor to foster long-term partnerships with our suppliers. While no long-term contracts were awarded in 2014, we continue to work with our existing supply base year-on-year and carry out individual projects. For example, in March 2014, we installed four auto-cutting machines in a key supplier factory to increase efficiency and reduce potential worker harm.

Benefits analysis of automation	Change
Daily labor cost reduction	-79%
Number of dangerous positions eradicated	2
Cycle time (seconds per piece) saved	9 seconds
Quality	Improved quality due to automation and reduction of human error
Machine payback time	1.6 months

A woman wearing a pink lab coat, a matching hairnet, and white gloves stands in a factory or laboratory setting. She is looking off to the side with a slight smile. The background shows industrial equipment and glass partitions.

We Partner

While we can have the greatest sustainability impact at the design phase, the majority of environmental and workforce impacts are experienced in the factory supply base in Southern China. If we want to make a real impact, we must look beyond our own operations to improve sustainability across our extended network of suppliers.

Sustainability in our Supply Chain

Our suppliers vary in size, area of expertise and our level of engagement with each one. So too does the level of control or influence we have over our suppliers. Many of our sustainability programs are with small to medium sized enterprises (SMEs), which make up a large portion of our overall supply base. PCH has a core group of key suppliers, smaller in number but usually larger in size, in which our operations team is involved in the day-to-day workings of the factory for large-scale PCH projects. In the wider network of suppliers and sub-suppliers, we are less involved in day-to-day factory operations. The following section outlines how we integrate sustainability into selecting and working with suppliers and how we influence them to adopt sustainable practices.

How PCH interacts with suppliers:

- > Annual audits
- > Monthly and quarterly business reviews with key suppliers
- > On-site presence in factories
- > Going beyond audits: Specialized process improvement projects in supplier factories

Our Supplier Network

229 number of suppliers transacted with in 2014



56 percent of suppliers were chosen by clients (44 percent were selected by PCH)



76 greatest number of suppliers per client



99 percent of suppliers eligible for an audit were audited



4.4 average length of relationship (in years) with our key suppliers

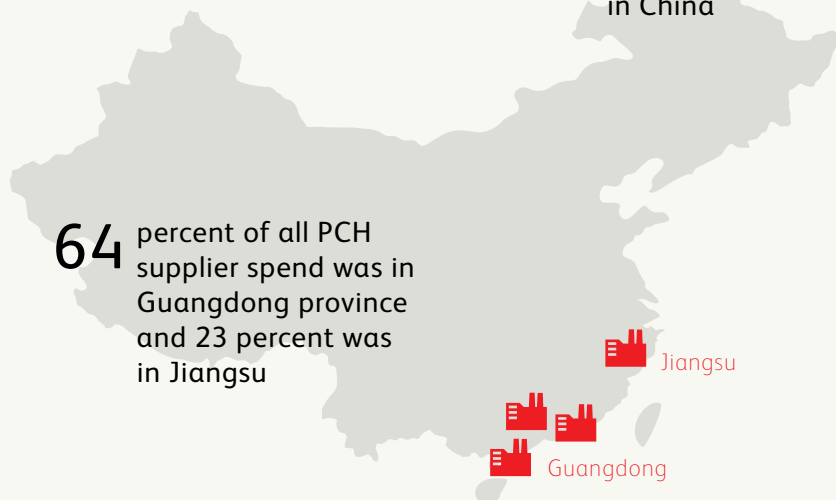


33 number of suppliers engaged for sustainability assessments and improvement programs



85 percent of suppliers are located in China

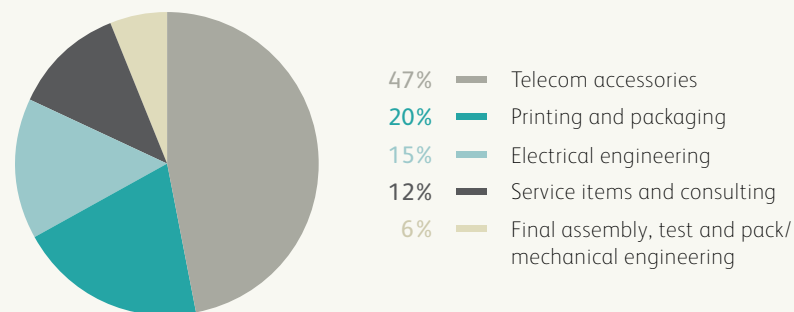
98 percent of overall supplier spend was in China



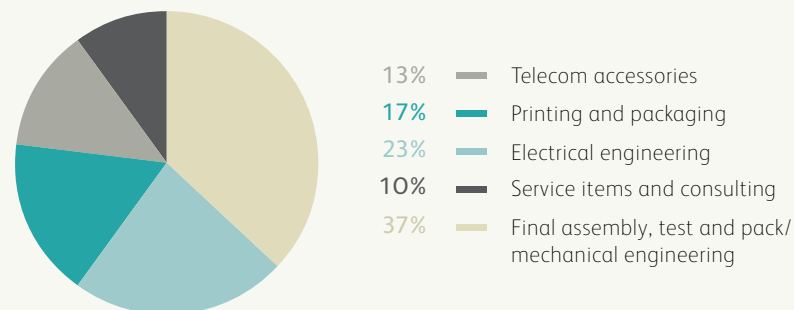
64 percent of all PCH supplier spend was in Guangdong province and 23 percent was in Jiangsu

1.1 average length of relationship (in years) with all Chinese suppliers (as we on-boarded new suppliers to meet the diverse product and material requirements of our PCH Access clients)

PCH in China supplier spend 2014



PCH in China type of suppliers 2014



Supplier Qualification, Audits and Review

Audits set a baseline, and during 2014, we continued to conduct audits of existing and incoming suppliers to admit them to the PCH supplier network. This covers their quality, sustainability and chemical management practices. We cannot audit every supplier as this would require substantial resources. We follow industry best practice, and our compliance team conducts audits based on the projected value of business with the supplier, level of risk and the type of service to be received from the supplier. To read about our supplier qualification and audit procedures, see our [website](#).

- > 257 suppliers were admitted to the PCH approved vendor list in 2014 (44 percent selected by PCH, 56 percent nominated by clients)
- > A preferred supplier is more likely to receive business from PCH. This is determined during audit, and scores are weighted at 50 percent for quality, 35 percent for social and environmental practices and 15 percent for chemical management
- > We transacted with 229 suppliers in China in 2014
- > 27 percent of suppliers we transacted with were audited in 2014
- > 70 of 257 suppliers admitted to our approved vendor list (27 percent) were eligible for an audit (34 new, 35 existing) in 2014
- > We audited 99 percent of suppliers eligible for an audit. The remaining one percent is a supplier that we worked with closely to comply with our client's audit. As the client's audit requirements are similar to ours, we focused on assisting the supplier to pass this audit
- > 72 audits conducted (69 suppliers, 2 multiple audits)
- > Audits conducted covered 40 percent of PCH spend in 2014

- > 10 suppliers failed their audits in 2014 (3 existing, 7 potential new suppliers)
 - » 8 failed due to the results of their social and environmental performance
 - » 2 failed due to quality performance
 - » 2 committed to an improvement program and passed subsequent audits
 - » No suppliers failed due to child labor, forced labor or disciplinary practices
 - » 6 candidate suppliers were not admitted to our approved vendor list
 - » Business was terminated with 2 existing suppliers
- > Factories that fail their audit are given up to 3 months to improve their practices and undergo a re-audit
- > Labor areas for improvement identified across audited suppliers: freedom of association, ethics and management systems and working hours
- > Environment, health and safety areas for improvement identified across audited suppliers: safety in high-risk zones within the factory, ergonomics and general environment and health and safety management
- > Facilities previously audited by PCH scored on average 6 percent higher for the labor portion of their audit and one percent higher for the Environment, Health and Safety management portion of their audit, than factories that underwent first-time audits
- > 14 suppliers upgraded their preferred supplier status during 2014, and 3 were downgraded (due to a combination of audit scores, failure to sign our Code of Conduct)
- > 193 suppliers signed Our [Supplier Code of Conduct](#) (those who did not sign had similar agreements in place with the client)

To encourage an open flow of communication between our supplier partners, PCH, and our clients, we conduct monthly and quarterly business reviews for certain projects. This gives all parties an opportunity to align objectives and provide project updates and suggestions for improvement.

Child Labor

We have a zero tolerance policy towards child labor in our own and supplier facilities. In 2014, we did not find any incidences of child labor in our own or our supplier facilities.

We follow industry recommendations on selecting suppliers that are subject to audit, basing our selection on location, business activity and manufacturing risk assessments. We audited 69 suppliers last year (all audits include a check for child labor and prevention systems) and found no incidences of this practice.

In addition, we had no young workers (16-18 year olds) or students (participants in internships arranged through an educational institution) working in PCH-owned facilities. Nineteen percent of our suppliers hire young workers and 1 percent hire student workers.

To see our full policy please see our [website](#).

Sub-supplier Audits

We ask that our suppliers mirror the supplier selection standards outlined in our Code of Conduct when choosing their suppliers. Our request is not unusual, however, our auditors tell us that very few electronic manufacturing services (EMS) providers implement supplier qualification audits on their sub-suppliers. Based on 2014 audit records, only two of our audited suppliers audit their suppliers. We do not dedicate PCH resources to auditing sub-suppliers, preferring to roll out factory improvement projects and supply chain mapping up to tier 3 sub suppliers (as discussed on the next page).



Sunny Wu / Kevin Yang


We encourage and expect our network of suppliers to operate to the highest standards of social and environmental compliance. In reality, our supplier network, particularly our smaller suppliers, do not have the resources to implement social and environmental programs. For example, a supplier will say that their employees are free to reject an offer of overtime or can join a worker's organization at will, but in practice this is not always the case.

Supplier Improvements

Factories simply will not engage in sustainability programs unless they have a strong relationship with PCH, a guarantee of business and our support to implement these programs. The PCH Sustainability Team engaged with suppliers during 2014 to assess, understand and help them implement improvement programs.

PCH invested more than \$500,000USD in supplier factory improvements for the direct benefit of our clients. This included energy-saving projects, employee engagement programs and health and safety upgrades.

We also helped our major clients implement their own sustainability programs across their supply chains. One of our major value adds is our ability to enhance our clients' operational capabilities on the ground in China. Some PCH team members spent up to 100 percent of their total work time in 2014 at our supplier facilities. One team spent more than 365,000 hours in one facility alone managing client operations. As such, we work with our clients to translate their codes of conduct and supplier audits to the factory floor. Doing so ensures the best quality, delivery and service.

 **Case study:** Helping suppliers improve health, safety and chemical management standards

Each year, our supplier factories are audited by their own and our client auditors. In 2014, one of our suppliers almost failed their annual client audit. Sustainability practices such as monitoring working hours and lack of chemical handling procedures were the primary reason for the near failure.

Due to a fixed deadline, the factory pushed to produce products in a shortened timeframe to meet demand. This compromised overtime standards. Because we are working on new products and new materials every year, the supplier was unaware of new client and industry chemical management requirements, and there was no health and safety management specialist knowledge in the supplier's company. Among the issues cited at audit, the client's Material Safety Data Sheet (MSDS) for chemical management was incomplete or incorrect. Our client wanted a detailed MSDS that incorporated their restricted substance list. This is hard for the factory to implement as products and processes are constantly evolving. The PCH team highlighted areas of concern, educated factory management on chemical terminology and helped the supplier perform corrective actions to improve their subsequent audit score. This included ventilation, cleaning stations, and chemical labeling and management.

If we are going to make any progress on making factories sustainable places, the client, PCH and factories must coordinate and communicate to consider and maintain sustainability standards during production ramps.

We will continue to work with this supplier to help them maintain appropriate standards in chemical management and will place Health and Safety management specialists in this factory as they build a robust system in 2015.

Going Beyond Audits

We always seek to improve manufacturing processes in our network of suppliers. Beyond audits, we observe where there is room for improvement and we work with the supplier to influence them to make the necessary changes. This drives continuous improvement. Below are the key findings from specialized Sustainability Team factory assessments of our suppliers:

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In the case of a quality issue, we would never ship a product. We would extend the shipment date. We need to do the same when sustainability issues emerge – if a safety or labor risk does arise, our schedule needs to adapt accordingly, as failure to do so creates a huge risk.

— Ray Porter, Chief Operating Officer, PCH

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What We Saw in Supplier Facilities	What We Did
New processes (paint/ink mixing) exposed workers to potentially toxic solvent vapors.	Commenced design of a mixing room and work stations with improved ventilation (2015 completion).
Inadequate review of inks/paints/cleaners for safer alternatives at design.	Reviewed inks/paints/cleaners for alternatives (ongoing).
New process (acetone cleaning of laser-cut parts using ultrasonics) identified as unsafe during design review.	Reviewed alternatives and implemented a simpler, safer cleaning process.
Slow, inaccurate and wasteful cable-cutting/stripping process. Risk of worker injuries due to a manual cutting process.	Automated cable-cutting and stripping machine installed. See Case study: Equipment upgrades/automation, page 38.
New adhesive found to be too toxic and hazardous to use in existing workshop.	Adhesive replaced, and other adhesives evaluated and replaced.
Discovered that many personal protective masks available locally in China are counterfeit/provide insufficient protection from chemical vapors.	Provided adequate masks and training in their use. Trained PCH Supply Base Management teams and educated supplier factories on the use of personal protective equipment.
Workers were uncomfortable and tired because of high humidity in factory workshops.	Created a factory workshop that included energy-efficient lighting and air-conditioning controls. See Case study: Factory upgrades, PCH workshop, page 36.

Supply Chain Environmental Impacts

Energy consumption in our factories is minimal compared with upstream supplier factories (see also Our Environmental Impact, page 32).

Our clients tell us that their greatest challenge is making a substantial improvement to the environmental impact of their supply chains. This is primarily because of an inability to access data in upstream tiers of their supply chain which often consists of smaller factories with less expertise and fewer resources.

In the past, we conducted energy assessments of our suppliers' factories and provided energy-saving suggestions, but factories struggled to implement improvement projects. In our 2013 Report, we highlighted that real time energy monitoring and management would be an area of focus in 2014. This real time data allows us to identify where energy management improvement is needed most within a factory. We recognize that the cost of installing energy management hardware and software must be dramatically reduced and training must be provided to encourage uptake of remote monitoring technology among suppliers.

In 2015 and into 2016, we will continue to identify and install the correct energy meters and monitoring software. Following successful installation and collection of baseline data, we will implement specific energy projects that will result in energy savings across our supply chain.



We Commit

We will continue to install energy monitoring systems in partner factories.

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Building a robust energy monitoring system in China is key to improving a factory's emissions footprint. We need to figure out where technology needs to go, and get the cost of this down to create process and energy efficiencies. It is simply too expensive right now.

— Sanno Lee, Sustainability Program Manager, PCH

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Case study: Remote energy monitoring

We've established five full wireless sensor network pilot sites in one of our own factories and four supplier sites. A sixth site will come on line in 2015. We will establish baseline data in 2015 when software and hardware mature. Our early findings suggest:

- > Energy use across the five sites varies greatly. One supplier used at least 4.8MM kWh of electricity between August and December 2014, while another supplier used just 4 percent of that (190,000kWh) in the same period.
- > From August to December 2014, these five sites use the equivalent of at least 470 U.S. homes' energy use for one year (over 7.4MM kWh)¹.

Through our analysis of real time energy use, we provide recommendations to the factory on best practices to reduce their consumption such as turning off equipment at night or on weekends. In addition:

- > Light lamps replaced with LED in two workshops result in an estimated energy reduction of 84,000kWh annually, for a saving of more than \$13,000USD².
- > Replacing 40watt (T8) lights with 28watt (T5) lights, reduced electrical consumption by up to 119,000kWh per year – a saving of approximately \$3,000USD.

1. [Environmental Protection Agency, U.S.](#)

2. We calculate electricity cost based on the factory average cost of .16USD/kWh (average rate from PCH and our supplier electricity bills).



Ada Yang / Wendy Zhao

Dispatch and Short-term Work

Labor supply in our own and our supplier factories continues to be a challenge.

PCH Factory

In PCH-owned factories, we have two types of workers: dispatch (agency) workers and full-time employees. Employees are hired directly by PCH, whereas a dispatch worker is employed by an agency (they are paid directly by PCH, social insurance benefits are administered by the agency, and the dispatch company provides its own dormitories). We do not have any part-time employees or directly hired short-term full-time contractors in PCH-owned factories. All workers receive the same compensation, employment terms and benefits. We have been working with our two dispatch agencies since 2009 and 2012 and audit them annually. In 2014, 12 dispatch workers converted to full-time employees in our factories.

Supplier Factory

We also assist one key supplier in managing their labor needs. The factory reduced its reliance on dispatch workers in favor of short-term 3- to 6-month workers hired and paid directly by the supplier factory during 2014. Turnover remained high in this facility (average 28 percent

per month). Replacement hire rate was low (average 5 percent) and in the same factory, the average monthly length of service for short-term employees was 2.9 months, and for full-time employees, 9 months. On average, 28 percent of all leavers each month were employees, 72 percent of leavers were short-term workers in 2014.

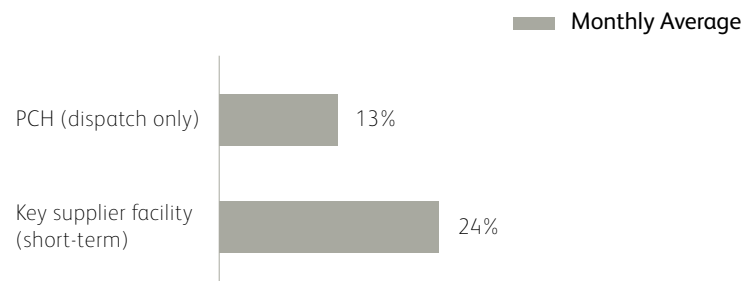
Switching from dispatch to short-term to meet peak production demand is better for the factory as it increases control and visibility into the workforce. There is always a risk that dispatch agencies will not pay workers the full pay and benefits owed to them. Even as we move away from reliance on dispatch workers, other areas remain unstable, such as accurate labor demand forecasting.



We Commit

In March 2014, a new regulation governing the use of dispatch operators came into effect in China. It requires that no more than 10 percent of the factory population be dispatch workers by March 2016. We will meet this standard by 2016.

Dispatch/Short-term as % of factory workforce



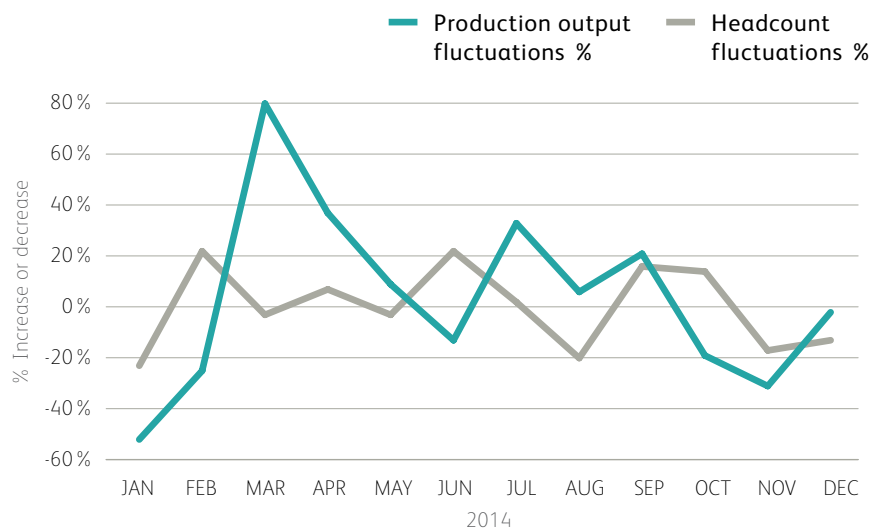
Production Ramp

There is a direct correlation between labor turnover and production demand. Production ramp typically begins to climb after Chinese New Year (February) and continues until December (pre-holidays). The busiest period is usually between June and September (graph at right). Inaccurate forecasting is a huge challenge and when orders change last minute, suppliers, including PCH struggle to meet labor demand. We hire for production plans and when production plans are altered at the last minute, it puts everyone under pressure.

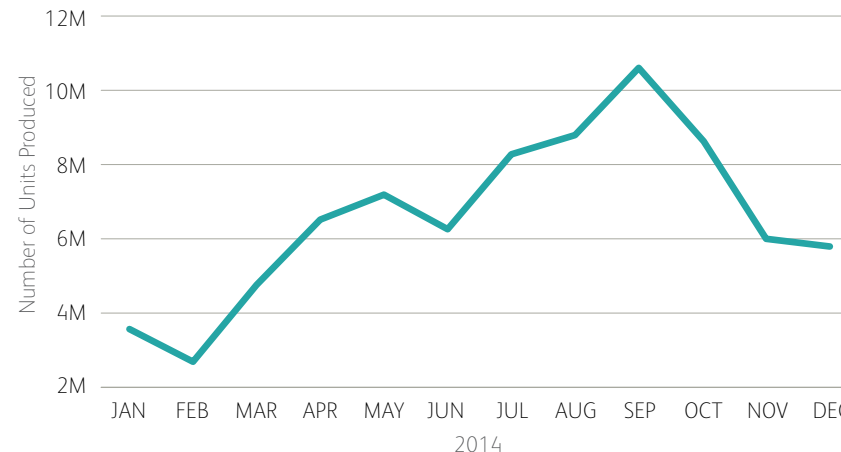
PCH-owned Factories

Production fluctuations have a significant impact on headcount requirements in our factories. In 2014, production output in our factories increased by 80 percent between February and March. In our factories, the greatest headcount fluctuation occurred between January and February when the operator workforce grew by 22 percent to meet this demand.

Production and Headcount Percentage Changes, PCH Factories



Monthly Units Produced, PCH-owned Factories



Supplier Factories

In one of our supplier partner facilities, production ramp began in July 2014 and ramped down by early November. The workforce increased by 153 percent between June and July, and decreased by 23 percent between September and October. The percentage of short-term employees in that facility peaked at 48 percent in August. In the same month, 97 percent of those who left were short-term employees. This is demonstrative of the peaks and trough of production and their effect on labor management.



We Commit

We will continue to work with tried and trusted suppliers and look for ways to accurately forecast production ramp in partnership with our clients.

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Our sustainability program is all about reducing waste. Waste can be something obvious like energy, water and materials. Wasted labor in the form of worker turnover or reduced productivity is also a costly form of waste.

— **John Garvey**, Chief Technology Officer, PCH

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Materials and Chemicals

Chemicals used in factories were our biggest health and safety concern in 2014. We spent considerable time and resources identifying and managing chemicals used in our own and our suppliers' factories.

Hazardous chemicals are chemicals that are poisonous, corrosive, explosive or ignitable and which may cause hazards toward a person, equipment and the environment. More hazardous agents get into the body by inhalation than by any other route. Therefore, chemical exposure on the factory line is a critical concern.

When we examine chemicals, we consider both sacrificial materials that are used during the manufacturing process that do not form part of the final product as well as those that are part of the final product. These chemicals are used in processes such as coating, gluing, lamination, cleaning, electroplating, printing, screen-printing and painting. It's important that all factories maintain a Material Safety Data Sheet (MSDS) containing information such as a material's chemical ingredients, physical characteristics, proper handling, fire safety and emergency handling.

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We sought Material Safety Data Sheets (MSDS) data across the supply base in 2014 and faced huge challenges getting this information – both because of confidentiality or because the factories don't use it or don't have the information. Some containers are mislabeled or not labeled at all. This is a risk we are correcting in supplier factories.

— Chris Yang, PCH Sustainability Analyst, PCH

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Mapping

In 2014, we collected chemical MSDS from 25 high-risk factories in our supply base (including tier 1, 2 and 3 suppliers), then mapped 187 materials and chemicals. Suppliers were chosen for these assessments based on the products and processes they carry out, which, if interrupted, would compromise supply of essential parts and components in our supply chain.

Observations in supplier factories included:

- > Chemicals such as n-hexane, trichloroethylene, toluene, benzene and xylene are used in many upstream suppliers' factories; these chemicals are used to make glues, thinners, cleaning agents, inks and paints
- > Poor ventilation
- > No or inappropriate personal protective equipment provided
- > No labeling or mislabeling of containers
- > No handling instructions (material safety data sheet) on site
- > Chemical volatility due to open containers
- > Unmarked plastic water bottles containing solvents
- > Inadequate emergency procedures
- > Inadequate chemical waste storage
- > Chemicals banned in some client countries, but not in China

Our Sustainability Team conducted training sessions with PCH client teams and PCH Access teams to enhance their knowledge of chemicals in their respective supply chains. Training and information sessions were also conducted directly with suppliers during assessment visits and follow up support was provided to individual suppliers to improve their chemical management abilities. This reminds us that while audits set an important baseline, they do not provide full insight into the risks in a factory and how to best manage those risks.

Steps for Chemical Management

Reducing chemical exposure often requires switching to another material that is not compatible with equipment currently in use, might result in a greater number of rejects or might result in production downtime as the necessary adjustments are made and procedures are changed.

Our priorities for chemical management are as follows:

- > Elimination
- > Substitution at design/planning
- > Ventilation
- > Establishing a safe distance between substance and worker
- > Providing personal protective equipment

Chemical Evaluation Tool

During 2014, PCH began to develop a proprietary Chemical Evaluation Tool. The aim of this software is to take existing accepted chemical knowledge and make it easy for all PCH staff — designers, engineers, auditors, etc. — to identify the impacts of chemicals, both from a worker and end-user point of view. It will also instruct users on how to manage the chemicals safely, and where possible, offer less toxic alternatives, enabling us to make better decisions, quickly.

Using the United Nations Globally Harmonized System (GHS)³ the tool considers substances that are known to cause serious health effects in humans, even in low concentrations. Other concerns, including health effects of single large exposures, skin and eye damage as well as flammability, ozone depletion and climate change are included in the rating system.

3. [United Nations Globally Harmonized System](#)



Xiaolan Pan

We are also developing our own restricted substance list (RSL). The list will draw from best practices in our industry and in other sectors and will include client requirements, alternatives, restricted processes, and new and novel approaches on materials.

The greatest challenge in this task is to find alternative chemicals when we determine that certain chemicals are unsafe for use. Challenges also lie in accessing and working with the upstream supply base to eradicate their hazardous chemicals.

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Alternative chemicals are not straightforward to find. Cost, function, cycle times and cosmetic effects are just a few of the factors that must be taken into account.

— Alan Cuddihy, Head of Sustainability, PCH

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We Commit

In 2015, we will make the following chemical management improvements:

- Create a designated Environmental, Health and Safety (EHS) post to oversee health and safety management across the facilities we manage
- Continue to map chemicals across the supply chain
- Enhance supplier employees' safety awareness, providing EHS training and increasing the training ratio (both PCH employees who work at supplier facilities, and supplier management teams)
- Find non-toxic or chemical alternatives that are not harmful and test their performance in our product development lab
- Monitor occupational hazards and conduct occupational health examinations for any position that may carry a risk of occupational disease
- Increase awareness of chemicals and EHS through internal and supplier training
- Find alternative chemical solutions and incorporate them in the Chemical Evaluation Tool
- Set up a stakeholder review panel for our Chemical Evaluation Tool and Restricted Substance list
- Begin to test the tool in PCH supplier facilities (by 2016, the tool will be ready for public comment).
- Report on our progress

The Challenge with Chemicals

Interview with Alan Cuddihy Head of Sustainability



① What are the main issues that PCH faces regarding the use of chemicals?

We make different products each year, meaning that our factories and our supplier factories work with different materials, processes and chemicals each year.

Knowledge of chemical use in manufacturing is lacking, and implementing a health and safety management culture is challenging. Some of our clients are educating suppliers and help them apply best practices for chemical handling, but many clients expect the factory to have existing systems in place. This is not always the case. In many factories, we see lack of understanding on the correct procedures in place for handling of chemicals.

We have also become increasingly aware of the gap in control of sacrificial materials. These chemicals are not dangerous to the end-user, but they can be dangerous to the worker in the manufacturing facility where it is made. For example, a chemical used to wipe a product clean before it is packaged isn't part of the final product and won't impact the consumer, but the person who works at a cleaning work station on a factory line could be exposed to this chemical for up to 10 hours a day.

Restricted materials lists exist, but they often apply to final goods that are sold on the other side of the world. These lists don't necessarily reach the supply chain.

② How does PCH address these issues?

As we do not control many of these factories directly, we work to ensure management is fully informed about use of toxic chemicals and that training and attendance are carefully documented. It

is not always a question of compliance or whether a chemical is banned or not.

In 2014, we carried out chemical mapping across 25 supplier factories. In some cases, chemicals banned in final products were used during manufacturing processes as cleaning agents or adhesives.

There are worker exposure limitations around chemicals, and certain chemicals can only be used in specific conditions. We realized that our suppliers didn't always have correct processes in place to safely handle these chemicals. In 2014, we found short-term solutions such as swapping out chemicals for safer alternatives, or improving ventilation, however, we have much more to do.

It is our responsibility to put systems in place to handle chemicals properly in our operations. In addition, each factory is supposed to comply with local government regulations and client requirements on chemical use. Whether this is practical is unclear, especially when a client chooses chemicals and no MSDS is supplied to the factory. We are working with our suppliers to ensure they are equipped to handle chemicals properly.

③ What is the most challenging part of this?

Alternative chemicals are not always straightforward to find. Cost, function, cycle times and cosmetic effects are just a few of the factors that must be taken into account.

While alternatives are the ultimate goal, our priority right now is to ensure appropriate ventilation and personal protective

equipment (PPE) are in place. This, too, comes with difficulties. While we have control in our own factories, we can only influence our suppliers. Ventilation upgrades in older factories are expensive and factories will not invest in such upgrades if there is no guarantee of continued business. In addition, ensuring that people consistently wear correct PPE is a challenge. We are providing training and education on the benefits of this protection.

④ Looking forward, how does PCH aim to help solve these issues?

We realized that we needed to provide our PCH colleagues with a tool that would enable them to find out everything they need to know about chemical choices before they begin production. We did not have a way to evaluate and chose the best chemicals without slowing down the design and development process.

Our Chemical Evaluation Tool will comprehensively evaluate manufacturing materials and processes and will incorporate our restricted substance list. Instead of looking retroactively at how people are affected by using a chemical, this tool takes existing data and information and enables us to rate chemicals.

Initially, we will use this tool at PCH. We will identify the most commonly used materials and conduct a quick factory diagnostic. The tool is almost ready for use, and in the six months we spent gathering chemical information across the supply chain, we noticed that MSDS are starting to clean up and contain more accurate information.

We Deliver

From inventory management to receiving and processing orders for the world's biggest brands, it is our mission to ensure the right product is in the right place at the right time. We expertly aggregate consumer technology products and create marketing and channel strategies for both startups and established brands.



Efficiently Meeting Demand

Inventory Management

Inventory isn't limited to finished products, it also refers to raw material and the components that PCH manages on behalf of our clients. If inventory remains in a warehouse or in transit for a prolonged period, the chance that it will lose its value and have to be disposed of increases.

To reduce waste and resulting landfill, we work with our clients to make only products for which there is demand. This type of just-in-time manufacturing makes supply chains leaner and cuts costs.

Inventory Management in 2014

11 Average number of days inventory stayed in warehouse

Saving time on inventory is crucial for our clients, as delays in product development and manufacturing hinders the ability to get products to market. We want to supplement and eventually replace forecasts with real data. We aim to meet real demand without the need for excess inventory by collecting factory-level data on materials, energy and labor.

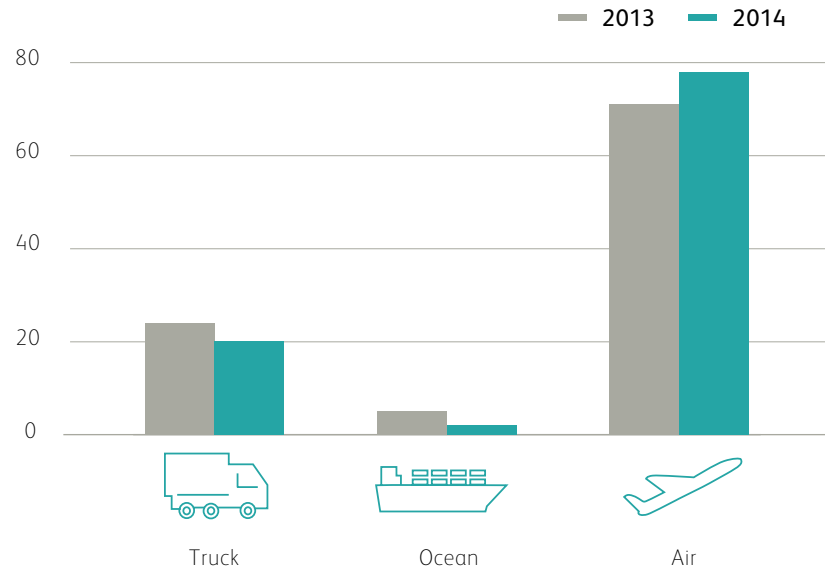
We are not in a position to report data on this aspect of our business for 2014 as each inventory or transport management project is conducted on a case-by-case basis. We will investigate how to measure and report on this in future.

Transporting Products

How a product gets from our factory to the client and the end consumer is a decision made by our clients and is not always within our sphere of influence. We are therefore not directly responsible for transportation emissions.

In 2014 our use of courier delivery increased as a result of our PCH Access client shipping requirements. Many of their orders are small, so this is the most suitable means of transport.

How Our Products are Delivered



Airfreight can often lead to a significantly leaner supply chain, in that fewer products are produced, there is less stored inventory and we can send each product directly to where it needs to go. Generally, this means fewer products ultimately go to landfill. However, we acknowledge that ocean freight generates less emission than airfreight.⁴

We use the best shipping method for each individual project. This is a challenge for our clients who want to incorporate sustainability into their core values – airfreight beats ocean freight when it comes to getting a product to market. The key is to have accuracy in demand forecast, but this is difficult when a new product is being launched and there is no data on how it will perform.

4. [World Shipping](#)



Wenjiang Wang



Ximing Zhang

Transporting Employees

We transport employees between global facilities, via planes, cars and buses—all of which use energy. Thus far, we have not tracked the emissions associated with employee transportation. We will always need to transport employees, but as we implement video conferencing across all global offices in 2015, we will track and assess the environmental impact of this solution.

We Commit

We will continue to assess each inventory management and distribution project to ensure we offer a suitable solution for each individual product.

We Listen

Looking after those who work for PCH both directly and indirectly is our greatest priority – our people are key to our success. People are not as readily measurable as environmental and economic impacts. Even though our efforts to enhance our workforce's experience are not always quantifiable, they are incredibly important.

About Our Workforce

2,648 global workforce*

21 nationalities represented globally

97 percent of our factory workforce are migrants who hail from outside Shenzhen

30 percent of corporate staff in China are based in supplier factories

92 percent of our global workforce are full-time employees

41 percent of our corporate staff are non-resident in their country of work

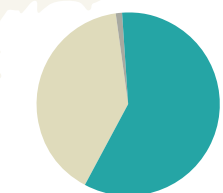
90 percent of our factory workforce are covered by a collective bargaining and trade union agreement

61 percent of our global workforce are factory operators

18 percent of the PCH Senior Leadership Team are female

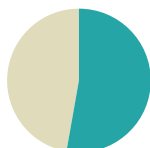
* Workforce includes both our employees and our supervised workforce (those workers hired through dispatch agencies or contractors/consultants, and occasional interns). We do not hire any interns in our factories. All interns are students in their home countries and have worked with our Finance, Sustainability, Operations, Design and HR Teams.

Age



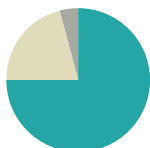
Global Workforce

40% Under 30
59% Between 30-50
1% Over 50



PCH-owned Factories

47% Under 30
53% Between 30-50
0% Over 50



PCH Corporate

21% Under 30
75% Between 30-50
4% Over 50

Global Workforce

Country 2014	Employees		Supervised workers*	Total workforce**	% of total workforce
	Operators	Office staff			
Canada	0	8	0	8	0.3%
China/ Hong Kong	1,509	768	209	2,486	93.9%
Ireland	0	36	4	40	1.5%
South Africa	0	7	0	7	0.3%
South Korea	0	4	0	4	0.2%
U.S.	0	91	12	103	3.9%
Total	1,509	914	225	2,648	

* Supervised worker refers to non-employees i.e. operators hired through a dispatch agency or contractors/consultants and occasional interns.

** TNS distribution is excluded from this Report. See also About this Report.

Gender



44% 56%

Global Workforce



36% 64%

PCH-owned Factories



64% 36%

PCH Corporate

Diversity and Equal Opportunity

Diversity and respect are vital components of PCH's culture. All factory employees receive at a minimum the local minimum wage as set by the Shenzhen government and are paid legally required overtime rates. This is supplemented by statutory social insurance payments and ancillary benefits. Base salary for corporate employees is determined based on market value for the role in a particular geography.

Diversity is important in the hardware and technology sectors, where creativity and out-of-the-box thinking are vital for success. Engineering is a male-dominated sector and the majority of people managers across our organization are male, whilst the majority of our factory staff are female.



We Commit

We will continue to encourage diversity and equal opportunity across our organization.

Localized HR Practices

In the same way that we tailor our services to each client, we tailor our internal employee relations to each local market in which we operate. For example, in Shenzhen, we have a hotline for our factory operators, whereas in our office locations we operate an open door policy. If employees have any suggestions or concerns, they can go directly to their direct manager or Senior Leadership Team.

At PCH Lime Lab, a mentor program commenced in 2014 providing opportunities for ongoing learning, knowledge sharing and goal setting. Because of the growth rate in this location, there are many areas where PCH is endeavoring to develop and implement people management processes that enhance talent and job satisfaction.

Employee Engagement

Not only do we want to integrate sustainability into the products we make, we also want to make products that serve a social or environmental improvement purpose. There is eagerness at PCH to work with what we call ‘pro-social entrepreneurs’—those who have ideas for hardware that aim to solve social, community or environmental problems or effect positive change in the world. Five percent of PCH Lime Lab’s time in 2014 was spent tackling engineering problems for non-profit organizations. Our goal is to increase this in 2015 across the company. Working with pro-social entrepreneurs is key to integrating sustainability into our core business model. It also increases employee satisfaction and keeps employees engaged.

Little Bird

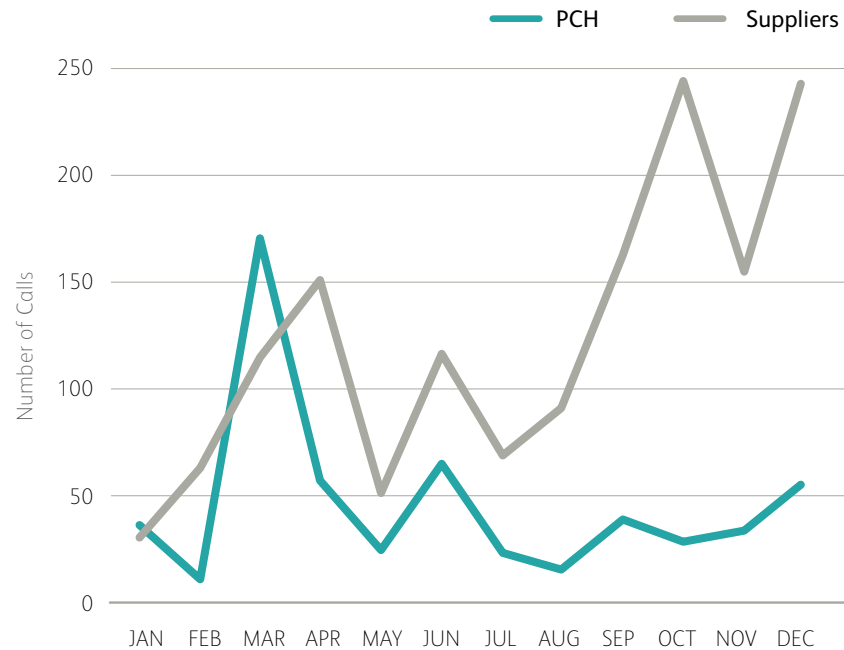
Since we began our partnership with NGO Little Bird in 2012, their services have evolved with our workforce. What began as an independent hotline is now an advisory, library and activity service available to more than 6,000 workers in our own, and our key supplier facilities. To learn more about the Little Bird services see our website.

- > Hotline available to more than 6,000 workers across 5 factories
- > 2,966 calls received, 12,989 instant message correspondences since August 2012 (when the hotline service commenced)⁵
- > 1,323 phone calls (2014)
- > 4,533 instant message interactions (2014)
- > 1,500 workers on instant messaging group
- > 55 percent of hotline calls came from suppliers’ workers, 43 percent came from PCH workers and 2 percent came from ex-workers
- > 3 libraries at factory dormitories
- > 25,000+ library visits
- > 4,000+ books borrowed
- > 7 cultural integration training sessions
- > 60 social activities attended by more than 1,000 people
- > 1,000+ surveys completed by workers covering ergonomic health, understanding of overtime rights, feedback on activities and training sessions, and questionnaires to gain a deeper understanding of what training and education workers are interested in

Increased hotline use tends to correlate with production ramp periods.

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

2014 Hotline Use



In our own factories, workers called the hotline about welfare, management and social insurance and housing benefits. In our supplier factory, the majority of correspondences were queries regarding social insurance entitlements and annual leave. Hotline staff report that the majority of calls to the hotline relate to clarification of entitlements and advisory services rather than grievances.

Topics Raised via Little Bird Hotline 2013-2014*



* Analysis of 191 sample correspondences with the Little Bird hotline across seven facilities during 2013. 2014 analysis of 159 correspondences across five facilities.

Little Bird Challenges

Little Bird hotline staff find that face-to-face interaction with the workforce is most successful for building trust and persuading employees to attend events and activities. They actively promote their service offering by visiting workers' dorms and libraries which serve as a platform for the Little Bird team to reach workers directly.

The hotline surveyed 212 people during 2014 and found that, among workers, the biggest obstacles to calling the hotline are the 'effectiveness of advice' and lack of clarity around the independence of the service, as some believe the service is run by management. Little Bird will continue to provide clarity of their impartiality to workers and endeavor to address all issues raised in a timely manner.

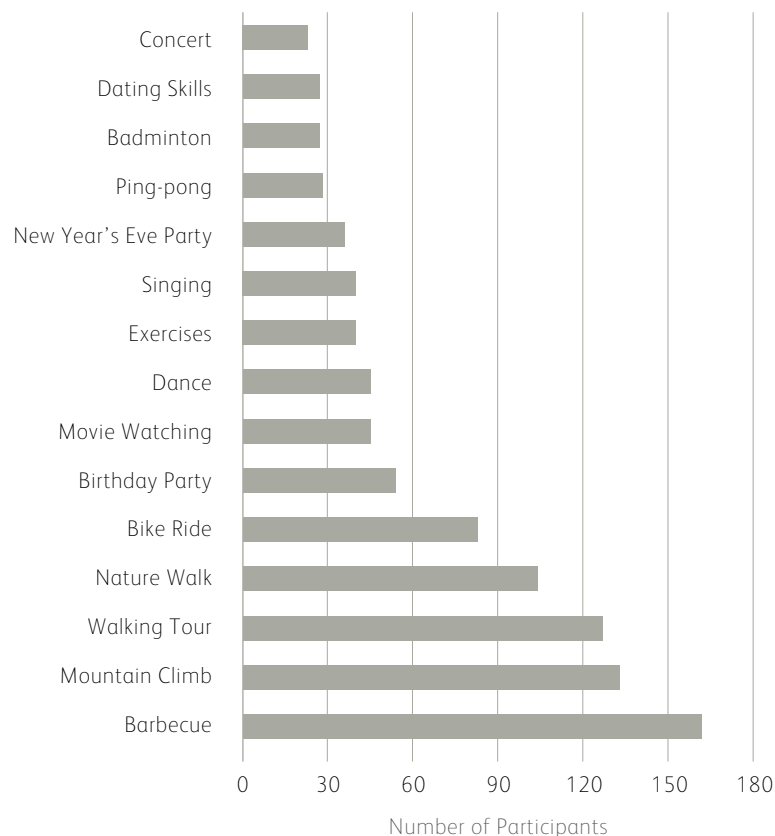
Case study: Little Bird activities and training

Little Bird staff began organizing regular social activities in late 2013, having learned through the hotline that our workforce was interested in enhancing their life skills and broadening their social circle. In 2014, activities included biking, hiking, barbecues and birthday parties. Activities are often oversubscribed.

PCH learned through surveys that our workers also desire short educational courses. The availability of relevant learning content is essential to maintain worker interest. Thus, Little Bird organized educational lectures on topics such as social insurance and housing funds, parenthood and conflict management.

Factory workers reported that they were concerned about how to effectively communicate with their children. Many workers come to Shenzhen leaving their children at home with extended families. Seventy-nine percent of those surveyed said they speak to their children for one hour or less per day. Little Bird invited an expert to provide training to these workers on enhancing parenting relationships.

Little Bird Activities for Factory Staff*



*1,086 workers from both PCH and supplier factory attended activities throughout 2014.

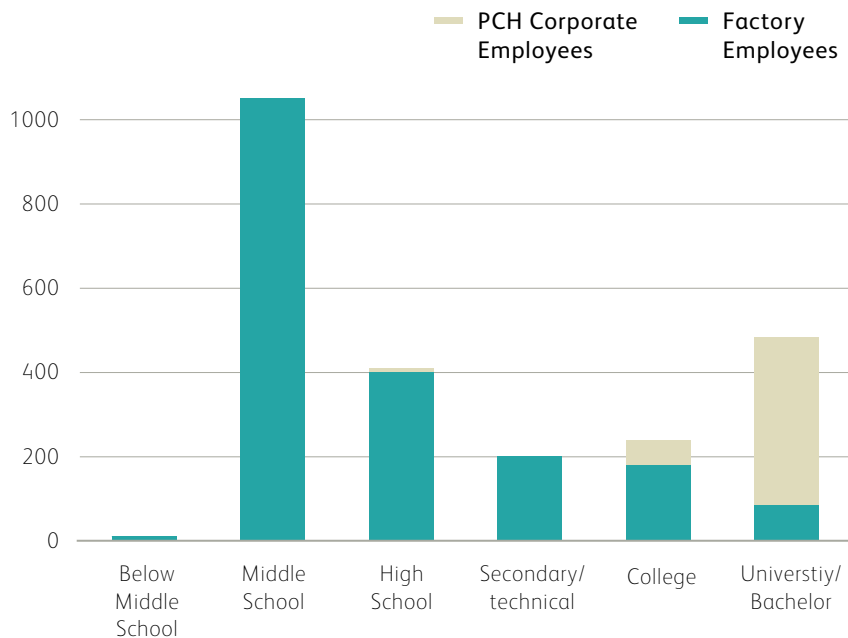


Brands must get involved - we cannot ignore the evasion of social responsibility and we must call on brands to take action to manage their workforce responsibly.

— Wei Wei, Little Bird Founder



Education Levels



Majority of factory employees have attained middle school education (50 percent, 2013).

Educational Interests of Our Workforce



MicroBenefits survey, PCH factory employees, November 2014, 87 participants.



We Commit

Little Bird will establish its services in our new Learning Lab facility close to PCH-owned factories in 2015. This will provide online and face-to-face training and library and personal development services to all PCH factory workers.

Little Bird will also enhance personal development and life skills training and activities.

Little Bird will establish a Mediation Committee in 2015.

MicroBenefits

MicroBenefits is a social enterprise committed to enhancing frontline workers' livelihoods while enabling employers to generate cost savings. Partnering since 2013, we offer worker engagement programs, using technology-related initiatives to increase employee satisfaction and loyalty, reduce turnover rates and improve productivity. To learn more about our partnership with MicroBenefits, see our [website](#).

Employees receive a welcome pack that includes access to a retail discount network of over 30 local businesses, an education and training application for smartphones and an online newsfeed and communications platform. MicroBenefits is available to all employee operators (about 82 percent of the PCH total factory workforce) as an incentive to encourage long-term employee retention.

Getting the right content for the MicroBenefits smartphone application continues to be a challenge. Many widely available online courses are not offered in Chinese, require a long-term commitment from the employee and are aimed at university level students, which is not always suitable for our workforce. We are working with MicroBenefits and some clients to source suitable courses.

MicroBenefits in 2014

- > Welcome pack and discount network card distributed to all new joiners
- > Since 2013, employees have saved \$25,000 through MicroBenefits' retail discount network
- > Education and training mobile phone application offers 80+ courses to employees

4,000	workers (supplier and PCH-owned factories) had access to MicroBenefits services each month (on average)	34,000+	discount card uses (since June 2013, five facilities)
110,000+	quizzes completed	1,500+	prizes distributed (PCH facilities, July-Dec 2014)
15,000+	lessons completed (PCH facilities, July-Dec 2014)	44,000+	logons to newsfeed

We Commit

In March 2015, a 3,900 square feet Learning Lab will open adjacent to two PCH-owned factories. It will feature 50 computers and tablets and library space for online and face-to-face training. All PCH operators can use the facility.

In July 2015, we will open a similar facility (7,500 square feet) at a supplier factory. It will be accessible by all operators (up to 6,000 people) in the factory.

Return on Investment 2014

- > The number of units produced by factory operators per hour has increased between 2012 and 2014, as has the factory efficiency rate.
 - » 5 times greater peak production volume in peak 2014 month than peak month in 2013
 - » Efficiency rate (target working hours/actual working hours) is up 8%

48 percent of PCH factory operators have worked with PCH for less than one year

30 percent of PCH factory operators have worked in the factory for more than 2 years

52 percent of PCH factory operators have worked with PCH for more than one year (up from 12% in 2012)⁶

1.4 average length of service (in years) across the PCH factory workforce

Promotions in Factories

30 people promoted from operator to line leader

3 people promoted from line leader to supervisor (19 people in 2013)

12 people promoted from operator to office staff

1 person promoted from line supervisor/manager to office staff in 2014

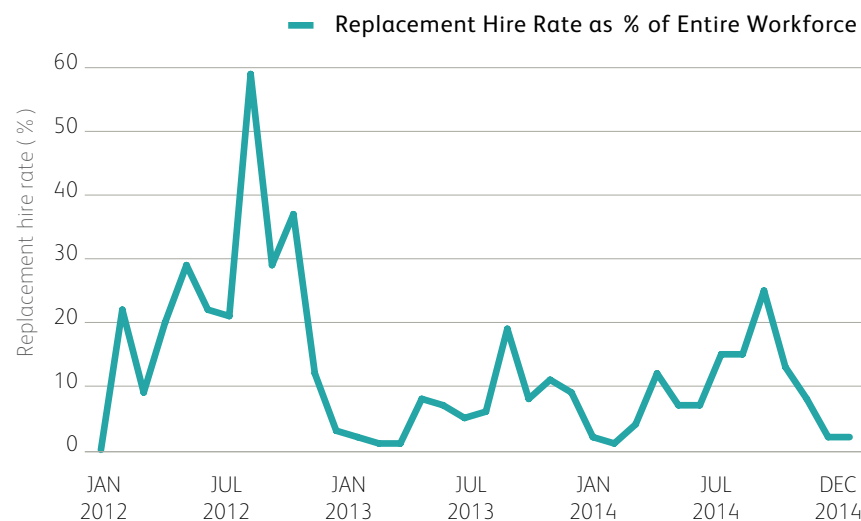
6. 2012 data is for one facility only (the only facility which was open for a full year in 2012). That facility now has over 58% of operators for more than one year. 2014 data refers to two PCH factory facilities.

Retention in Factories and Return on Investment

In 2012, on average we replaced 20 percent of our PCH factory workforce each month. In 2013, the rate was 9 percent. In 2014, it averaged 14 percent. While there was an increase, an overall rate less than 20 percent is positive. In one PCH facility (where our social programs have operated since 2012), the average replacement hire rate was 9 percent in 2014.

Changes were also implemented in our factories that resulted in increased efficiency and a decrease in peak monthly volume, reducing the need for operators. This must be factored in to the reduction in replacement hire rate.

Replacement Hire Rate, PCH Factory 2012-2014*



* Replacement Hire (a worker hired to replace someone who has left) 2013-2014 at one PCH CTS facility. Replacement hire rate calculated as a % of the entire workforce.

Employment Conditions and Labor Turnover

In 2014, 14 PCH factory employees (production and office staff) marked 10 years of service. This was rewarded with bonuses and benefits. This incentive scheme will continue in 2015 when an additional 24 employees will mark 10 years of service anniversaries.

Turnover remains high across our factory workforce. While we have made inroads in encouraging employee loyalty, the reality is that many factory workers come to our factories with the intention of staying for less than a year. In 2014, our global employee turnover averaged six percent each month. Amongst our corporate employees the average monthly turnover rate was one percent while the average monthly rate was eight percent amongst our factory employees.⁷

Total employees at 1 January, 2014	2,299
Total joiners during 2014	1,909
Total leavers during 2014	1,785
Total headcount at 31 December, 2014	2,423

7. Calculated as the geometric monthly mean of all leaver employees/average number of employees in 2014.

Employee Overtime in Factories

A standard workweek 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, and all overtime is voluntary. Work weeks exceeding 60 hours are deemed excessive by industry associations and our Supplier Code of Conduct requires that no worker should work more than 60 hours per week, including overtime, except in emergency or unusual situations.

Overtime hours are a priority for our workforce and if that is not available, many will seek alternative employment. The average workweek for our PCH factory staff in 2014 was 51 hours, down from 53 hours in 2013. PCH achieved 99 percent compliance with our Code of Conduct in our own factories in 2014 (maintaining our 2013 record). The 60-hour week was breached eight weeks out of 52 in 2014, in other words, one percent of workers breached the rule during 2014.

During 2014, the policy of not working more than six consecutive days without a day of rest was breached six times (six weeks out of 52) or, on average, one percent of the total annual workforce breached this rule. There was one recorded incident of 36 workers exceeding more than 11 hours total work time in a day. Breaches are caused by condensed production schedules and shortage of labor. We continually monitor overtime and strive to have zero percent breach of our standard.

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Overtime is something that our workers want and volunteer for. We have to balance this with rules meant to protect them from too much overtime.

— Celine Zhai, Sustainability Program Manager, PCH

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Case study: Understanding overtime

During 2014, Little Bird conducted a survey of PCH factory operator employees (25 participants) to gauge their understanding of overtime. Among the results:

- > 68 percent fully understood their overtime payment entitlements
- > 100 percent said they were paid their correct overtime entitlements
- > 48 percent recalled the training they had received on overtime entitlements at orientation

Little Bird regularly clarify pay and benefit entitlements via the hotline, and an employee handbook is available in print or via the MicroBenefits smartphone application. In addition, Little Bird hosted lectures on social welfare entitlements during 2014.

We Commit

Continue to monitor overtime in our own and supplier factories and maintain systems designed to prevent breach of the 60-hour week rule.

During 2014, we also identified a need to offer hourly rates to certain salaried workers in our U.S. operations who work a lot of overtime. This is fairer to these employees and will be implemented throughout 2015.

Parental Leave

We abide by all parental leave entitlements in accordance with local laws. In 2014, 51 PCH employees in China took parental leave. We estimate that no fewer than 64 employees were entitled to parental leave, but some (approximately 13 female factory operators) did not use their leave entitlements and chose to leave work instead.

2014	Total	Female	Male
Employees entitled to parental leave	64	46	18
Employees who took parental leave	51	33	18
Employees who returned to work after parental leave	48	30	18
Employees who returned from parental leave at end of 2013 still employed at end of 2014	28	16	12
Return to work rate as a percentage of those who claimed parental leave		94%*	
Return to work rate as a percentage of those entitled to parental leave		75%**	

* Calculated as those who returned from parental leave during 2014/those who took parental leave during 2014.

** Calculated as those who returned from parental leave during 2014/those who were entitled to take parental leave (both those who availed of the leave and those who ceased their employment).

Knowledge Sharing and Training

As our company grows, we are increasingly aware of the importance of internal communication and knowledge sharing. We recognize that it is important that we put systems in place to ensure continuity of excellent service should someone leave.

Training is an essential component of employee engagement, development and productivity at work. In 2014, PCH employees globally participated in more than 57,000 hours of training.

In response to the results of our Great Place to Work® Survey conducted in 2013 among PCH corporate staff globally, we recognized the need to provide career development and internal knowledge sharing forums. In response, PCH's HR division rolled out two programs – Connect and Envision.

Connect and Discover

During these one hour information sessions, PCH teams in China educate their colleagues on the role of their team. This is important for internal knowledge sharing, as certain corporate staff are based at factory sites and may not be aware of the internal services that are available to them. This program began in late 2014, with 73 attendees participating in the first session. More sessions are scheduled for 2015 and will be held in PCH office and factory sites in China.

Envision

Envision is a short training session on employee development, technical skills and management development. More than 350 PCH employees in China attended more than 8,000 hours of envision training in 2014. Topics included communication, negotiation, problem solving, finance,



Xiaoyao Liu / Jingling Zhou

data analysis and coaching. English training and 'Basics of Supply Chain Management' were the most popular courses (272 and 170 attendees respectively). Many courses were held at both office and factory sites.

Sixty-three percent of PCH employees in China attended at least one training session. These training sessions were not rolled out in our other global locations during 2014.

Factory Training

All PCH factory staff receive on the job training to ready them for their particular role. In addition, the factory offered additional career enhancing training to both office and production staff. Ninety-six office staff participated in English language and 'Train the Trainer' courses in 2014, while forty operations staff took 'Lean Manufacturing' training.

Grievances

We strive to protect and uphold labor and human rights best practices across all our operations. Our hotline and employee grievance mechanisms apply to our factory workforce (61 percent of PCH workforce).

PCH Corporate

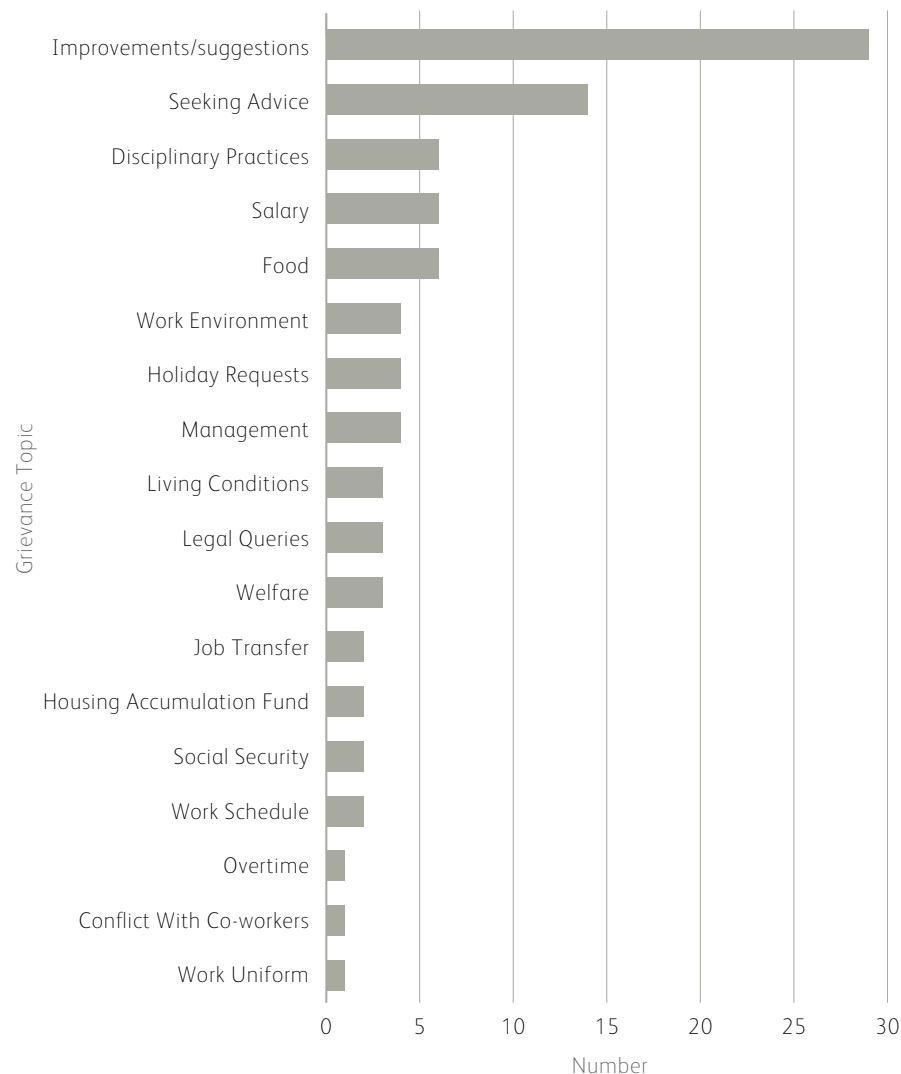
Should any employee have concerns or grievances about our labor, human rights or environmental practices, they can approach their direct manager, any member of management, a designated employee-relations manager or any member of HR to share their concerns. We currently do not have any formal grievance mechanism for PCH corporate staff. This will be added to our Employee Code of Conduct due for release in 2015.

Factories

In 2013, we reported an increase in employee grievances in our factories – 15 in 2012, 27 in 2013. In 2014, the number of grievances rose to 141. This is a good thing. We want our workforce to feel they have a forum to express their concerns and we want them to trust that their concerns will be taken seriously and resolved in a fair manner. Much of the feedback received from the workforce was suggestions for improvement or seeking clarification of applicable rules and regulations.

In the event of any change to our operations that would significantly affect our employees, up to three days' notice is provided by the HR department. When any employee is no longer to be employed by our factories, they receive at least one-month notice from factory management.

PCH Factory Labor Grievances 2014



Mode of Communication

HR or factory management can be reached via:

1. Suggestion box – Employees anonymously suggest improvements. Checked every week on Monday. A formal acknowledgment is sent to the person who submitted the query within 15 days (special circumstances can extend this to two months) e.g. if further investigation is required.
2. Employee representative's forum – Held once per quarter and attended by employee representatives (15 operators), the factory General Manager, HR manager and internal audit team. Suggestions and feedback are sent to relevant departments for action. HR supervises the implementation of improvements. Responses to all suggestions and feedback are posted on a notice board within three months.
3. Little Bird – Little Bird sends suggestions to factory HR once a week, which are then relayed to relevant departments. Responses are sent to Little Bird who liaise directly with the employee. Most issues are resolved within one month, and if an emergency arises, it is addressed immediately.
4. MicroBenefits – The employee smartphone application includes a function that allows employees to contact HR directly with suggestions, complaints and feedback.

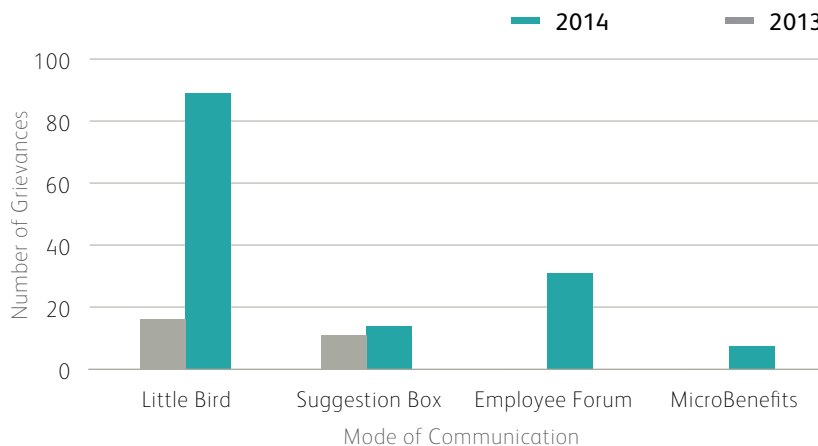
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Little Bird provides an independent and anonymous platform for employees to speak their mind. Management also encourages employees to speak directly to any manager about problems they may see.

— Frank Wong, Factory General Manager, PCH

//

Mode of Communicating Grievances



Workers are using forums such as MicroBenefits and increasingly Little Bird to communicate with factory management. In 2014, 63 percent of grievances were reported via Little Bird hotline and 5 percent via MicroBenefits. PCH factory employees accounted for more than 43 percent of calls to the Little Bird hotline during 2014. Little Bird escalated 16 percent of all queries received to factory management in 2014. Management endeavors to close all grievances within three months, and address serious grievances immediately. However, a percentage of grievances remain unresolved (over 20 percent of all grievances reported during 2014 are still open/reoccur). These remaining open items relate to factory management, welfare and social insurance.

Factory management and Little Bird concede that it is difficult to resolve all complaints, as many are seasonal e.g. space in dorms, others take time to investigate during which time the factory worker might leave his/her employment. People also come to the hotline with personal non-work related issues, which cannot necessarily be resolved by management.



Zhang Xiao, Little Bird

Compliance and Integrity

PCH will always remain true to our values: passion, integrity and teamwork, both internally and externally, and we have never been fined or had any incidents of non-compliance with regulations or laws in the jurisdictions in which we operate.

Clients and Products

We love to help startups disrupt. At the same time, each company we work with has a responsibility to market and sell their products truthfully. When it comes to seeking approvals such as food and drug administration (FDA) or labeling approval for a particular market, our clients instruct us on their labeling requirements.

Factories

The privacy and security of our clients' concepts, ideas and dreams are important to us. Our clients own the intellectual property (IP) of their products which we safeguard. We sign a mutual non-disclosure agreement (NDA) with all clients and partners, and we have client IP security plans in place at all of our factories. We have never had a complaint, breach or loss of client data.

All security personnel in our directly owned factories receive formal corporate social responsibility (CSR) training. In the facilities that we manage for our suppliers, PCH is involved in setting operational and security procedures to ensure compliance with human rights requirements and social accountability international (SA8000) standards. Management of those facilities directly oversee the security staff at those locations.



Yufeng Duan / Yulian Chen

Employees

All of our workforce receive a written contract and benefits in line with local regulations. Our factories conduct orientation training and provide all employees with an employee manual, which guides the factory workforce on their human rights and responsibilities, labor management procedures and safety procedures. The manual also outlines the factory labor, environmental, security and quality policies.

We do not have any formal policies in place for our PCH corporate staff like we do in our factories, nor do we provide any formalized training regarding human rights, anti-corruption, anti-competitive behavior, insider trading, or conflict of interest. We expect the entire PCH workforce to comply with applicable laws and any violation will be fined or punished according to the relevant laws in each location. We recognize that we must formalize these expectations and will include them in our Code of Conduct to be rolled out in 2015.

We Commit









An Employee Code of Conduct is under development and is due for release in 2015. Once finalized, the guidelines will be communicated to all corporate employees in Chinese and English.

Looking Ahead

In 2015, we will continue to commit ourselves to factory improvements, particularly chemical use and safe manufacturing. The importance of long-term, trusted relationships with our suppliers is essential to their participation in our sustainability programs. We are making progress with energy where cost benefits are readily measured. Material handling and process safety require more time and investment.

We will also continue to build our capabilities on responsible product design and development. This expansion will continue to ensure we understand our entire company impact, a challenge we are ready to meet.

The following section outlines the key efforts we commit to improve in 2015 and beyond.

	We Commit	Responsible Division(s)
We Think 	Continued sustainability support and learning sessions for Highway1 companies.	PCH Sustainability Team, Highway1
We Scale 	Continued engagement with PCH Access clients and suppliers to ensure their products are made sustainably. This will include chemical assessments, material analysis and supplier development projects.	PCH Sustainability Team, PCH Access
We Design 	Continue to educate ourselves and our clients on sustainable design.	PCH globally
	Develop a materials library.	PCH Lime Lab
	Offer life cycle assessment of products and packaging at the design stage.	PCH globally
We Build 	Implement health and safety management, injury or incident reporting system companywide	PCH HR, Legal and Sustainability Teams
	Implement a safety plan for equipment use at the PCH Innovation Hub in San Francisco	PCH Lime Lab
	Map and identify conflict minerals in the PCH supply chain.	PCH Sustainability Team and Supply Base Management Team
We Partner 	Continue to develop and build energy monitoring systems and energy improvement plans across PCH-owned and supplier factories	PCH Sustainability Team
	Continued compliance with applicable workforce management regulations.	PCH HR and Operations Teams
	Engage with clients to manage production forecasts to prevent labor and safety violations.	PCH Operations and Sustainability Teams
	Implement chemical management best practices and increase awareness and training across PCH and supplier facilities.	PCH Operations and Sustainability Teams
We Deliver 	Continue to assess each inventory management and distribution plan to ensure we offer a suitable solution for each individual product.	PCH globally
We Listen 	Continue to encourage diversity and equal opportunity across our organization.	PCH HR
	Open a Learning Lab in PCH and supplier facilities for all factory employees' use.	PCH Sustainability Team, Little Bird NGO
	Continue to monitor overtime in our own and supplier factories.	PCH HR
	Offer hourly rates to certain salaried workers in our U.S. operations who work a lot of overtime.	PCH HR
	Implement employee guidelines and policies for PCH employees globally.	PCH HR, Legal and Sustainability Teams
PCH General 	Report on the entire PCH group of companies.	PCH Sustainability Team, TNS Distribution
	Work with pro-social entrepreneurs – those with a hardware idea that aims to solve social and environmental problems or affect positive change.	PCH Sustainability Team and all product divisions (Highway1, PCH Access, PCH Lime Lab)



About This Report

PCH is a privately held Irish company, and we are not obliged to report on our social, environmental and economic impact, this is something we choose to do.

This is PCH's third annual Sustainability Report and covers the year 2014. Our 2012 and 2013 Reports can be accessed on our [website](#).

What This Report Covers

‘PCH’ (previously known as ‘PCH international’) refers to the PCH global group of companies. While TNS Distributions is part of the PCH group, it is not included in this Report.

In 2013, we reported on PCH operations in China (including: PCH Shenzhen (office), PCH Hong Kong (office), PCH packaging (two factory facility buildings including packing, kitting, warehouse and office) and PCHD Shenzhen (a factory with packing, kitting and warehousing operations). This region continues to be where we see the majority of social, environmental and economic effects (see [Materiality](#), page 17).

In this Report, we expanded our coverage to include all PCH corporate offices and PCH U.S. facilities (PCH Lime Lab, PCH Access and Highway1) as well as a new product development lab that opened in May 2014 in Shenzhen, China. We have a significant sustainability impact in our PCH U.S. operations, particularly in San Francisco with our accelerator, engineering, prototyping and design facilities, which is why these entities are included in this year’s Report.

Key senior management are based in our Irish headquarters, and the company’s strategy, finances and resources are managed there. Other corporate offices (Canada, China, Hong Kong, Ireland, South Africa, South Korea, and U.S.) are home to a variety of services such as sales, IT, marketing and operations. These offices have minimal environmental impact other than office electricity use, waste and domestic water use. This data is not included in this Report. Our corporate offices have a social impact, which is included in the We Listen section of this Report (page 59).

The PCH Group acquired Shoplocket (Canada) and Conexus distribution (Australia) in 2014. Shoplocket is included in this Report (PCH office in Canada), but Conexus is not (part of TNS Distribution business). TNS Distribution and any 2015 acquisitions are not covered in this Report. Our goal is to report on all PCH entities by 2015.

This Report documents our sustainability performance – our social, environmental and economic impact. This is not a Report on the financial condition of the organization. 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.

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

Our Reporting Guidelines

This Report was written in accordance with GRI G4 guidelines at the ‘Core’ level. This Report meets our Communication on Progress commitment to the United Nations Global Compact.

In compiling this Report and conducting a formal materiality study, we have identified that our most material impacts happen outside the boundary of our directly owned offices and factory facilities (see [Materiality](#), page 17).

We disclose our management approach (DMA) for each material aspect identified, but we do not yet have data for certain GRI indicators. We believe our transparent reporting of our challenges and successes fulfills the spirit of GRI. In some cases, we need to develop our own indicators to measure our real impact. Where we are unable to make a full disclosure of a GRI indicator, we aim to be transparent and state this fact, and we have indicated the reason in GRI Index (page 81). All of our Reports to date are available on our company [website](#).

Our Sustainability Report is reviewed by the Head of Sustainability, Chief Executive Officer, Chief Operating Officer, Head of Legal, Chief Financial Officer and other members of the PCH Senior Leadership Team. We have not sought independent assurance of this Report.

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.

Christian Schluender / Kurt Dammermann



Glossary of Terms

Client: A customer of PCH, or of our suppliers.

Corporate Staff: All non-operator staff who work in PCH offices.

Dispatch Worker: Factory operators who work in PCH facilities who are hired and managed by a third party dispatch agency.

Employee: Any person who has an employment contract with PCH, excluding supervised workforce.

Facility: A factory building. One factory business might have multiple facilities.

Factory: A manufacturing, logistics, fulfilment or distribution business. Some factory businesses are a collection of facility buildings.

Factory Office Staff: All non-operator staff who work in factory offices.

Joiner: Workers hired to fulfill business needs as well as those hired to replace a leaver.

Key Supplier: The PCH core group of suppliers, smaller in number but large in size, in which our operations team is involved in the day-to-day workings of the factory for large-scale PCH projects.

Leaver: Any worker who leaves their employment.

Local: Our definition of local refers to the relevant locality which is being discussed.

Material Safety Data Sheet (MSDS): A document that contains information on the potential hazards of (health, fire, reactivity and environmental) and how to work safely with a chemical product.

Operator: Factory production staff (line operators, warehouse and logistics staff) hired by PCH or our suppliers on a full-time or supervised basis.

Personal Protective Equipment (PPE): Protective clothing, helmets, goggles, or other garments or equipment designed to protect the wearer's body from injury or infection.

Production Ramp: The increase in factory production and labor required to meet manufacturing demand.

Replacement Hire: A worker hired to replace someone who has left.

Senior Leadership Team: The team of PCH Senior Executives designated by the Board of Directors to manage PCH business, including, but not limited to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The team is also designated with responsibility of sustainability leadership at PCH.

Significant Location of Operations: Our significant operational headquarters are in southern China, our significant engineering design operations are in San Francisco, U.S., our corporate headquarters are in Cork, Ireland.

Supervised Worker: All non-employees; workers hired through dispatch agencies or contractors, consultants and occasional interns.

Suppliers: A factory not owned by PCH that supplies products, goods or services to PCH and our clients.

Vendors: All PCH suppliers, including factories, sample part suppliers, office supplies, goods and services.

Worker: An individual member of the workforce.

Workforce: All those who work for PCH and includes both our employees and our supervised workforce.

GRI Index

PCH follows the GRI's G4 guidelines, an internationally-recognized standardized framework for disclosing economic, environmental and social performance. The 2014 report qualifies at the in accordance 'Core' level.



General Standard Disclosures

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Strategy and Analysis	G4-1	Statement from the most senior decision maker in the organization about the relevance of sustainability to the organization and its strategy	Message From Liam Casey	3
Organizational Profile	G4-3	Name of the Organization	What This Report Covers	78
	G4-4	Primary brands, products, and services	What We Do	6
	G4-5	Location of the organization's headquarters	Where We Operate	8
	G4-6	Countries of significant operations specifically relevant to the sustainability topics covered in the Report	Where We Operate Our Supplier Network About Our Workforce	8 40 60
	G4-7	Nature of ownership and legal form	About This Report	77
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Where We Operate PCH in 2014	8 9
	G4-9	Scale of the reporting organization	What We Do PCH in 2014	6 9
	G4-10	Workforce	About Our Workforce	60
	G4-11	Percentage of total employees covered by collective bargaining agreements	About Our Workforce All factory employees at two of our PCH-owned facilities, both office and operator staff.	60
	G4-12	Describe the organization's supply chain	What We Do PCH in 2014 We Partner	6 9 39
	G4-13	Significant changes during the reporting period regarding size, structure, or ownership	Where We Operate What This Report Covers	8 78
	G4-14	How the precautionary approach or principle is addressed by the organization	The precautionary approach has not been specifically addressed.	

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Organizational Profile	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Collaboration and Partnerships PCH is a signatory of the United Nations Global Compact	
	G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization participates	Collaboration and Partnerships	
Identified Material Aspects And Boundaries	G4-17	All entities included in the organization's consolidated financial statements or equivalent documents and whether any of these entities are not covered in this Report	What This Report Covers All PCH operations in China, U.S. and international corporate offices are included in this Report. While TNS Distribution is part of the PCH group, it is not included in this Report.	78
	G4-18	Explain the process for defining the Report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content	Materiality	17
	G4-19	All the material Aspects identified in the process for defining Report content	Materiality All material aspects identified are in the materiality matrix.	17
	G4-20	For each material Aspect, report the Aspect Boundary within the organization, entities it is material to and any specific limitation regarding the Aspect Boundary within the organization	Materiality	17
	G4-21	For each material Aspect, report the Aspect Boundary outside the organization entities it is material to and any specific limitation regarding the Aspect Boundary within the organization	Materiality	17
	G4-22	Restatements of information provided in previous Reports, and the reasons for such restatements	No material restatements	
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	What This Report Covers Materiality No significant changes have been made from previous reporting periods in the Scope and Aspect Boundaries.	78 17

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Stakeholder Engagement	G4-24	Provide a list of stakeholder groups engaged by the organization	Stakeholder Engagement Materiality	16 17
	G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement Materiality	16 17
	G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the Report preparation process	Stakeholder Engagement Materiality	16 17
	G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	Materiality Sample Stakeholder Feedback	17 19
Report Profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided	Calendar year 2014 unless otherwise noted.	
	G4-29	Date of most recent previous Report (if any)	November 2013	
	G4-30	Reporting cycle (such as annual, biennial)	Annual	
	G4-31	Provide the contact point for questions regarding the report or its contents	Alan Cuddihy, Head of Sustainability sustainability@pchintl.com	
	G4-32	Report the 'in accordance' option the organization has chosen Report the GRI Content Index for the chosen option	Core	
	G4-33	Policy and current practice with regard to seeking external assurance for the Report	Our Reporting Guidelines	78

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Governance	G4-34	Report the governance structure of the organization, including committees of the highest governance body ⁸ Identify any committees responsible for decision-making on economic, environmental and social impacts	How Sustainability at PCH Works	11
	G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	How Sustainability at PCH Works	11
	G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	How Sustainability at PCH Works	11
	G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	We do not have a formalized risk management procedure across the PCH group.	
	G4-48	Report the highest committee or position that formally reviews and approves the organization's Sustainability Report and ensures that all material Aspects are covered	Our Reporting Guidelines	78
Ethics and Integrity	G4-52	Report the process for determining remuneration and involvement of independent remuneration consultants	Diversity and Equal Opportunity	61
	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	PCH Sustainability Compliance and Integrity	10 73
	G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Grievances	71
	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Grievances	71

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

Specific Standard Disclosures

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Category: Economic				
Material Aspect: Procurement Practices	G4-DMA		We Partner	39
	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Our Supplier Network Local is defined as Guangdong province, China for this indicator.	40
Non GRI Material Aspect: Procurement Practices	G4-DMA		Our Supplier Network	40
	PCH-1	Length of Supplier Relationships	Our Supplier Network	40
Non GRI Material Aspect: Production Ramp	G4-DMA		Dispatch and Short-term Work	47
	PCH-2	Dispatch workers as percentage of factory workforce	Dispatch and Short-term Work	47
Category: Environmental				
Material Aspect: Materials and Chemicals	G4-DMA		Materials and Chemicals	50
	PCH-3		Indicator to be developed.	
Material Aspect: Energy	G4-DMA		Our Environmental Impact Supply Chain Environmental Impacts	32 46
	G4-EN3	Energy Consumption Within The Organization	Our Environmental Impact Electricity use is for all 3 factory facilities, one product development lab (opened May 2014), Shenzhen operations office and San Francisco Innovation Hub (workshops and office). All other corporate offices are excluded. 2013 data refers to PCH Shenzhen office, and two factory facilities only.	32

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Material Aspect: Water	G4-DMA		Our Environmental Impact	32
	G4-EN8	Total Water Withdrawal By Source	Our Environmental Impact Water is used for domestic purposes only, is supplied by the local municipality in each jurisdiction and is not recycled by PCH after use. All data comes from bills and factory meters.	32
Material Aspect: Emissions	G4-DMA		Our Environmental Impact	32
	G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	Our Environmental Impact All emissions are a conversion calculation of our electricity use (EN3). In 2013 we used the international Energy Association (IEA) conversion factor of 0.766k kgCO ₂ /kWh. All calculations have been updated to reflect local conversion rates namely, China: 0.9223kg CO ₂ /kWh (2013) and 0.918kg CO ₂ /kWh (2014) (applicable to all facilities in Southern China) and U.S.: 0.69kg CO ₂ /kWh (2014).	32
	G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	Our Environmental Impact	32
Material Aspect: Effluents and Waste	G4-DMA	Our Environmental Impact		
	G4-EN23	Total weight of waste by type and disposal method	Our Environmental Impact Partial disclosure. Waste data is available for our U.S. operations only. All waste generated in our Chinese operations is owned by our clients and complies with the waste disposal rules of the Free Trade Zone (A free trade zone is a Chinese government designated industrial zone endowed with special economic policies). All hazardous waste generated by our Chinese facilities is disposed of by a licensed operator in China.	32

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Material Aspect: Products and Services	G4-DMA		We Think	21
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Omitted. Quantitative information is currently unavailable as environmental impact mitigation reviews are conducted on a case-by-case basis. We are working to developing a method for capturing the data and will disclose it in our next GRI Report.	
			See also: Sustainability at Highway1	22
			Case Study: Packaging overhaul for PCH Access client	31
			Case Study: Equipment upgrades/automation	38
Material Aspect: Compliance (all compliance related indicators have been combined)	G4-DMA		Compliance and Integrity	73
	G4-EN29 , G4-SO7 , G4-SO8 , PR4 , PR7 , PR8 G4-PR9	Total number of (and value of) complaints, legal actions, significant fines, non-monetary sanctions for non-compliance with environmental laws and regulations, anti-competitive behavior, anti-trust, and monopoly practices or concerning the marketing, communication, advertising, promotion, sponsorship, data protection or provision or use of products or services	Compliance and Integrity 0/\$0	73
Material Aspect: Transport	G4-DMA		We Deliver	55
	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	How our Products are Delivered This is estimate data only and excludes data of some of our larger clients who consign all shipping methods.	57
	PCH-4		Indicator to be developed.	
Material Aspect: Supplier Environmental, Labor And Human Rights Assessment	G4-DMA		We Partner	39
	G4-EN32 , G4-LA14 , G4-HR10	Percentage of new suppliers that were screened using environmental, labor and human rights criteria	Supplier Qualification, Audits and Review	42
	G4-EN33 , G4-LA15 , G4-HR11	Significant actual and potential negative environmental, labor and human rights impacts in the supply chain and actions taken	Supplier Qualification, Audits and Review We consider remarks of 'zero tolerance' and 'immediate action' in our audits as well as an overall result of less than 60 to be 'significant actual and potential negative impacts' for purposes of GRI Reporting. These categories will result in a failed audit.	42

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Material Aspect: Environmental Grievance Mechanisms	G4-DMA		No environmental grievance mechanism at PCH or in our factories	
	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Omitted. The information is currently unavailable. No formal environmental grievance mechanism at PCH or in our factories.	
Category: Social				
Sub-category: Labor Practices and decent work				
Material Aspect: Employment	G4-DMA		We Listen Compliance and Integrity	59 73
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employment Conditions and Labor Turnover Partial disclosure.	68
Material Aspect: Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Dispatch and Short-term Work All employees are full-time. No part-time employees were employed by PCH in 2013.	47
	G4-LA3	Return to work and retention rates after parental leave, by gender	Parental Leave	69
Material Aspect: Labor/ Management Relations	G4-DMA		We Listen	59
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Grievances	71

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Material Aspect: Occupational Health and Safety	G4-DMA		Health and Safety	34
	G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	Health and Safety One percent of factory workforce which calculates as one percent of total global workforce. Committee only applies to PCH-owned factories.	34
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Health and Safety Partial disclosure (we do not report absentee rate). First aid injuries are not included. Based on 4 injuries for 5,840,000 hours of exposure, PCH would experience 0.136 recordable injuries by the time we reached 200,000 hours (per 100 employees). Based on 71.5 lost workdays for 5,840,000 hours of exposure, PCH would experience 2.45 days lost by the time we reached 200,000 hours (per 100 employees).	34
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Health and Safety	34
Material Aspect: Training and Education	G4-DMA		Knowledge Sharing and Training	70
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	Knowledge Sharing and Training Partial.	70
Material Aspect: Diversity and Equal Opportunity	G4-DMA		Diversity and Equal Opportunity	61
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	About Our Workforce Partial.	60
Material Aspect: Equal Remuneration for Women and Men	G4-DMA		About Our Workforce Diversity and Equal Opportunity	60 61
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	About Our Workforce Omitted. The information is currently unavailable. We are working to developing a method for capturing the data and will disclose it in our next GRI Report.	60

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Material Aspect: Labor And Human Rights Practices Grievance (Human rights and labor grievances are combined)	G4-DMA		Grievances	71
	G4-LA16, G4-HR12	Number of grievances about labor and human rights practices filed, addressed, and resolved through formal grievance mechanisms	Grievances	71
Sub-category: Human Rights				
Material Aspect: Investment	G4-DMA		Grievances	71
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Compliance and Integrity Omitted. The information is currently unavailable.	73
Material Aspect: Child, Forced or Compulsory labor (combined)	G4-DMA		We Partner Child Labor	39 43
	G4-HR5, HR6	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Child Labor	43
Material Aspect: Security Practices	G4-DMA		Compliance and Integrity	73
	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Compliance and Integrity	73
Material Aspect: Assessment	G4-DMA			
	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	We have not conducted a formal human rights review or assessment on our supply chain, but we can generally comment that the greatest risk of human rights abuse lies in the supply base.	

	Indicator	Description	Location in Report/Detail/Omission Explanation	Page
Sub-category: Society				
Material Aspect: Anti-Corruption	G4-DMA		Compliance and Integrity We have conducted preliminary risk assessments for corrupt practices and determined that the risk is low.	73
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Omitted. The information is currently unavailable. We are working to developing a method for capturing the data and will disclose it in our next GRI Report. Suppliers are not assessed for corruption as part of their audit.	
	G4-SO4	Communication and training on anti-corruption policies and procedures	Compliance and Integrity	73
	G4-SO5	Confirmed incidents of corruption and actions taken	Compliance and Integrity 0	73
	G4-SO6	Total value of political contributions by country and recipient/beneficiary	PCH made no political contributions during 2014.	
Material Aspect: Supplier Assessment for Impacts on Society	G4-DMA			
	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Compliance and Integrity Omitted. The information is currently unavailable. We are working to developing a method for capturing the data and will disclose it in our next GRI Report.	73
Sub-category: Product Responsibility				
Material Aspect: Product and Service Labeling	G4-DMA		Compliance and Integrity	73
	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Compliance and Integrity	73
	G4-PR5	Results of surveys measuring customer satisfaction	Client Engagement No formal client satisfaction survey conducted across PCH in 2014.	17
Material Aspect: Marketing Communications	G4-DMA		Compliance and Integrity	73
	G4-PR6	Sale of banned or disputed products	We have never brought a product to market that is banned in the market in which it is for sale. See also: The Challenge with Chemicals	53



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