Developing Partnerships
Delivering Peace of Mind

2015 Sustainability Report

Welcome

We are committed to sustainability in all areas of our business, and we strive to be the best in our industry. Because we have experience and are experts in developing advanced and sophisticated products with established brands, we are in a position to inform our customers about where the sustainability of supply chains can be substantially improved.

This report illustrates how our sustainability commitment differentiates us in the marketplace and creates value for all our partners including our employees, customers and suppliers. We believe our future success is tied to and dependent on continuing to enhance sustainable practices.

It is only through strong and mutually beneficial relationships with stakeholders that we can deliver the best products and drive sustainability.

Cover: Brian Gannon / Ethan Ballweber

Lauren Brookhart / Natalia Daniel / Anthony Mazzei

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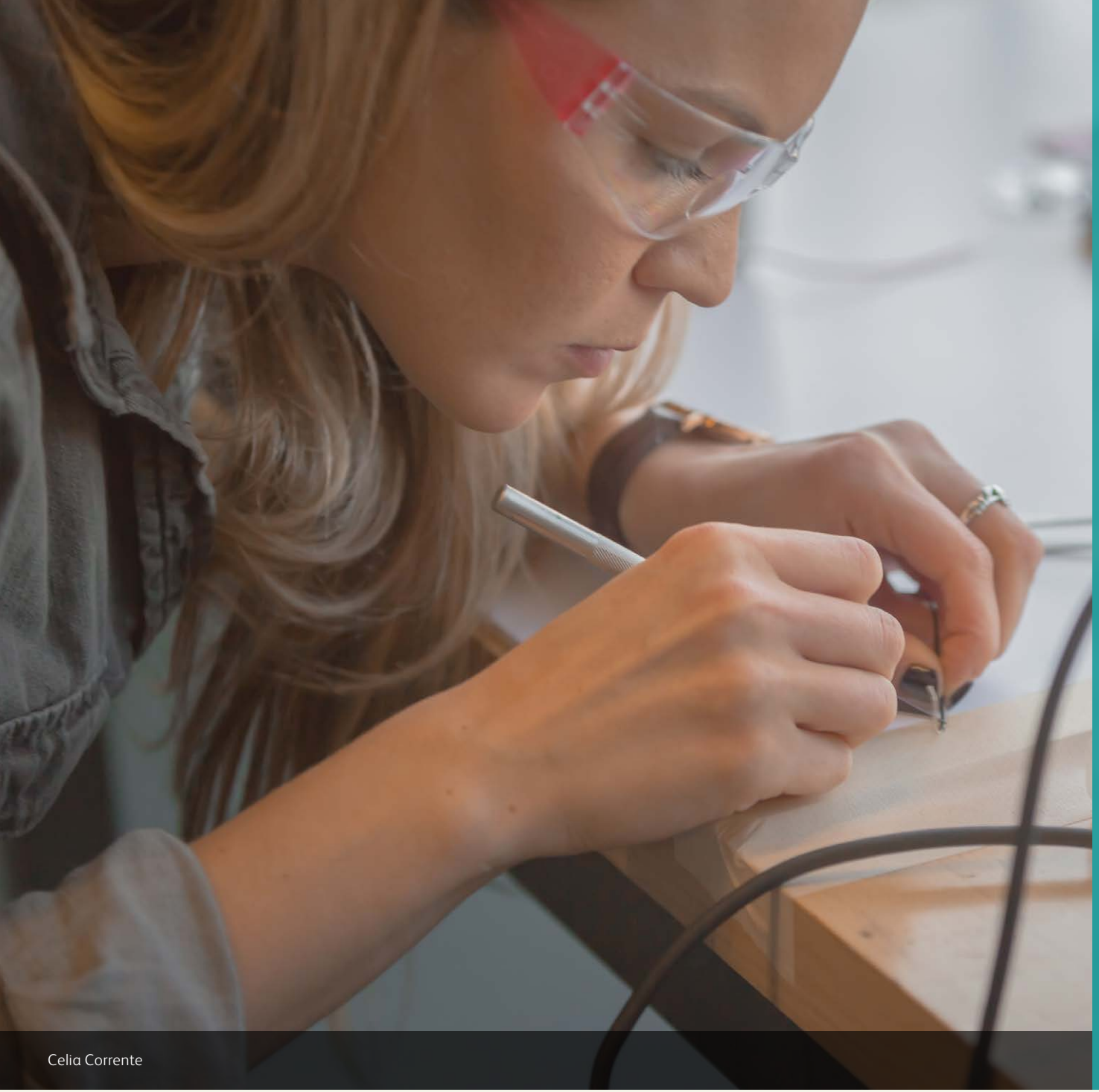

Celia Corrente

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Message from Liam Casey

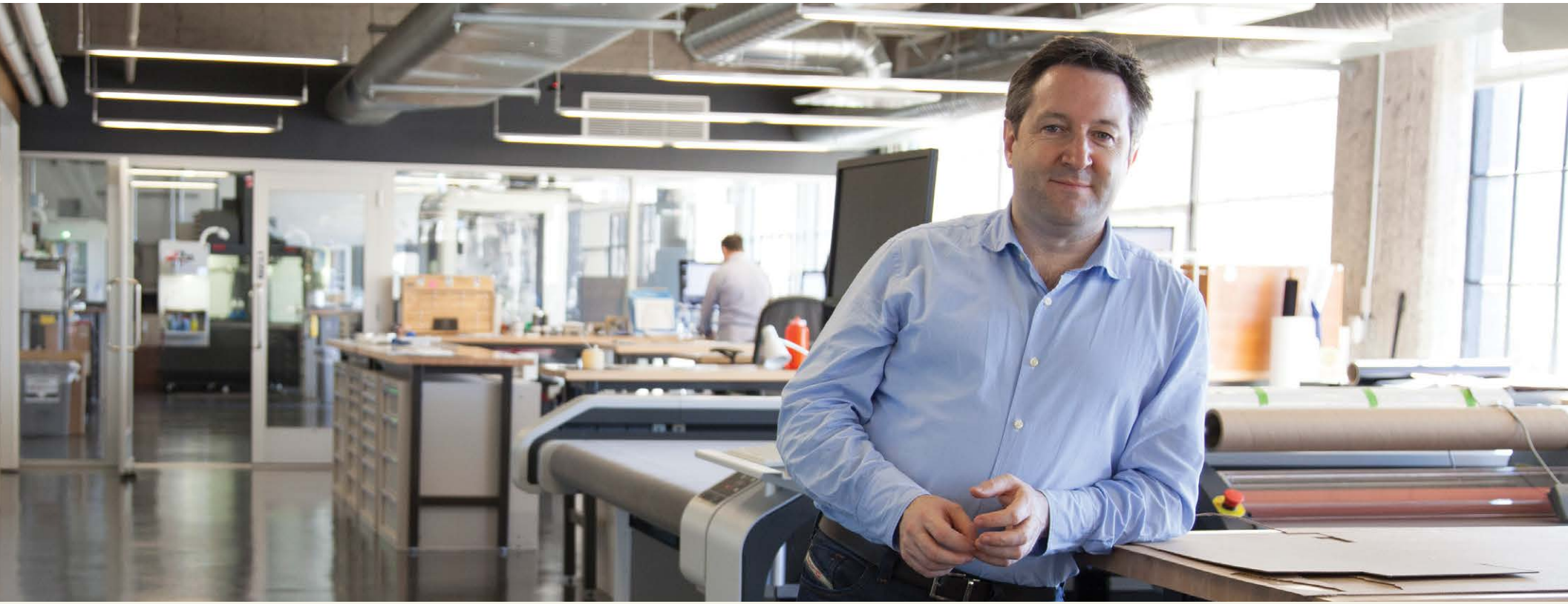
Our Purpose

PCH is a privately held company with global headquarters in Cork, Ireland, a U.S. Innovation Hub in San Francisco and operational headquarters in Shenzhen, China. Our purpose is "Developing Partnerships Delivering Peace of Mind." This purpose guides our behavior and is the title of this year's and future years' sustainability reports.

Although as a private company we are not obligated to report on our social, environmental and economic impact, we choose to do so. We have been reporting annually since 2012. The purpose of this report is not only to discuss sustainability activities in 2015 but also to use the data we collect to measure progress, set goals, anticipate future risks, and seize opportunities to do better. This is part of the peace of mind we deliver to our stakeholders.

Message from Liam Casey

Founder and Chief Executive Officer



The products we deliver touch millions of people around the world. We understand that with this privilege comes responsibility to our many stakeholders. Our goal is to operate sustainably in everything we do on an ongoing basis: from how we manage our workforce and how we design engineer products for the product lifecycle, to how we partner with our suppliers and deliver products from concept to consumer.

We do this because, as we stated in our 2013 report, we believe that operating sustainably is about "Making Better Business." This is one of the cornerstones of how we think about sustainability and we will see this theme continue to be part of our business and reports going forward.

Our sustainability practices are evolving with our business. We are in a position to influence our customers in a positive way because we are involved earlier and earlier in the product development process. For this reason, we talked in our 2014 report about another key cornerstone of our strategy: "Impact by Design." This theme will continue to be important in our ongoing strategy as we find that design decisions are the greatest influence on what happens on the factory floor.

This year, we have named our report, "Developing Partnerships Delivering Peace of Mind," and this will be our sustainability report title moving forward. PCH's purpose aligns with our sustainability strategy: building and maintaining partnerships to enhance our impact and value, and delivering peace of mind.

Our industry is highly dynamic and change is constant, so we will remain agile, anticipating trends and adapting quickly. We are constantly evolving but our commitment to sustainability remains constant.

"Our industry is highly dynamic and change is constant, so we will remain agile, anticipating trends and adapting quickly. We are constantly evolving but our commitment to sustainability remains constant."

Over the past several years PCH has seen a growing demand for sophisticated, connected products that are driving changes in the manufacturing process, the composition of our workforce and our organizational structure. We have made several strategic investments to position the company for success, and we expect additional changes will be discussed in our 2016 report.

Together with our 20 years of manufacturing experience in China, PCH now has significant design engineering capability in the U.S. in proximity to Silicon Valley. We will continue to streamline some in-factory engineering and supplier network management services in China, while partnering with the most sophisticated manufacturers.

We are also seeing that some of our customers are considering developing manufacturing capability in the USA, and this will be a factor in the future, as we help these companies set up sustainable supply chain capability in the USA.

Increased transparency is impacting manufacturing and pushing the boundaries of supplier network management. Consumers are increasingly favoring social and environmentally conscious brands, and with that comes a requirement for more information on product origins. We are in a position to inform our customers about what they can do to enhance sustainability in their products. At PCH, we are focused on responding to, and embracing, this shift towards transparency and we encourage our customers to also recognize that it is better for their business. We see it becoming necessary—and a key differentiator for companies—to share with consumers how and where products are made.

Some may find this level of transparency uncomfortable. At PCH we do not have all the answers, but we embrace transparency as a positive development. Change propelled by customer demand is a powerful force in our industry.

There are many social and environmental issues, particularly in the upstream supplier network, that require change as well as strong, trusting relationships with our partners to drive tangible improvement. Our strategy is to focus on the elements we can control in our own facilities and those of our close partners while continuing to increase our influence among all partners and the industry in general.

We are diversifying our customer base to work with brands in such industries as fashion-tech, Internet of Things (IoT), wearables, health, beauty and connected devices in general. Companies are choosing to work with PCH because of our unique platform that enables them to create a differentiated customer experience while managing a lean supply chain. We continue to inform our customers about positive choices they can make to operate sustainably.

We strive to implement best practices across our operations, and we are seeing positive change. But there is still work to be done:

- We are making progress in energy monitoring and efficiency. Recently we installed our sixth energy management system, so we are now able to track and streamline energy use in three of our own facilities and in three supplier-owned factories. However, engaging suppliers is a challenge, particularly if business with that factory is low volume. See p. 22
- We continue to improve factory safety and transparency even beyond industry standards. In 2015 we added more than 150 chemicals to our Chemical Evaluation Tool, which helps customers and suppliers choose safe chemicals. We are empowering our workers to resolve problems quickly and safely when issues arise. See p. 61
- We are dedicated to providing training for our employees, including opportunities for lifelong learning. In 2015 we developed the Learning Lab in Shenzhen, China which offers classes such as languages and computer skills. A core group of workers actively use the lab. However, it remains difficult to attract new participants and schedule additional classes. See p. 46

Our Sustainability Report helps guide the strategic direction of our organization through risk and opportunity tracking. We have seen since the beginning of our reporting journey that making an impact on factories we don't own, but which we do business with, requires perseverance. By forming more long-term relationships with factories, we are more able to influence their sustainability practices.

As PCH celebrates 20 years in business in 2016, we are excited about the opportunities we see to be a positive force in business.

In 2016 and beyond we will continue to evolve and align our business to strategic growth opportunities by focusing on high-end design engineering and specialized manufacturing and distribution, and moving away from commoditized services. PCH has a valuable role to play as more companies develop connected products, or high-design products that deliver a personalized, customized, differentiated and exclusive experience. We are working with customers to deliver "orders of one" that are also environmentally friendly.

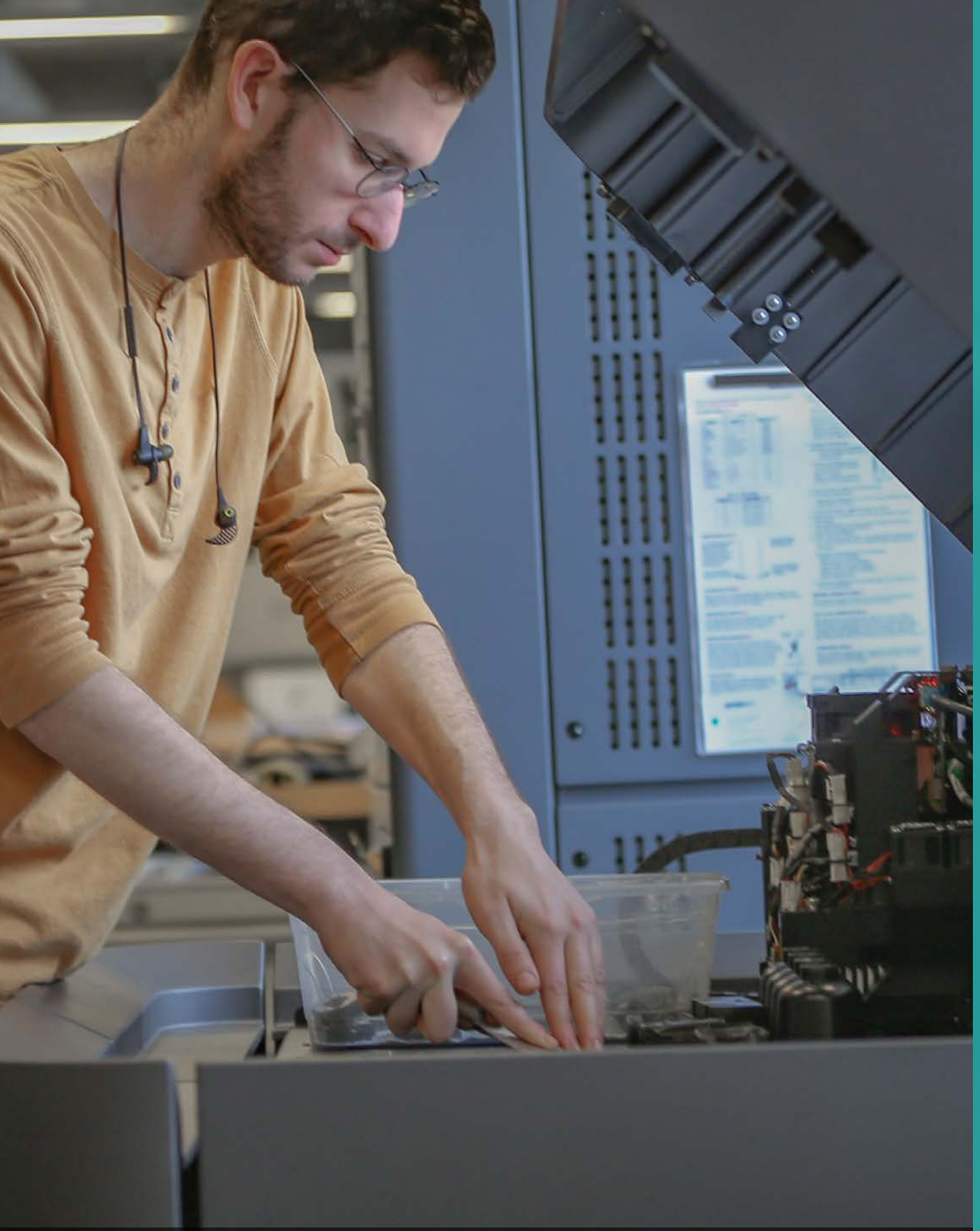
We will continue to educate ourselves and enhance our own sustainability practices, and to educate and lead our customers, partners and suppliers. We believe that sustainability is not only the right thing to do for our business, but the right thing to do.

Thank you for your interest in our Report and we hope you find it useful.

Liam Casey
Founder and Chief Executive Officer

2015 Trends Across Our Business

- Increase in non-tech companies entering the hardware market, such as fashion and beauty brands. There is a convergence of fashion and technology in categories like wearables.
- Increased customization and personalization of products; "orders of one."
- Shorter production cycles.
- Shortening of supply networks and use of data to replace inventory. Purchasing decisions based on increased efficiency, transparency and the use of data.
- Increased sophistication of factories.
- Focus on sustainable manufacturing to reduce cost and optimize efficiency.
- Labor shortage and high turnover rates in factories in Southern China.
- Growth of middle-class domestic market in China.
- Environmental protection becoming more important in China, including factory emission reduction driven by local and national government.
- Increased local manufacturing capability in the U.S.



Dean Schneider

About PCH

We have unparalleled experience in product engineering and development, supplier network management, manufacturing, fulfillment and distribution. We have a network of suppliers and we have experience assembling and fulfilling products for industries such as consumer electronics, consumer health, fashion tech, beauty, retail and more.

Our company goals are to:

1. Be a technology innovator and leader.
2. Work as a strategic partner with our customers — adding value at each step and delivering a great customer experience.
3. Retain our passion for results, and our “can do” attitude.
4. Maintain a progressive, rewarding and special place to work.
5. Operate profitably and sustainably.

PCH in 2015

Global workforce (at Dec. 31)

2,347

Percentage of workforce in China

92%

Average number of supplier and PCH workers with access to feedback hotline

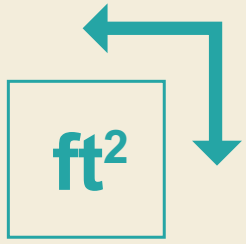
5,300

Developed Learning Lab capability for factory worker education and development in Shenzhen, China

Increased research and development capability in Shenzhen, China

Size of operations

932,829 sq ft



Expanded PCH Innovation Hub campus in San Francisco with the opening of a 10,000-square-foot facility for Highway1

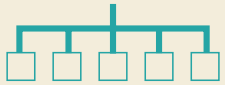
Factories transacted with (China)

312

Factories in our network

1,000+

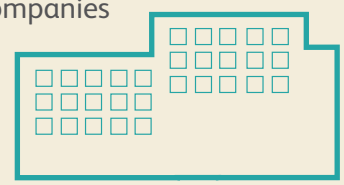
Total number of global vendors



362

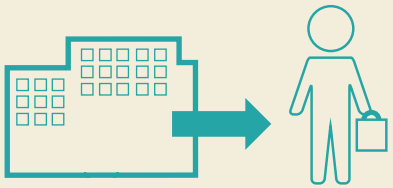
Highway1 companies

23



Units shipped

139M



What We Do

At PCH, we design custom product solutions for companies who are passionate about design, brand and the consumer experience.

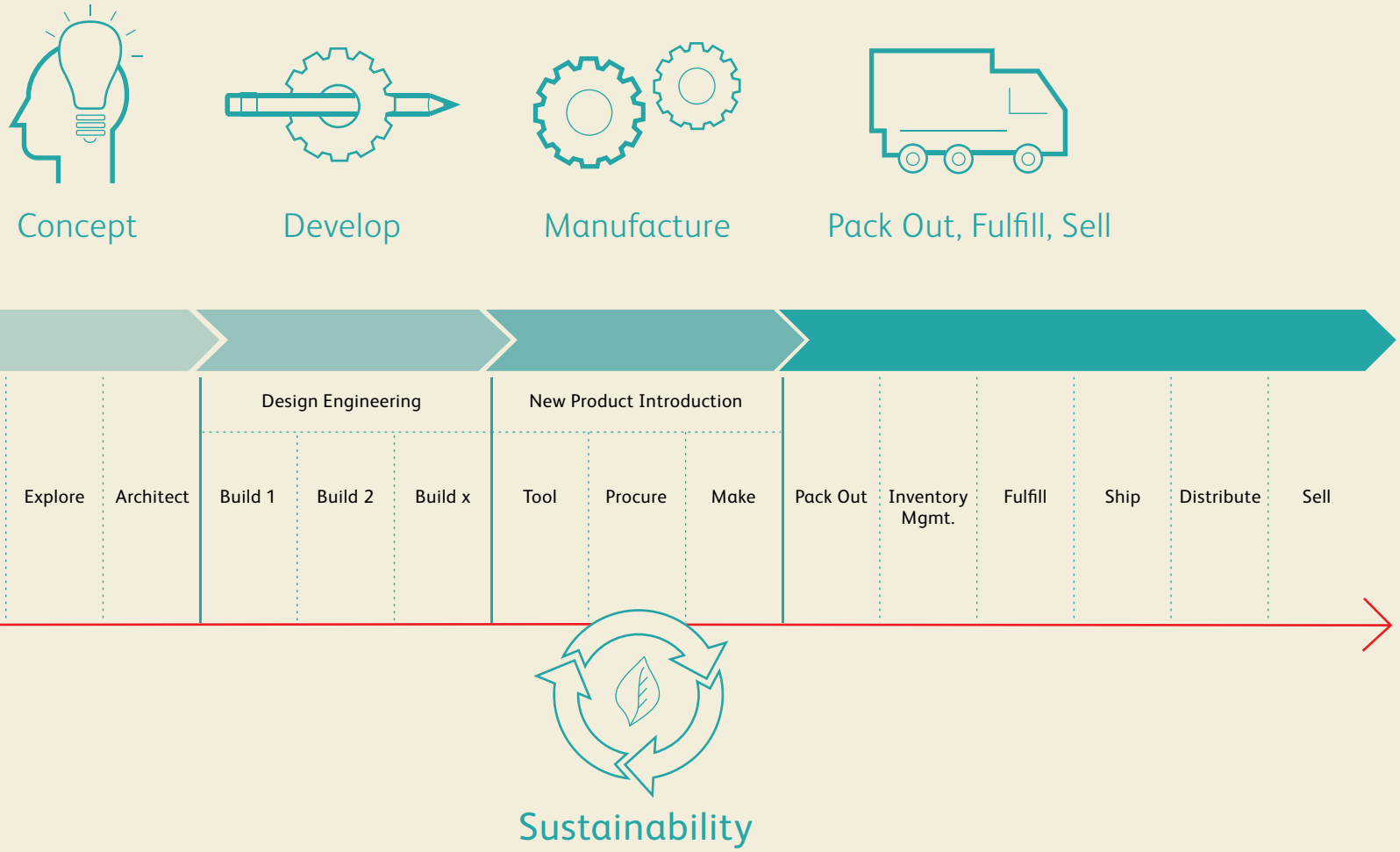
Our customers come to us with groundbreaking new ideas that we turn into products ready for market. PCH works with clients at all phases of the journey. We offer a complete hardware development platform that takes the product from concept to delivery to the customer, or discrete services such as design engineering, manufacturing, pack out or distribution.

PCH services are customized for each client. PCH brings world-class products to global markets and keeps quality, sustainability, cost and time to market at the forefront of our solutions.

"The most ambitious part of our sustainability program is in connection to our supplier network based in China at factories PCH does not own. How realistic is it to implement successful sustainability policies outside our own factories? It is certainly not easy, but it is where we have the potential for the greatest impact."

– Alan Cuddihy, Head of Sustainability, PCH

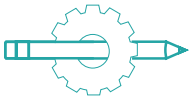
The PCH Platform



The PCH Platform: Taking Products from Concept to Consumer

Concept

Companies come to PCH early in the product concept phase to work with our design engineering division, PCH Lime Lab. PCH Lime Lab develops engineering solutions to bring products to market. Our engineers solve complex problems with elegant solutions. We have engineering teams in San Francisco and Shenzhen who include mechanical, systems architecture (electrical, firmware and software), manufacturing integration and packaging engineers as well as system integrators and program managers, among other experts. We seamlessly integrate with our client's industrial design teams and partners. Our goal is to help them explore ways to architect solutions and make the product based on the desired product design, feature set and use case. During this initial phase, we conduct feasibility assessments to identify and mitigate risks that can reduce functionality, cause product delays, or add unnecessary costs.

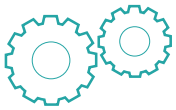


Develop

Once a solution has been architected, we move to the design engineering phase, which includes mechanical assemblies, successive builds, prototyping, and testing to validate design decisions before moving forward. We identify the most suitable suppliers and configure the supply network before moving into the manufacturing phase, which includes tooling and sourcing of components, parts and sub-assemblies.

"In a world where everything is the same, people want more sophisticated, design-led, personalized and limited-edition products. People want to show personality and individuality. PCH excels in engineering these types of hardware products and partnering to design custom supply networks to support them."

– Andre Yousefi, Co-founder, PCH Lime Lab



Manufacture

After testing and validating the product design, we are ready for tooling, production ramp and scale. We refine the production process to optimize manufacturing for production volume, scalability, and ultimately cost improvement considerations.

Integrating sustainable practices into manufacturing and supply network management is one of the key values that distinguishes PCH from other manufacturers. We partner with tried and trusted suppliers to manage lean supply networks for our customers. Our engineers design for optimal manufacturing and select suppliers for single components as well as final assembly. We match customers with supplier capability, and we manage the product journey every step along the way.

"By leveraging PCH, you do not need to hire a large team on the ground in China to ensure quality, continuous improvement and good process management. We manage the entire product development, manufacturing operations and delivery, as needed, for our customers."

– Valerie Chen, Director of Pack-out, Distribution and Retail, PCH China

Pack Out, Fulfill, Sell

In PCH-owned factories in 2015, an average of 1,600 workers focused on product packaging, kitting and fulfillment. These are the final phases of production before a product is shipped.

Our postponement model allows our partners to design and produce a built-to-order experience for customers around the world. Customization eliminates excessive inventory and shipment costs. This reduces supplier costs and removes complexity in forecasting and planning.

By collecting data from stores in real time, including how many units are selling and why they are selling through, we begin to understand what products are needed. We continuously work with each customer to help reduce excess inventory and product obsolescence.

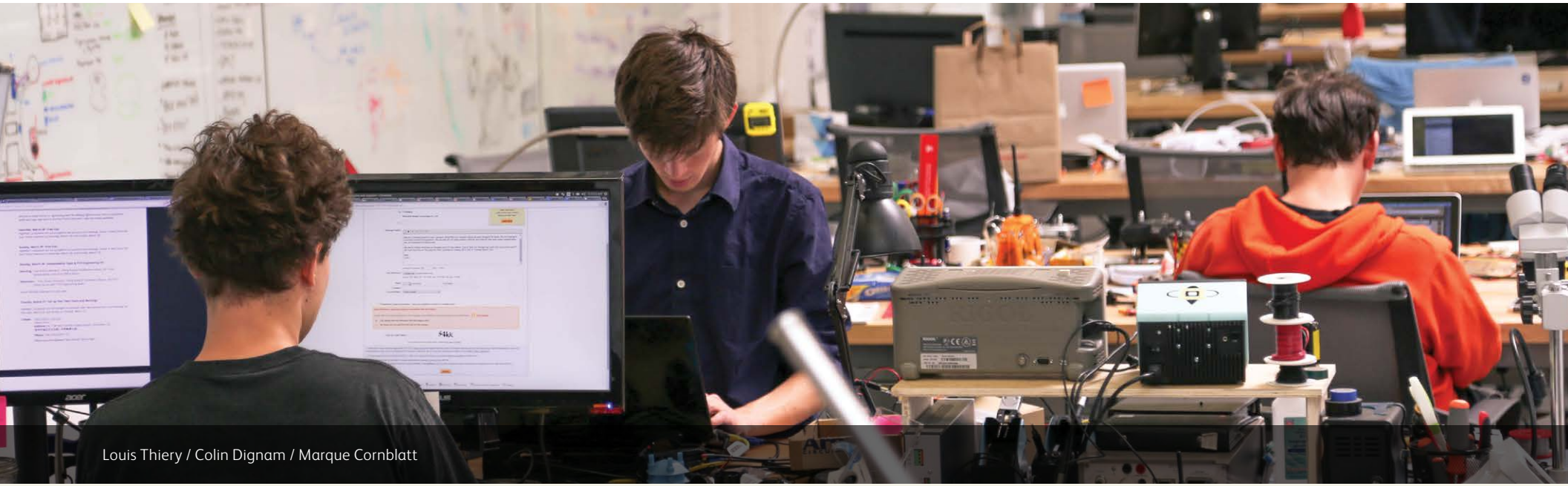
Businesses and consumers today demand not only affordable shipping but quick shipping. With automation and efficient fulfillment, PCH can deliver new products direct to consumers within three days. This allows our customers to effectively penetrate new markets and gain market share quickly.

Highway1

In addition to our product development platform, PCH founded the hardware accelerator, Highway1, which is considered the premier hardware accelerator in the world. Highway1 helps turn prototypes into products and teams into companies. Highway1 encourages startups to develop products that are useful, delightful and ready to take to investors for funding opportunities. Upon acceptance into the exclusive four-month program, Highway1 startups receive: up to $100,000 in funding; dedicated office space in San Francisco; 24/7 access to a 1,000-square-foot prototyping lab; and an onsite team composed of electrical and mechanical engineers, business development and marketing experts. In addition, Highway1 has an active alumni network and rich array of mentors available to assist.

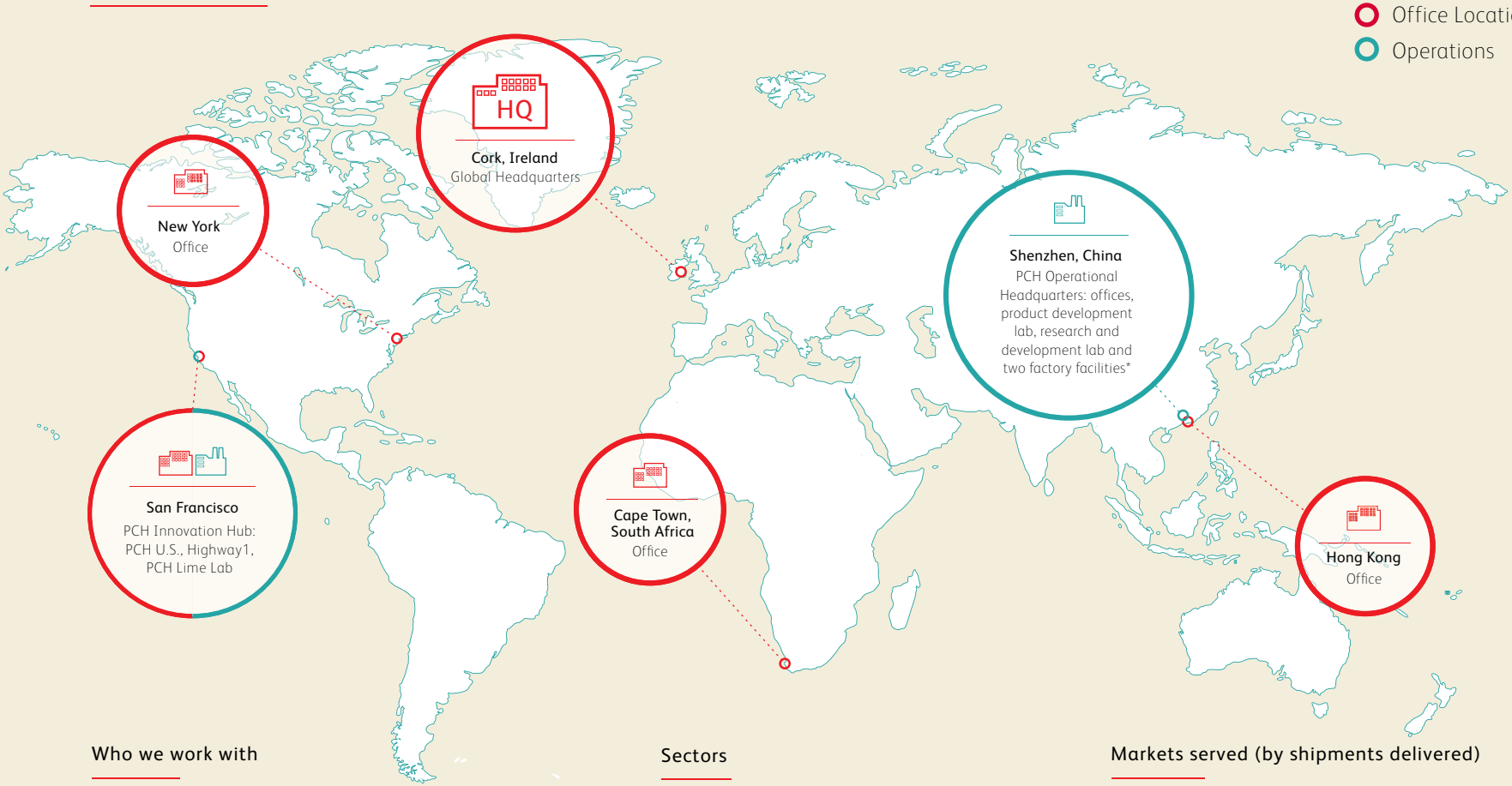
"At PCH we believe that if it can be imagined, it can be made. This belief is coupled with our determination to make a better, more sustainable future."

–Liam Casey, Founder and Chief Executive Officer, PCH

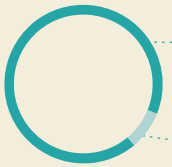


Louis Thiery / Colin Dignam / Marque Cornblatt

Where We Operate



Who we work with



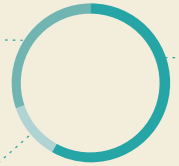
93 %
Multinational companies

7 %
Small- to medium-sized companies (including startups and industrial design studios)

Sectors

Fashion
Medical Devices
Non-Profit
Consumer Electronics
Automotive Industry
Food
Furniture

Markets served (by shipments delivered)



33 %
Europe

59 %
North America

8 %
Asia

* PCH-owned factories consist of multiple separate factory facilities but one kitting and fulfilment business.

Sustainability Highlights

At PCH we are deeply committed to sustainability. Our highest priority is looking after those who work for PCH, both directly and indirectly. Most of our sustainability impact occurs in China, where our factories and supplier partners have the greatest environmental footprint. We place high priority on the health, safety and wellbeing of workers at our own factories and those of our suppliers.

Our Sustainability Vision

At PCH, we believe that if it can be imagined, it can be made. It is this belief that gives us the determination to imagine a better, more sustainable future.

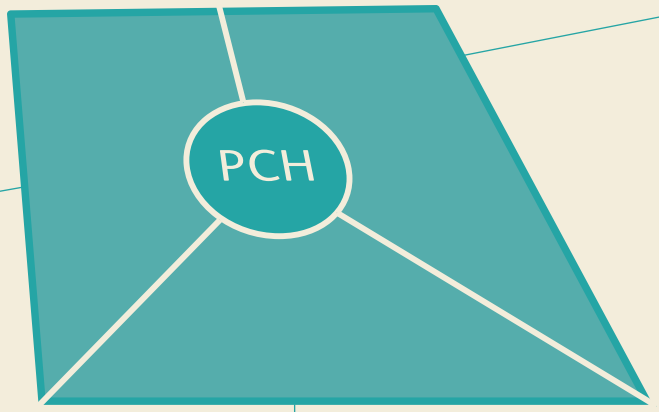
We imagine a future in which consumer products can be built on demand, ensuring that resources are used as efficiently as possible. We imagine a future in which data enables suppliers to become fully transparent, giving companies the ability to track demand and consumers the ability to understand the product life cycle. And we imagine a future where sustainability fosters enduring relationships throughout the supplier network and delivers peace of mind.

At PCH we imagine a better, more sustainable future. And we're working to make this future a reality.

Our Sustainability Strategy

We make sustainability our business because we believe it is the right way to do business. The positive economic, environmental and social impact of our operations is key to driving long-term performance. Our focus areas are safety, particularly chemical and materials management; supplier qualification and development; energy management; and employee development.

Sustainability at PCH



Factories

Our purpose is developing partnerships delivering peace of mind; collaborating with our supply network partners is key to delivering on this promise.

Focus Areas

- Chemical and safety management
- Energy management
- Supplier qualification and development
- Waste minimization

People

Our highest priority is looking after those who work for PCH, both directly and indirectly. Our people are key to our success.

Focus Areas

- Employee development and engagement
- Gender and diversity
- Retention

Products

We take products from concept to consumer balancing cost, quality and sustainability at every step.

Focus Areas

- Chemicals
- End of life
- Manufacturing processes
- Materials
- Packaging
- Sustainable product and packaging design

Environmental Impact[1]

Our Facilities

We have environmental data for

910,696 sq ft

of our reported operations
(98% of the total)

China

5 Buildings

2 Factories
1 Product development lab
1 Research and development lab
1 Office space

889,724 sq ft
Total space among all facilities

856,981 sq ft for manufacturing, storage and warehousing

32,743 sq ft for office space

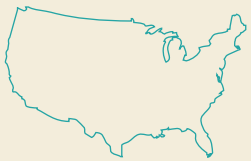
43,000 sq ft
Additional dorm space leased in Shenzen, China (environmental data not provided by the landlord)

These facilities have a low risk for occupational hazards and environmental pollution.

Electricity is the only significant form of energy consumed in our factories. It is used for air conditioning, lighting and operating machinery associated with packaging and fulfilment.

Our factories do not utilize heat or steam.

U.S.



2 Buildings
PCH Innovation Hub campus in San Francisco

Natural gas used for heating and hot water.

Electricity used for all other needs, including to power state-of-the-art prototyping & systems integration lab.

Other

4 Buildings[2]

1 Office in Cape Town, South Africa
1 Office in Cork, Ireland
1 Office in Hong Kong
1 Office in New York

These offices are home to sales, marketing, information technology and operations.

These offices use electricity, waste and domestic water (environmental data not provided by the landlord).

1. All information for our U.S. sites is obtained from third parties. U.S. water use data was received from San Francisco Public Utilities Commission through property management company CBRE. U.S. waste data was received from Recology (waste management company).
2. Environmental data is unavailable for our Cork, New York, Hong Kong and Cape Town offices.

Resource Use 2015

Electricity Use

5,721,802 kWh[3] global total

U.S.	China
334,387 kWh	5,387,415 kWh
7,058 therms natural gas	Total factory 5,247,694 kWh

Water Use

48,637 tons
global total

U.S.	China
7,632 tons	41,005 tons

Greenhouse Gas (GHG) Emissions

5,213 metric tons of CO_2

U.S.	China
5 %	95 %

Waste Produced*

96,225 lbs. U.S. total

- Landfill
  43,800 lbs. (46 %)
- Recycling
  41,600 lbs. (43 %)
- Compost
  8,600 lbs. (9 %)
- Recycled electronic waste U.S.
  1,375 lbs. (1 %)

Hazardous
4,147 lbs. global total

U.S.	China
850 lbs. (1 %)	3,297 lbs.

Breakdown, China hazardous waste:

Waste water mixed with lubricant oil: 309 lbs.
Waste lubricant oil: 289 lbs.
Light tubes: 355 lbs.
Hazardous chemical container: 119 lbs.
Used batteries: 1,936 lbs.
Waste electronics: 147 lbs.
Cloth mixed with lubricant oil: 8 lbs.
Oil pen/stamp: 134 lbs.
Exchange resin: 1 lbs.

3. 2015 data is for two factory facilities, one product development lab and office space.

* All waste is disposed of by licensed operators. Hazardous waste generated in our facilities is disposed of by a licensed operator in that locality, and is the only available waste data for our China operations. All other waste generated in PCH factories is owned by customers.

Our change in resource use reflects the growth of our operations along with additional data available to us in 2015, e.g., hazardous waste data from our U.S. operations. We saw increases in waste generated at our facilities in the U.S. and factories in China. Total water use at PCH decreased, but U.S. water use increased. Electricity usage decreased in large part due to our energy management efforts.

"Our LEED certified San Francisco PCH Innovation Hub grew by 33 percent with the opening of a second building in 2015," said Emory Jolly, Facilities Manager. "Also, the PCH Innovation Hub was used for numerous tech and hardware events throughout 2015, so our water use increased significantly at this site while our electricity and gas use decreased."

Managing Energy

To reduce our environmental impact, PCH has invested in energy monitoring equipment that enables facility managers to identify energy waste, reduce usage and cut costs.

Environmental protection is becoming a higher priority in China, where new legislation was introduced in 2015 regulating the management of air quality, waste water and hazardous solid waste in factories. In 2015, PCH achieved an overall two percent reduction in both electricity use and greenhouse gas emissions.

Energy Management Systems

PCH installed Energy Management Systems in 2014 and 2015 in three PCH facilities and in three supplier facilities in Southern China. Energy management systems display energy use on easy-to-read computer dashboards. "Through energy management, PCH knows energy consumption within each individual area of the factory," said Kenny Chen, engineer manager at a PCH supplier facility. "With this real-time system, we can find energy waste behavior and correct it."

- The energy management system saves time and reduces the need for manual data collection. It tracks energy use daily, weekly and monthly, including weekends, so engineers can decide when to turn off equipment during periods of low or no production. Chen added, "We can check energy data from a laptop remotely. This helps us analyze situations quickly and take action faster."
- Installing the energy management system was a big investment, but it is paying off in lower electricity bills, particularly for air conditioning in factories.
- Electricity used by production equipment is also tracked. Machines that run at maximum power for long periods must be monitored to prevent damage and costly repairs. "Real-time systems can help engineers understand the equipment's operating demands," said Mason Li, facility engineer in charge of equipment support at a supplier factory.
- While PCH facilities management teams are proactive in reducing electricity waste, they note that most workers are not aware of how or why they should help improve energy efficiency. In one instance, a supplier did not understand the value of energy management systems and therefore did not report when a wireless connection was lost. Unstable wireless networks, lost data and poor maintenance of hardware and software all impact the effectiveness of energy management systems. Due to these challenges, an awareness campaign is planned for 2016 in PCH factories. Also, as part of our strategy to reduce our number of suppliers, we plan to reassess suitable supplier partners to roll out energy management systems in the future.

Energy Management System Site Summary

	PCH Factory 1	PCH Factory 2	PCH Product Development Lab	Supplier Site 1	Supplier Site 2	Supplier Site 3
	Kitting and fulfillment site	Kitting and fulfillment site	Product development lab	Manufacturing, final assembly, test and pack	Cable manufacturing site	Final assembly, test and pack
Total recorded energy use (kWh) (EMS)	1,499,564	847,380	968,076	9,537,294	2,032,278	447,658
GHG metric tons	1,377	778	889	8,755	1,866	411

Total energy saved across four sites*

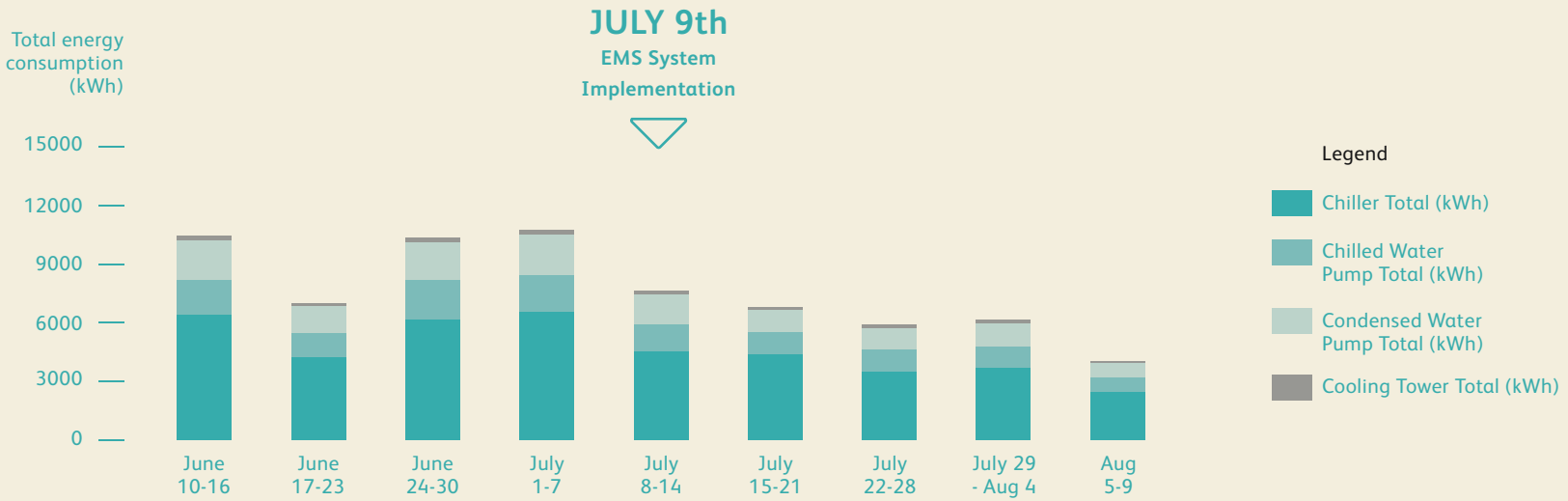
1,460,000
kWh ($265,000 saved)

1,340
metric tons of CO_2 equivalent

The energy management system is a new system, still with some inconsistencies. In one site where the energy management system was in place from May 2014 and all of 2015, the overall use from 2014 May to December was 762,291 kWh, while use during the same eight-month period in 2015 was 710,298 kWh (seven percent reduction).

* Estimates based on individual projects rolled out– variables such as production quantities, outside temperature and production type are not included). Two of six sites did not provide data on energy saved.

Air Conditioning Energy Savings



Air Conditioning

Using our energy management system, we can track the efficiency of existing factory infrastructure. In one supplier factory before we began monitoring, the facility used two chillers, two condensed water pumps, two chilled water pumps and two water tower pumps to air condition the factory. Chiller equipment uses a significant amount of energy. The energy management system showed that the energy load was fluctuating and operating inefficiently. We shut down one chiller and monitored water temperature to make sure it stayed within an appropriate range. We also tracked indoor temperatures to ensure the comfort of workers and office staff. We then tested energy use based on one chiller and its pump components. The energy consumption stabilized despite the outdoor temperature remaining at over 30 degrees Celsius.

Electricity use for the month before the change was 41,913 kWh, while consumption for the following month was 27,779 kWh. This saved the factory $12,980 from July to November 2015 and reduced energy consumption by thirty-four percent during this period.[4]

4. Cost of electricity is USD$0.18/kWh.

Air Compressor

Air compressors are a valuable component in manufacturing equipment because they control the air valve in punching machines which are used to cut materials such as leather or fabric. While these machines use electricity, they also require energy to make compressed air.

From the energy management system, we found that on certain Sundays throughout the year when there was no production at a supplier facility, the punching machines were still turned on and using electricity. By turning off the equipment when not in use, the factory saved 500 kWh per day, or approximately $1,108 for the rest of 2015[5].

5. Based on equipment being turned off for 50 percent of the Sundays from July-December (total of 24 Sundays), there was a 500 kWh per day savings from July to December 2015. The total saving for 12 Sundays is USD $1,108.

Shilan Liu

Sustainability Progress

More to do | Ongoing | Complete

Status	Commitments from our 2014 Report	2015 Status
	Continued sustainability support and learning sessions for Highway1 companies.	Highway1 companies were invited to a discussion on processes and materials in 2015; seven out of 23 companies signed up.
	Continued engagement with PCH startup customers and suppliers to ensure their products are made sustainably. This will include chemical assessments, material analysis and supplier development projects.	All PCH startup suppliers participate in standard PCH supplier qualification practices. In addition, members of the PCH startup team were trained in chemical management and awareness.
	Continue to educate ourselves and our customers on sustainable design and offer life cycle assessment of products and packaging at the design stage.	Case-by-case packaging and product reviews conducted for customers. Life cycle analysis included in new project proposals. See p. 59.
	Develop a materials library.	During 2015 PCH engineers in San Francisco began to develop a materials library, collecting samples and rating them for sustainability impact.
	Implement employee guidelines and policies for PCH employees globally; implement health and safety management, injury or incident reporting system companywide.	Employee Guidelines and Policies to be rolled out for all corporate staff in 2016/17.
	Implement a safety plan for equipment use at PCH Innovation Hub in San Francisco.	The PCH Innovation Hub in San Francisco rolled out a Site Emergency Response plan in 2014.
	Map and identify conflict minerals in the PCH supply network.	We continue to map minerals in supply networks on behalf of our customers.
	Continue to develop and build energy monitoring systems and energy improvement plans across PCH-owned and supplier factories.	We now operate real-time energy monitoring in six facilities (three PCH facilities and three supplier facilities).

More to do Ongoing Complete

Status	Commitments from our 2014 Report	2015 Status
	Continued compliance with applicable workforce management regulations. Monitor overtime in our own and supplier factories.	We continue to manage our factories to meet local and international regulations. We achieved 100% compliance of overtime policy among PCH employees in China.
	Engage with customers to manage production forecasts to prevent labor and safety violations.	We maintained Human Resources (HR) presence at key supplier sites to assist in managing labor requirements. We appointed Employee Health and Safety (EHS) staff from PCH to work at supplier sites to develop and manage health and safety programs.
	Implement chemical management best practices and increase awareness and training across PCH and supplier facilities.	Over 20 suppliers were engaged for chemical mapping and management in 2015. Training on chemical management best practices was provided to these suppliers and to PCH employees.
	Continue to assess each inventory management and distribution plan to ensure we offer a suitable solution for each product.	We continue to assess the best inventory management solutions for our customers on a case-by-case basis.
	Continue to encourage diversity and equal opportunity across our organization.	This year we are reporting companywide data on diversity.
	Develop Learning Lab in PCH and supplier facilities for all factory employees' use.	Developed Learning Lab at PCH factory sites in 2015. See p. 46
	Offer hourly rates to certain salaried workers in our U.S. operations who work a lot of overtime.	Seven staff in our U.S. operations were paid an hourly rate for their work.
	Report on the entire PCH group of companies.	Our 2015 Report covers the same entities as our 2014 Report, with additional data on our sustainability performance included. Additional entities, namely TNS Connect and Fab, are not included in this Report.
	Work with pro-social entrepreneurs – those with hardware ideas that aim to solve social and environmental problems or affect positive change.	PCH announced our Clinton Global Initiative commitment "Make for Impact" in 2015 which supports pro-social hardware entrepreneurs.

Chen Aiying

p.30

Suppliers

p.36

Customers

Partnerships

PCH views sustainability the same way we see business: When we notice that something can be made better, we don't look at limitations – we see opportunity. We have the opportunity to influence our suppliers' and customers' sustainability practices. These relationships must be grounded by strong business ties. We are working to reduce the number of suppliers in favor of stronger strategic supplier relationships. We partner with our customers to make informed decisions about product materials, processes, packaging and shipping.

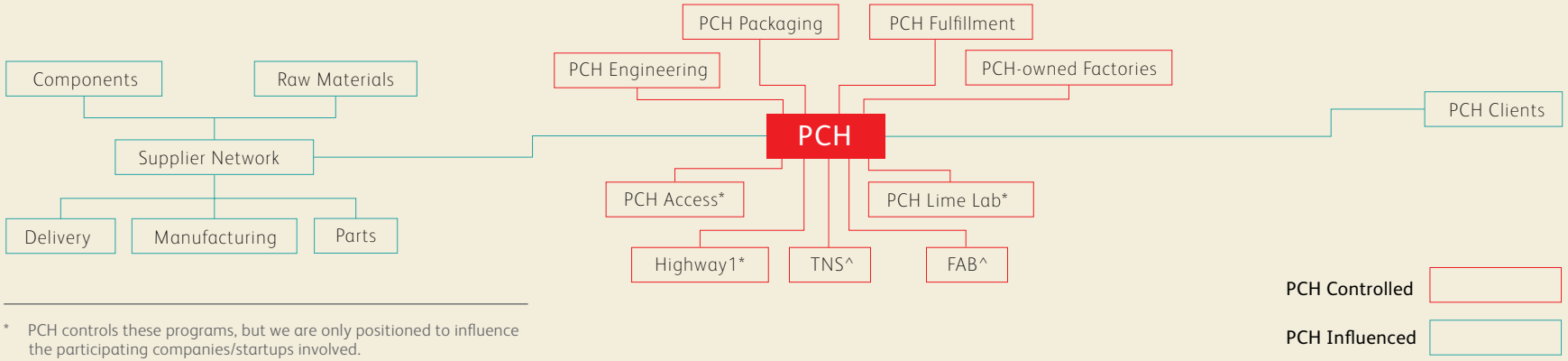
Suppliers

"We work with customers who are innovating in their industry. We are a leading partner for companies creating new categories of products and packaging, and so we see challenges that must be resolved and are able to find solutions because of our experience."

– Josa Leung, Design Manager, PCH

The PCH Supply Network

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 network for each product, as well as the influences and controls that PCH has over each link in the chain.



* PCH controls these programs, but we are only positioned to influence the participating companies/startups involved.

^ PCH does not report on these companies.

Supplier Qualification

By working closely with our suppliers and other partners, we ensure that materials used in production are better for people and the environment.

Our sustainable supplier network program is a four-step process:

1. PCH procurement team or customer identifies supplier based on capabilities.
2. PCH Sustainability Team conducts a factory readiness assessment to determine if supplier can meet PCH or customer audit requirements.
3. Independent third party auditor appointed by customer conducts supplier audit.

   or

   PCH audit team conducts onsite Corporate Social Responsibility (CSR) risk assessment. The team rates supplier performance and management systems and identifies areas for improvement. Suppliers have three months to follow up on action items.
4. Once the supplier is admitted to the PCH network, the Sustainability Team conducts supplier development programs, including health and safety, system building, energy monitoring, chemical mapping and social programs.

We have two types of suppliers at PCH: those selected by PCH and those selected by our customers. In 2015 our customers chose 59 percent of all suppliers used by PCH, representing 64 percent of all PCH spend. For customer-selected suppliers, we do not perform our own audits but work with customers to conduct audits that meet their specifications.

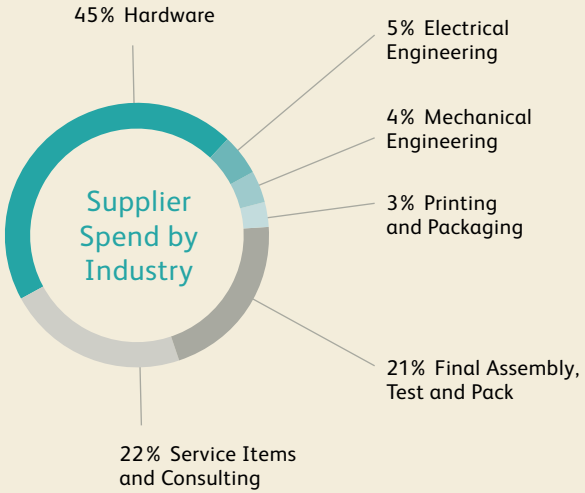
We encourage and expect our network of suppliers to adhere to our Supplier Code of Conduct and to operate to the highest standards of social and environmental compliance, even beyond what is mandated. In reality, our suppliers, particularly smaller ones, do not always have the resources to implement all environmental and social programs. For example, a supplier will say that their employees are free to reject an overtime offer, or can join a worker's organization at will, but in practice this is not always the case. We continue to audit our supplier factories and influence our supply network to raise the bar on social and environmental compliance.

How We Manage Our Supplier Network

We follow industry best practices and consider the issues of social, environmental, health and safety impact and business risk when determining which suppliers to audit. Audits set a baseline; they cover quality, sustainability and chemical management practices. We cannot audit every individual supplier as this would require substantial resources, therefore we focus on areas of the supply network that pose risk. Audits identify preferred suppliers, with scores weighted at 50 percent for quality, 35 percent for social and environmental practices and 15 percent for chemical management.

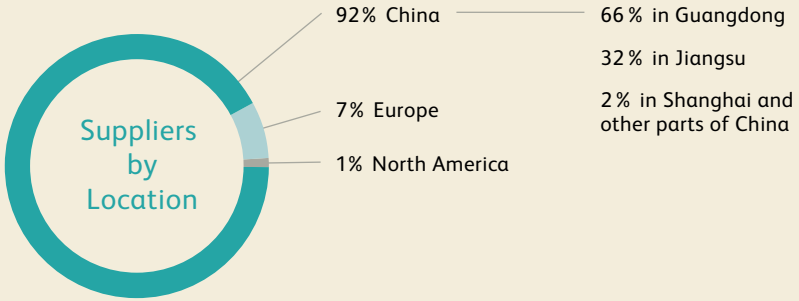
In addition to annual audits, PCH conducts monthly and quarterly business reviews with key suppliers and maintains on-site presence at factories.

Our Supplier Network



8
Average number of suppliers per customer

2.1 years
Average length of supplier relationship



Our Supplier Audits

Audits are conducted in PCH-selected facilities only.

124 PCH-selected suppliers

188 Customer-selected suppliers

1,400+

Hours spent on health and safety at supplier sites

Standard compliance programs

69 suppliers audited

38 existing, 31 new

Results

8 suppliers failed

4 failed due to their sustainability performance

4 failed for quality reasons

6 suppliers were re-audited and passed

2 did not receive any business

Going beyond compliance with supplier development programs

80+ suppliers visited by PCH Sustainability Team

Results

40+ suppliers engaged for sustainability assessments and improvement programs

4 suppliers engaged for chemical programs

2 customers engaged for chemical programs

5 suppliers engaged for social programs

2 customers engaged for social programs

6 suppliers engaged for health and safety programs

2 customers engaged for health and safety programs

6 factories engaged for energy programs

1 customer engaged for energy programs

1,300+ chemicals and materials mapped since 2014; 150+ added in 2015

Supplier Performance in 2015

Going beyond basic compliance and audits is a key component of our sustainability strategy at PCH.

In 2015 we transacted with 312 suppliers in China. The majority of our company spend is amongst customer-selected suppliers but we focus our development programs on PCH-selected suppliers where we can have the greatest influence.

Audit Findings

When identifying a supplier to work on a customer project in 2015, we found that their pay systems were inadequate and they had a history of employee salary deductions as a disciplinary measure. This violates PCH and industry standards.

The supplier wanted to pass the upcoming audit and work with our customer, and equally the supplier was critical to the project's success. The supplier agreed to discontinue this practice and therefore passed the audit (which was conducted by independent auditors). However, we are aware that this and other wrongdoings can reoccur if a supplier covers up the violation in subsequent audits. We continue to work with this supplier and will re-audit the supplier in 2016.

We have a zero tolerance policy towards child labor in our own and supplier facilities. Child labor refers to any worker under the age of 16. All new hires to PCH have their identity and age verified by our HR teams. For our suppliers, we check for child labor at audit and our policy follows industry recommendations. All 69 audits conducted in 2015 included a check for child labor and prevention systems as well as factory floor spot checks.

In 2015 during a customary audit in our supplier network, we identified a single incident of child labor involving a 15-year-old boy. The supplier had been chosen by our customer. We took immediate action to have the management remove the child from the factory and return him to his parents. We reinforced with factory officials our zero tolerance policy and the severity of this violation.

Once the corrective action had been taken, we made the difficult decision to continue working with the factory while educating the supplier about implementing preventative measures. Our customary practice for these violations is to immediately stop all activity and discontinue working with the factory. In this case, as this was an isolated incident, we determined it was beneficial to educate the factory management, monitor and work to prevent any further violation.

When PCH re-audited the supplier, there was no finding of child labor; however, the factory had not carried out a prevention and remediation plan that was satisfactory to PCH. The factory will be audited again, and failure to implement an effective child labor policy will result in termination of our business with this supplier.

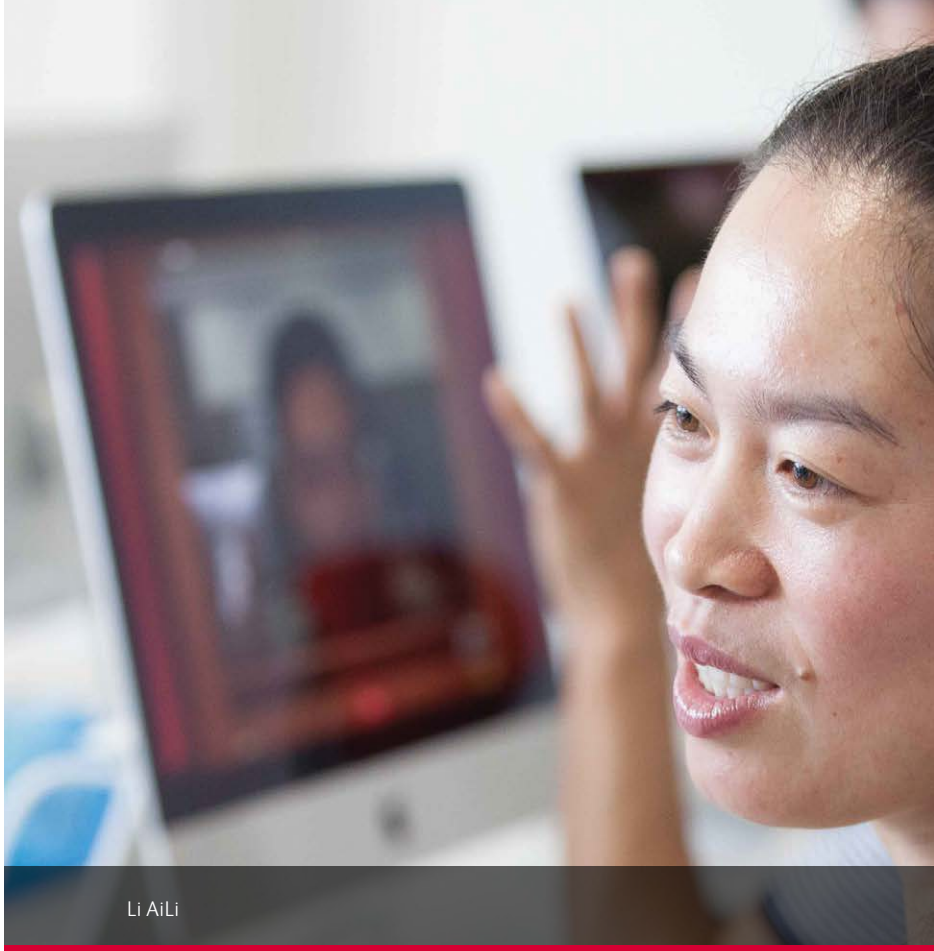
Regarding young workers (aged 16 to 18), we had no young workers or students (participants in internships arranged through an

educational institution) working with us in 2015. Twenty-four percent of our audited suppliers hire young workers and none of our audited supplier factories hire student workers.

To see our full policy, please go to our website www.pchintl.com/sustainability/policies-and-code-of-conduct/supplier-code-conduct/.

Small suppliers are often less costly to customers, but if they are not interested in or knowledgeable about Corporate Social Responsibility, their labor and safety management practices can fall short of our standards. To manage this risk, in 2015 we visited 12 small factories being used for one production run. In this case, the factories represented less than one percent of PCH's global annual spend with suppliers. Typically, they would not have qualified for an audit.

However, we decided for risk mitigation reasons to check them for all zero-tolerance practices (including child labor and falsification of salary or working hours records) as well as safety standards such as emergency exits and fire hazards. We also evaluated them on capability, innovation and attitude. We were satisfied that if these suppliers were to go through a full CSR audit, they would have most likely passed the audit. We made a variety of recommendations to the factories to improve their operations, which included recommendations on chemical management and employee safety.



Li AiLi

Goals for 2016

In 2016 we plan to reexamine our supplier selection and management strategies to ready our business for future customer needs. As part of this effort, we will request that sustainability team members attend all project kickoff meetings to understand customer sustainability requirements and supplier development opportunities.

Customers

Our Customer Base

Our customer base is diverse, ranging from startups to large corporations. They include seasoned electronic manufacturers as well as newcomers to the tech scene from the beauty, fashion and furniture industries. As such, their expectations and values around sustainability vary. In the case of large brands, we partner to implement our customers' codes of conduct across the supplier network. When a company is new to manufacturing or hardware, we advise on best practices and help them define what their minimum requirements should be and where they can do more.

Encouraging sustainable products and manufacturing processes is dependent on us getting our customers enthusiastic and engaged. We realized in 2015 that many of our customers did not understand

"We encourage our customers to consider their sustainability priorities, such as policies on chemical management, child labor and health and safety. Getting customers excited about these programs and expecting best practices in their supply network is essential to driving improvement in supplier performance."

– Fiona Lowbridge, Head of Global Account Management, PCH

the sustainable solutions available to them. We began to include sustainability indicators in new business proposals. These include Life Cycle Analysis (LCA) for packaging and other product solutions. Whether this results in sustainable choices by our customers, we want to arm them with complete knowledge about the impact of their products.

Customer Satisfaction

Customer satisfaction remains central to our success at PCH. In 2015 we rolled out online customer satisfaction surveys and retention programs across our major service lines. Customers were surveyed twice during 2015 or provided feedback directly to their account manager. We used the Net Promoter Score (NPS) which gauges customer loyalty on a scale of -100 to +100. Survey results put our score above average across our industry at 33 in June 2015 and at 50 in December 2015.[6] All feedback was investigated including requests for technical upgrades, enhanced project communication and cost reduction in the supply network.

6. Survey of all current customers, response rate of 38%. Survey Monkey Benchmark Data comparing PCH to over 76,000 professional services organizations based on industry, size and location.

Liang Xiang

Startups and Manufacturing

We continue to work with a number of late-stage hardware startups moving to production. We leverage suppliers from our existing approved supplier network, but finding the right factories can be challenging for startups whose orders are magnitudes smaller than established brands. PCH assists startups to find suitable factories and we provide training, chemical analysis, design and material support on individual projects.

During 2015 we focused on reducing the number of suppliers used for startup customers. Suppliers prefer larger volume orders which startups simply cannot promise. In 2014 we used 32 suppliers for our startup customers, reducing this to 27 in 2015. Of these, 30 percent worked with more than one startup. By giving fewer factories more business, we foster a stronger relationship with suppliers. For example, one supplier received business from 10 startup customers.

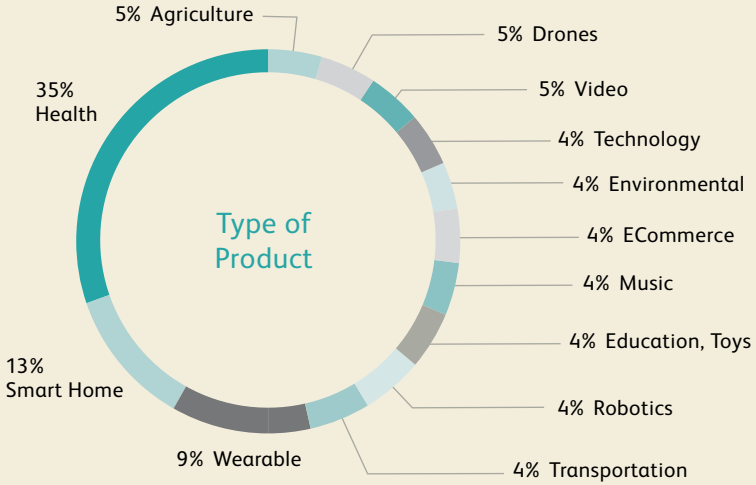
By the numbers:

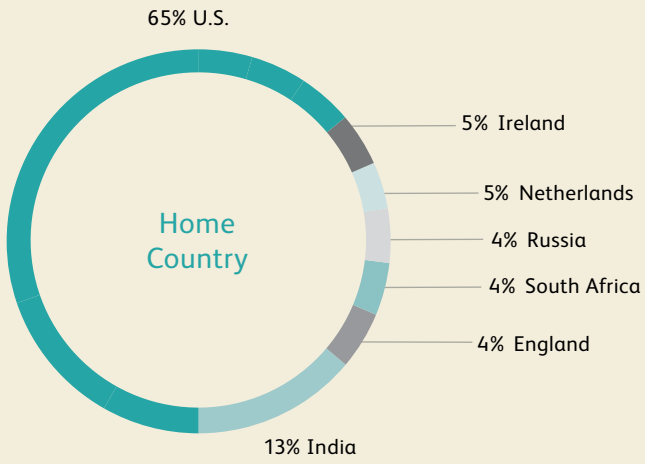
- 36: percent of startups that came from Highway1 to manufacture with PCH in China
- 55: percent that are manufacturing or shipping products
- 14: average number of months to get a product to market
- 5: average number of suppliers per customer

Highway1

Highway1 companies that participate in our accelerator program are based at our PCH Innovation Hub in SF. The program includes visits to factories in the U.S. and in China to expose teams to the manufacturing landscape globally. In 2013 and 2014, all Highway1 companies participated in the sustainability program. In 2015, the program was offered in a less formalized way. Highway1 companies were invited to sign up for a discussion on processes and materials, and seven out of 23 companies participated.

Highway1 in 2015

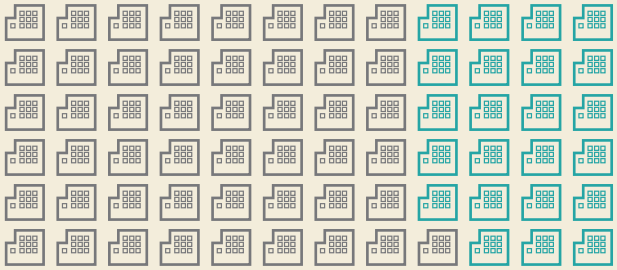




26%

of 2015 startups are solving a social or environmental problem in agriculture, environment and healthcare fields.

Number of Companies



23
in 2015

58
Total between 2013-2015

Investment Raised

$13M+
in 2015

$84M+
Total between 2013-2015

Long XiaoYu

People

The safety and wellbeing of the people who work for both PCH and at supplier companies is our greatest priority and essential to our future. Our Corporate Social Responsibility priorities include employee health and safety training, a mentorship program, educational offerings, social and cultural activities, and a variety of grievance channels. We encourage teamwork to empower our employees to help improve the safety and quality of our workplace. Because of our commitment to open communication, we offer our factory workers not only a telephone hotline but also an online app for company announcements plus instant messaging to reach coworkers and managers.

About Our Workforce

2,347
Total workforce

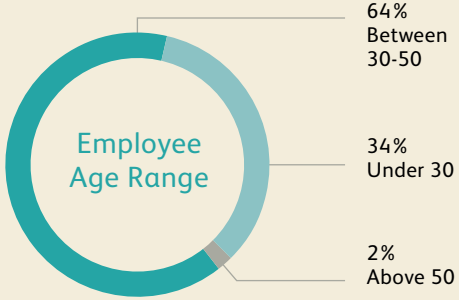
2.8 years
Average length of service

Gender

56%
Female employees

44%
Male employees

Age

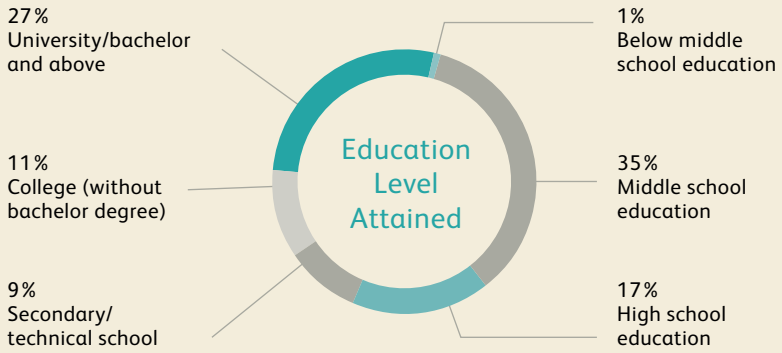


Global Workforce

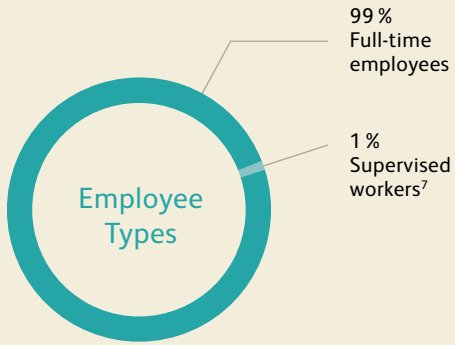
In support of our growth strategy, we plan to increase our engineering staff in San Francisco and reduce factory services in China in 2016. The reduction of workforce and continued realignment of our business is necessary to remain competitive and to grow our business where we see opportunity.

Region	Employees		Supervised workers[7]	Total workforce	% of total workforce
	Operators	Office staff			
U.S. and Canada	0	113	14	127	5%
China and Hong Kong	1,390	768	4	2,162	92%
Ireland	0	47	2	49	2%
South Africa	0	9	0	9	1%
Total	**1,390**	**937**	**20**	**2,347**	

Education Level of PCH Employees



Contract Type



71% of staff covered by Collective Bargaining Agreement

18%
Senior leadership is female

300+
Engineers globally

Parental Leave

We abide by all parental leave entitlements in accordance with local laws. More than 88 percent of eligible PCH employees who took parental leave in 2015 returned to work afterwards.

	Male	Female	Total
Entitled to parental leave during 2015	10	46	56
Took parental leave during 2015	10	32	42
Total number returning to work after parental leave (due to return during 2015 up to 31 Dec 2015)	10	27	37
Return to work rate[8]	100%	84%	88%
Retention rate[9]	78%	80%	79%

7. Supervised workers are all non-employees: workers hired through dispatch agencies or contractors, consultants and occasional interns.
8. Calculated as 2015 returned/2015 took leave.
9. Calculated as total number of employees retained 12 months after returning to work following a period of parental leave in 2014/Total number of employees returning from parental leave in 2014).

Gender and Diversity

Diversity is especially important in the hardware and technology sectors, where creativity is vital for success but where women are often underrepresented. We believe empowering women in the workplace means empowering the global business sector overall. We plan to review our data on gender diversity and use this information to inform policies and set goals. We will communicate our progress in 2016.

Employee category by gender & age	M	F	<30	30-50	>50
Senior leadership	82%	18%	0%	55%	45%
Senior management	75%	25%	0%	70%	30%
Middle management	58%	42%	9%	88%	3%
Senior professionals	69%	31%	3%	91%	6%
Professionals	60%	40%	22%	77%	1%
Technical staff	74%	26%	41%	53%	6%
Factory office staff	38%	62%	58%	40%	2%
Factory production staff	34%	66%	41%	59%	0%

Zhang YuanYuan

Developing and Engaging People

Community building efforts in our factories have strengthened every year since we began to partner with external organizations such as Little Bird in 2012 and the social enterprise MicroBenefits in 2013. These efforts culminated in the development of the Learning Lab in 2015 beside two PCH factories where all workers have access to 4,700 square feet of library, classroom and activity space.

A community building success story is the messaging app WeChat, which has gained popularity among PCH employees since it was first offered by Little Bird in 2014. Little Bird uses WeChat to make announcements about classes, activities and news. Workers can use the app to chat with other employees in the factories, including the factory general manager.

Little Bird/Learning Lab

Employee education and engagement programs are benefits available to most factory workers in Southern China. The challenge is getting workers to participate in the numerous social activities, learning opportunities and communication channels offered by PCH through its partnership with Little Bird. In 2015 in Shenzhen, PCH developed the Learning Lab which offers a variety of classes to employees.

"These programs have become popular among brands, but ours differs because we are integrated into the factories where we operate," said Celine Zhai, Sustainability Program Manager at PCH. "We have feet on the ground, working to keep an eye on what's going on. The people, the tools and facilities like the Learning Lab are situated in or next to the factories. Our people are in constant communication with the employees in person, rather than through a hotline only."

A diverse group of people use the Learning Lab for classes ranging from language lessons to computer skills to makeup tips. "Every course we prepare, people come to. There are 200 to 300 participants who come regularly, but recruiting new participants is still a challenge," Zhai said.

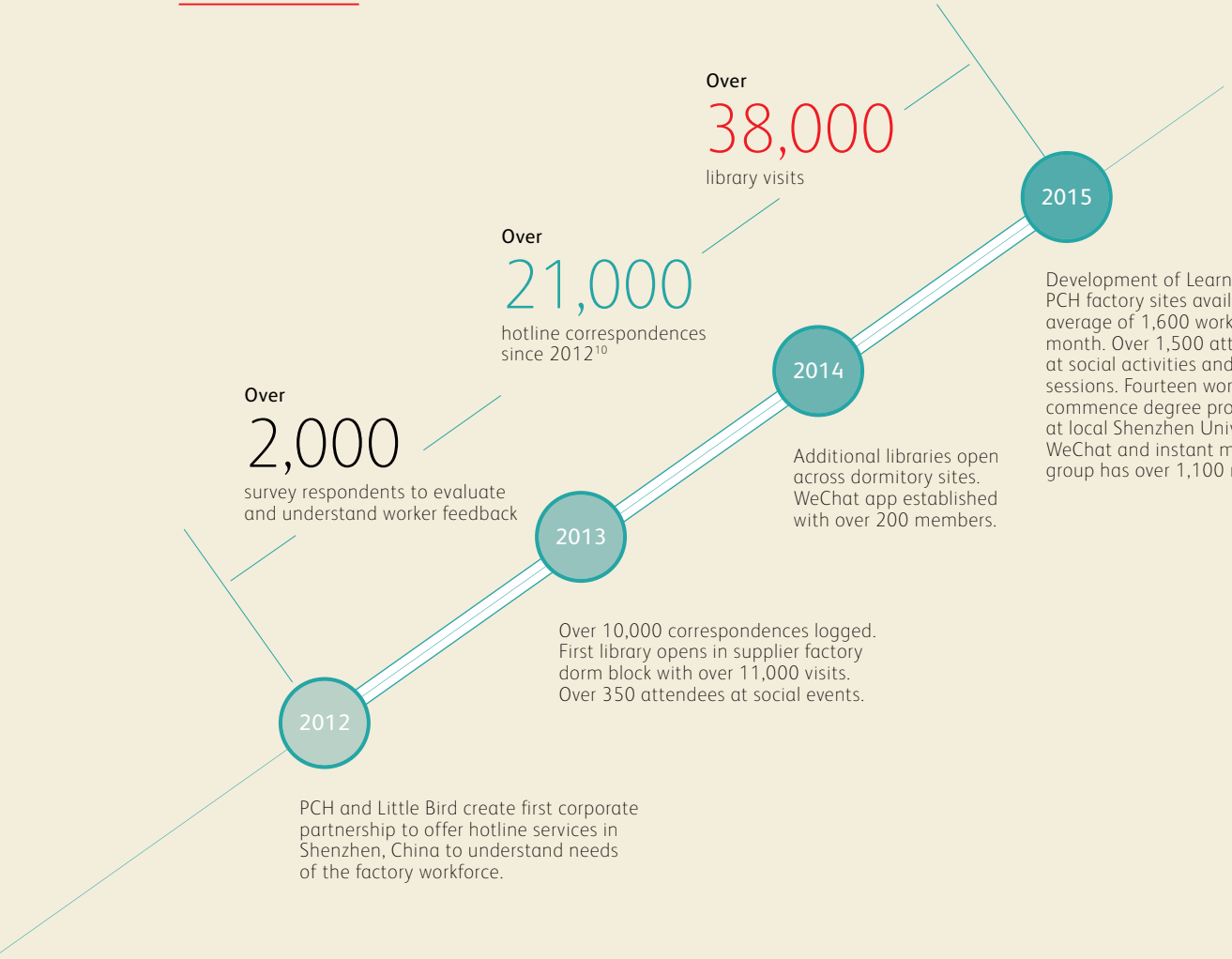
More courses in computer skills and information technology are of special interest and we are working to expand these courses, she added. Because many parents are interested in enhancing their parent-child communication skills, a parental communication program is planned for 2016. "Some programs we start are not successful and we learn from this and make adjustments," Zhai said. "For example, an online learning program offered through MicroBenefits was not popular. Login rate was very low. So this program was discontinued."

MicroBenefits

We have partnered with MicroBenefits since 2013 to provide employee training through a smartphone app across PCH and supplier sites. We noticed a decline in use of the app as workers turned to in-person training at the Learning Lab. On average, 220 employees logged on the MicroBenefits newsfeed each month in 2015 compared to over 3,500 per month throughout 2014. This decline is likely due to employees switching to the WeChat app to access news offered by Little Bird.

Because of low usage, we plan to discontinue MicroBenefits in 2016. We also plan to reassess our employee partnerships to ensure that the services we offer correspond with the interests and needs of our workforce.

Our Little Bird Journey



Instant Messages

12,989 instant messages since 2012

4,297 instant messages in 2015

Cultural Integration

33 training sessions in 2015

7 training sessions in 2014

Social Activities and Training

1,500+ people attended 60+ social activities and training sessions in 2015

1,000+ people in 2014

Surveys Completed

1,000+ surveys completed in 2015 (2000+ to date) covering: feedback on activities, training sessions, questionnaires to understand worker rights, parenting and future plans.

10. 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).

Overtime

A standard work schedule in China is 40 hours per week with no more than 36 overtime hours per month. All overtime is voluntary, and workers are entitled to at least one day off per seven-day week. Workweeks exceeding 60 hours are deemed excessive by industry associations. Our Supplier Code of Conduct requires that workers should work no more than 60 hours per week, including overtime, except in emergency or unusual situations.

The opportunity to work overtime hours is a priority for our workforce and if it is not available, many workers will seek alternative employment. In the past, we used agency (or dispatch) workers to meet high demand. Reducing our reliance on dispatch staff in our factories has been a key focus for us over the past three years. It is also key to our reduction in breaches of our overtime standards.

"Our employees like to work overtime. In 2015 no one breached our maximum guideline of 60 hours per week. Reaching 100 percent compliance is almost unheard of in our industry. And we reached 99 percent compliance in 2013 and 2014 as well."

– Celine Zhai, Sustainability Program Manager, PCH

Overtime	2013	2014	2015
Average working week (hours)	53	51	52
Compliance with code of conduct	99%	99%	100%
Breaches of 60-hour work week (number of weeks)	5	8	0
Average rest days per month	5	5	6
Breaches of one rest day per week	5	6	0

Overtime breaches generally are caused by condensed production schedules and shortage of labor. We continually monitor overtime and strive to have zero percent breach of our standard, which was achieved in 2015 for the first time at PCH.

Liu Qiang

Retention

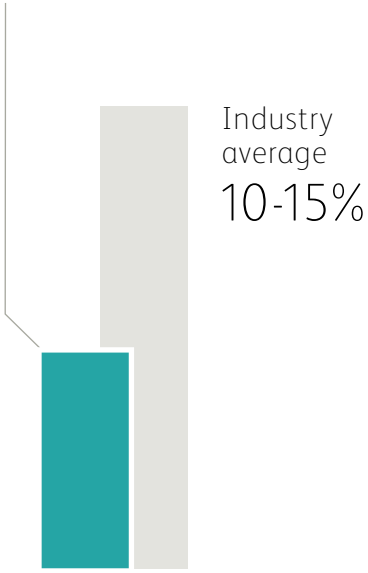
Retaining top talent across our diverse workforce is a priority. We invest in our factory workforce and our corporate employees through loyalty programs, benefits, training and development opportunities.

In 2015 our global employee turnover averaged six percent each month (also six percent in 2014). Among our corporate employees, the average monthly turnover rate was 0.4% percent (one percent in 2014). The average monthly turnover rate among our factory employees was seven percent (eight percent in 2014).[11]

11. Calculated as the geometric monthly mean of all leaver employees/average number of employees in 2015.

PCH's average monthly factory employee turnover rate

7%



	Joiners 2015						Leavers 2015					
	Male		Female		Total		Male		Female		Total	
Turnover	#	%	#	%	#	%	#	%	#	%	#	%
Age												
< 30	697	38%	507	27%	1,204	65%	640	32%	530	27%	1,170	59%
30 – 50	215	12%	417	23%	632	34%	299	15%	505	25%	804	40%
> 50	5	<1%	4	<1%	9	<1%	14	1%	4	<1%	18	1%
PCH Total	**917**		**928**		**1,845**		**953**		**1,039**		**1,992**	
Region												
US	26	1%	10	1%	36	2%	18	1%	5	<1%	23	1%
Europe	3	<1%	8	<1%	11	1%	1	<1%	6	<1%	7	<1%
China	886	48%	909	49%	1,795	97%	930	47%	1,027	52%	1,957	98%
Rest of World	2	<1%	1	<1%	3	<1%	4	<1%	1	<1%	5	<1%
PCH Total	**917**		**928**		**1,845**		**953**		**1,039**		**1,992**	

"The mentorship program facilitates discussions that would not ordinarily occur during the work day, and encourages people to take control of their careers and ask questions."

– Participant, mentorship program, PCH U.S.

Doris Chen / Elle Wang

Employee Training and Development

All PCH factory staff receive on-the-job training to ready them for their particular role. In addition, the factory offers additional career enhancing training to both office and production staff.

Across PCH, staff participate in numerous training and development sessions throughout the year such as:

- 498 participants in over 4,000 hours of training on customer service, English and Chinese proficiency, management skills, soft skills and technical workshops.
- Presentations held across PCH educated staff on the role of teams and services across the company, including sustainability.
- Factory staff attended over 23,000 hours of training including human rights and CSR training as well as additional courses on management, finance and health and safety.
- Factory workforce engagement. See p. 45
- Mentorship program at PCH Lime Lab. All PCH employees can apply for a mentor.

Grievances

We want our workers to feel they have a forum to express concerns, and to trust that their concerns will be taken seriously.

Our Grievance Mechanisms

Our grievance mechanisms are tailored to local markets. In our corporate offices, HR teams and management are trained to foster an open door culture among staff. In our factories, formal procedures are implemented.

We want our workers to feel they have a forum to express concerns, and we want them to trust that their concerns will be taken seriously and resolved in a fair and timely manner. Much of the feedback we receive continues to center around suggestions for workplace improvement or seeking clarification of applicable rules and regulations. While Little Bird and MicroBenefits are independent organizations, the partnership they forged between PCH and our workforce has encouraged open dialogue.

We continue to operate multiple grievance mechanisms, and most are available 24 hours a day. We operate five grievance systems for our monthly average of 1,600 factory workers representing 68 percent of our global workforce.

Human Resources (HR) or factory management can be reached via:

1. **Direct contact with line-leader, supervisor or manager.**
2. **Suggestion box** – Employees can make anonymous recommendations. The boxes are opened every Monday and action is taken within 15 days, with some exceptions. For example, where a worker survey is required to get wider employee feedback, more time is needed to fully investigate the case.

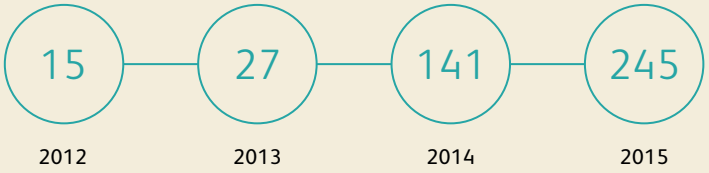
3. **Employee forum** – Held once per quarter, the forum is attended by employee representatives, the factory general manager, the HR manager and the internal audit team. Responses and improvements are posted on a notice board within three months.

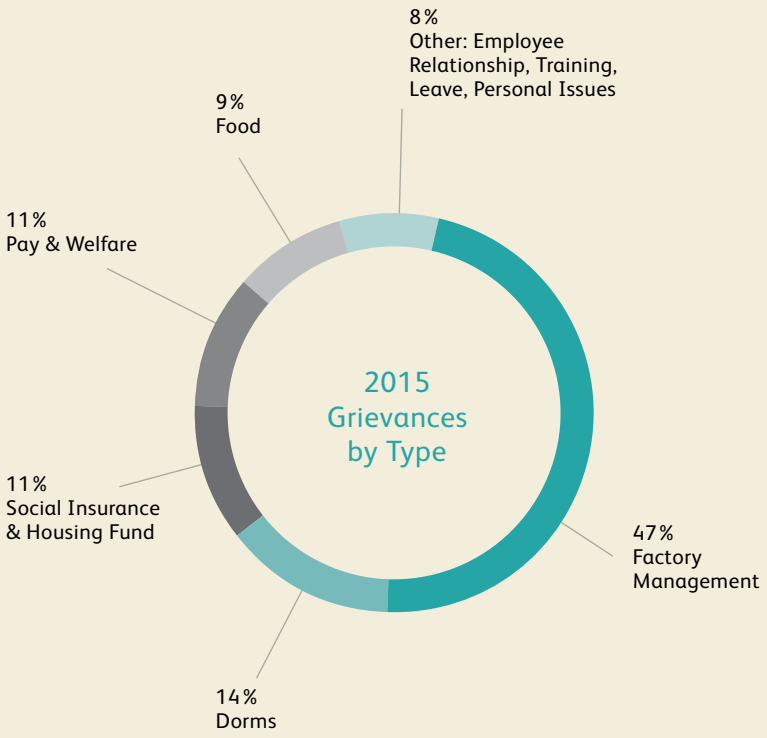
4. **Little Bird** – Little Bird sends employee suggestions to factory HR once a week. Most issues are resolved within one month, or if an emergency arises, it is addressed immediately.

5. **MicroBenefits** – The employee smartphone app includes a function that allows employees to contact HR directly with suggestions, complaints and feedback.

The majority of grievances were received via Little Bird in 2015, and almost half concerned factory management. The number of grievances increased significantly in 2014 and 2015, which can be attributed to several factors. First, marketing efforts promoted the various ways workers can voice their concerns. Second is the ease of using the WeChat phone app to contact management directly. Finally, we believe worker confidence has increased because issues are discussed freely at scheduled employee meetings. We welcome all feedback because we want our workers to be open with us and to trust that problems will be corrected. Management endeavors to close all grievances within three months and address serious grievances immediately. All grievances received in 2015 were closed by year end.

Number of Grievances 2012-2015





Sample Grievances in 2015

1

A female worker contacted the Little Bird hotline as she found her role challenging due to the requirement to lift boxes. Little Bird requested that factory management review the physical abilities of those assigned to the role. Management conducted a review and when Little Bird followed up, she reported that she was reassigned to another position.

2

A male worker named “Sun” was reassigned from line work to a material handling position. He found the work tiring and tedious, and he told the line leader that he preferred his previous role. Sun contacted Little Bird who spoke to the line leader on Sun’s behalf. The line leader suggested approaching the other line workers to check if any were interested in working as a material handler. One worker agreed to swap with Sun and take the material handler position.

3

Many workers contacted Little Bird about the temperament of their line leader. They complained that she was verbally abusive over minor issues. Little Bird approached factory management and the line leader was given a verbal warning. There was no improvement in her behavior towards the line workers following the appropriate warning mechanisms. Therefore, it was requested that she return to line work and an alternative line leader was appointed.

Chen Xing / Zhang Xiao

Goals for 2016

PCH will implement a global grievance mechanism as part of our Employee Guidelines to be rolled out in 2017.

Li QiYu

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Materials/
Life Cycle Analysis

p.61

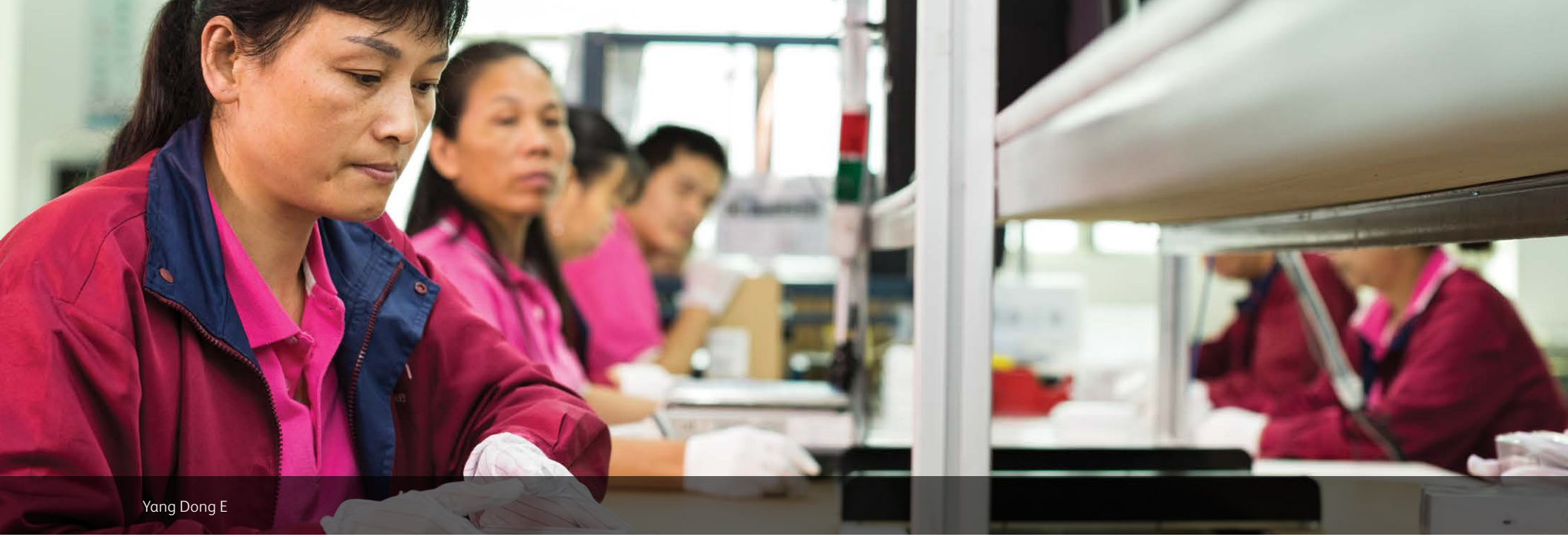
Chemicals
Management/
Mapping

p.64

Inventory
Management/
Delivery

Product

We seize the opportunity to educate our customers about the impact of products we make from design to manufacturing and from consumer to end of life. We strive to influence industrial designers to engrain sustainability into their processes. At PCH, product sustainability addresses materials, chemicals, conflict minerals, packaging, shipping and inventory management.



Yang Dong E

Materials/ Life Cycle Analysis

We conduct packaging reviews for our customers to help them make the best decisions about quality, cost and sustainability. We design, develop and produce beautiful, sustainable solutions that have the maximum positive impact on the consumer experience and the least impact on the environment.

Packaging Lifecycle Analysis (LCA) is now available to all PCH customers. LCA is the systematic approach of assessing the environmental impact of a product's entire lifecycle, from raw materials to end-of-life disposal. Packaging LCA integrates sustainability into design to reduce packaging and improve the consumer experience.

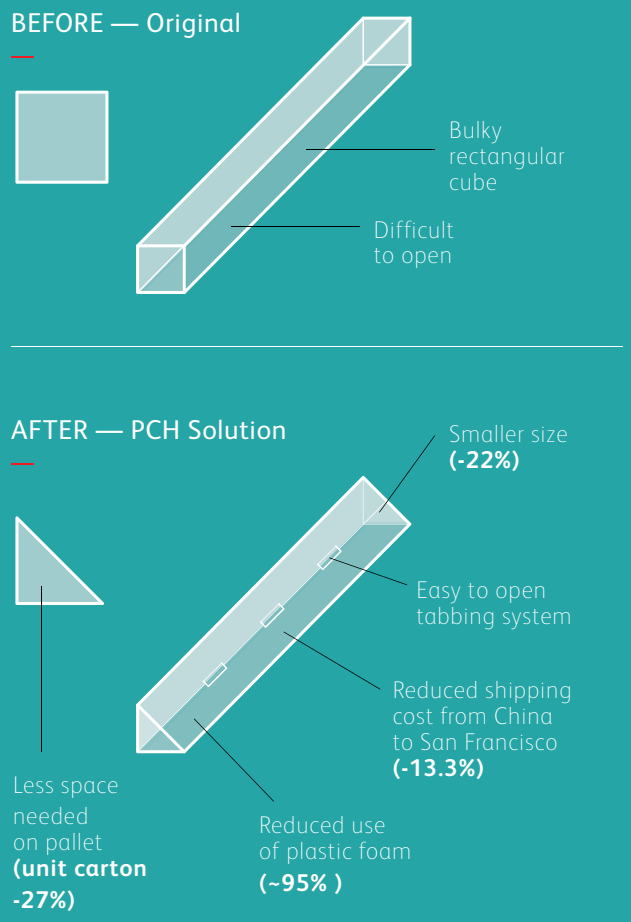
Sustainable Packaging Design

Nobody wants an unhappy customer, but that's what happened when a particularly fragile designer lamp had a high rate of damage during shipping. The original packaging used a lot of plastic foam, which is one of the most difficult materials to recycle. The package was also big and bulky, which added to shipping costs.

The creative team at PCH designed a form-fitting package using thin sheets of plastic foam that cut packaging materials by 97 percent. The new design reduced shipping costs and space, and – more importantly – passed the drop test to reduce breakage. Damage during transit was reduced by 84 percent.

"Our new packaging design has greatly reduced damages during shipping, and allowed nearly all of the packing material to be recycled. This was a big win."

– Anh Giang, Director of Sourcing, PCH



84% less damage/ breakage in transit

Conflict Minerals

Avoiding the use of conflict minerals continues to be a priority for us and our customers. We welcome the advent of conflict minerals mapping as it encourages suppliers to be transparent and track potential use of these minerals that are mined in areas of the world where there is armed conflict and human rights abuses.

Most electronic manufacturers have a mapping system in place in accordance with the Organization for Economic Cooperation and Development (OECD) Guidance for Responsible Supply Networks of Minerals from Conflict-Affected and High-Risk Areas.[12] Gathering accurate data is still a challenge for our customers. In 2015 we mapped conflict minerals in supply networks on behalf of our customers. We found that our suppliers were generally responsive and completed surveys about the materials and minerals they were using. However, we noted that many suppliers are yet unfamiliar with the purpose of these surveys and do not see the value of them. All suppliers that were contacted responded to the surveys, but none reported use of conflict minerals in their facilities. We were satisfied with these results as the products mapped were soft goods which used leather and plastic parts.

Materials Library

During 2015 PCH engineers in San Francisco began to develop a materials library, collecting samples and rating them for their sustainability impact. The project is live and will continue into 2016. We conduct material assessments and research alternatives on a case-by-case basis for our customers.

12. http://www.oecd.org/corporate/mne/mining.htm

Yoav Ben-Haim

Chemicals Management/ Mapping

Chemicals used in factories are our biggest health and safety concern. Proper and safe chemical use is important not only to PCH but also to our entire industry. We spend considerable time and resources identifying and managing chemicals used in our own and our suppliers' factories.

Chemical Mapping Tool

Our customers are increasingly interested in understanding what chemicals are used in their products, especially when products are wearable. We document and map every chemical that we encounter in our supply network in a continuous bid to build a chemicals database and assessment tool at PCH. In 2015 we added more than 150 chemicals to our evaluation tool. To date, over 1,300 chemicals and processes have been documented by the Sustainability team which are then evaluated for safe handling and use by suppliers.

Hazardous chemicals are those that are poisonous, corrosive, explosive or ignitable and which may pose a hazard towards a person, equipment or the environment. Hazardous agents get into the body by inhalation more than by any other route. Therefore, chemical exposure on the factory line is a critical concern.

Chemical Cleaners

One of our customers asked us to provide details on all the chemicals being used by its suppliers. PCH visited suppliers associated with the project to assess the use of chemicals and other raw materials. We then provided the information to the customer for review. If a customer bans the use of certain chemicals, we will work with the supplier to find alternatives.

During one visit to a supplier factory, we saw the use of n-Hexane, a highly flammable chemical that is sometimes mixed with cleaning agents. It poses a human health risk. After being alerted to the hazardous chemical, the factory discontinued the use of n-Hexane and instead switched to adding just water to cleaning solutions.

Based on our findings, we conducted these improvement actions at supplier sites: emergency response, hazard communication, risk assessment and risk control. Additionally, we continue to work with our customers to understand their needs around chemicals.

Our Policy

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, laminating, cleaning, electroplating, printing, screen-printing and painting. It's important that all factories maintain a Material Safety Data Sheet (MSDS) containing pertinent information such as a material's chemical ingredients, physical characteristics, proper handling, fire safety and emergency handling.

How we are addressing chemical management:

1. Elimination
2. Substitution at concept phase
3. Proper ventilation
4. Establishing a safe distance between the chemical and worker
5. Providing personal protective equipment

In gathering chemical information from suppliers, the strength of our relationship with our suppliers is paramount. Some suppliers, particularly sub-tier, are cautious about disclosing the chemicals they use. Ideally we would like to provide training to these suppliers, but due to tight production schedules and turnover of products, this is not always possible.

"Certain suppliers are very open and share information about the materials and chemicals they use; however, transparency is often driven by the customer brand rather than the factories they work with. Some brands set the standard and insist on transparency. In this case, they give their suppliers consistent volume and orders, and suppliers respond to that. Where orders and volumes are small, suppliers are less likely to be forthcoming and share information. We continue to work to strengthen our relationships with our suppliers."

– Eileen Li, Supply Network Manager, PCH

Alternative Chemicals

Finding alternative chemicals is a challenge; however, there have been some successes. In one example, a glue which was used to stick two parts of a product together was found to contain 30-40 percent toluene. Toluene is known to have carcinogenic potential in humans. We raised this concern with our customer and together we sourced an alternative glue which has no known human impact and very low toxicity levels. We know this is not a perfect substitute, but the risk to workers was greatly reduced. The initial substance is also being added to our, and our customer's, Restricted Substance List (RSL).

Inventory Management/ Delivery

We work with our customers to package and ship products in the most efficient way possible. There is huge potential for cost and environmental savings: how efficiently pallets are packed, how a pallet is moved across the globe, where it is stored, the cost of shipping and how the product is moved once it hits the ground.

PCH's network of warehouses and factories in Southern China gives us the ability to make products on demand, which increases efficiency and uses fewer resources by eliminating unnecessary production and waste. Our global distribution centers enable us to move products to where they are selling, fast.

Efficient transport further reduces waste when we avoid shipping products to regional warehouses where they may sit for some time before being sold. Many products we work with are small, expensive electronic devices that are not suitable for ocean freight. Air freight gets these products to customers faster while potentially reducing inventory and warehousing.

- 10: average number of days inventory stayed in warehouse (2013)
- 11: average number of days inventory stayed in warehouse (2014)
- 12.3: average number of days inventory stayed in warehouse (2015)

"A key metric for the health of a company should be days of inventory. Sales into the channel should not be an indicator of health because this is essentially capital stuck in the channel. Getting a product into the hands of as many consumers as possible should be the goal of all hardware companies."

– Liam Casey, Founder and CEO, PCH

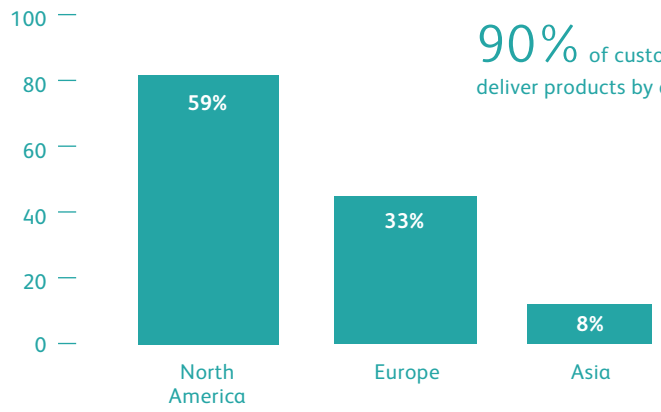
"When it comes to getting a product to where it is needed, a company has two distinct choices. One, make the product, ship it to a region and hope it is sold. Two, make the product, keep it close to the factory, and pack it for sale as it sells. The second choice will generally mean reduced inventory and waste from both a cost and environmental perspective."

– Dan Stapleton, Director of Fulfillment and Logistics, PCH

Where We Ship

Units shipped
139M+

90% of customers deliver products by air



Customers by region

Chen YaoFeng

Goals for 2016

We are developing a full product Life Cycle Analysis program which we plan to roll out in 2016.

Sunny Zhu

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Worker Safety

p.71

Health and Safety
in Suppliers Facilities

Factory/ Supply Network

The greatest sustainability impact of our entire product platform is found in factories, particularly upstream supplier factories. This is where we can drive the most impactful change. PCH works diligently to educate factory workers about health and safety precautions and to implement development programs on chemical management, fire safety and other occupational safeguards.

Worker Safety

Health and safety awareness has become more important in China since the devastating Tianjin fire that killed 173 people in August 2015.[14] Tianjin, a port city near Beijing, was the site of a series of explosions at a privately owned chemical warehouse. The Chinese government and certain Chinese brands are focusing on safety, and more factory incidents are being reported in the news.

To address worker safety, PCH-owned factories have a Social and Environmental Committee (200 people), which covers labor, environment, ethics, and health and safety management of the factory. The committee is comprised of management, production staff and engineers. Overall, 12 percent of the factory workforce participates in the committee.

At our factories, we monitor potential hazards related to fire safety, chemical use, equipment safety and occupational health. Within PCH-owned factories, two work stations have been deemed hazardous by local authorities (a carton sealing station which is noisy and a chemical management work station). All 200 operators who work at these stations undergo a health assessment before being assigned and are provided training and personal protective equipment (PPE).

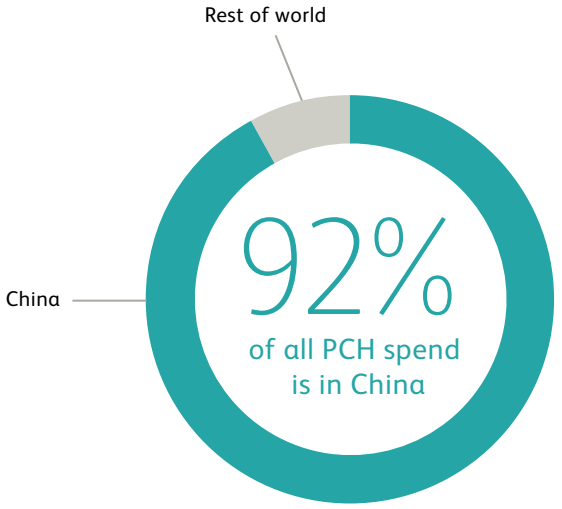
14. http://www.bbc.com/news/world-asia-china-33844084

Long XiaoYu

Performance in PCH Factories

Metric	2014-2015 Difference
Quality complaints	-14%
Units produced per person per hour	+1%
Efficiency rate[13]	+18%
Greatest volume shipped in one month	+3%

13. Calculated as target working hours/actual working hours.



Safety Solutions

In 2015 we increased the capabilities of a research and development in Shenzhen. Within a number of days, employees working on site complained of headaches from paint fumes. Twelve people reported feeling ill and some attended a local hospital for checkups. We determined that the paint was not dry and the site was not ventilated adequately. The symptoms experienced by employees were deemed "first aid injuries"[15] under the Occupational Safety and Health Administration Reporting and Recordkeeping requirements and so data is not included in our overall illness records for 2015.

We installed appropriate ventilation, a chemical management station and an eye wash station. We also implemented fire safety and chemical management systems at this site. This event highlights how important it is to report incidents in our own and our supplier sites so that we can take corrective action and enhance overall employee safety and health in factories.

Employee Safety Training

Educating all employees is the key to awareness of workplace health and safety at PCH. Training and open communications empower workers to report issues in factories that otherwise might be overlooked. For example, during a sustainability seminar, employees were trained to identify chemicals and look for hazardous signs in factories. A few weeks later, a PCH engineering team went to a supplier factory site and smelled chemicals but could not identify any chemical management procedures underway at the site. "They understood the importance of chemical management and came back to us for advice, and as a result, personal protection equipment was put in place," said Chris Yang, Sustainability Analyst at PCH. "This was a win for us. We need more of those sessions."

In 2015 PCH recorded one injury to a factory worker and no injuries or illness amongst corporate employees globally who work in our own and our supplier facilities. The sole injury occurred when a female factory worker was in a vehicle accident on the way to work. She missed 76 days of work and has since returned to full time employment. Her injury was reported to the local social security bureau.

	2014	2015
Number of injuries	4	1
Fatalities /occupational diseases	0	0
Lost days	71.5	76

12% of our factory workforce
participate in a Health and Safety Committee

15. https://www.osha.gov/recordkeeping/

Health and Safety in Supplier Facilities

One of the biggest challenges we face is ensuring the health and safety of workers in our supplier network. Because this is a priority for PCH, we assign full-time staff to key supplier sites to help them improve and monitor their health and safety performance.

Pre-production Safety Considerations

We have identified an excellent opportunity to improve supplier EHS management by engaging at the process design stage. "From the beginning, we are working to integrate systems thinking around employee health, safety and environmental factors," said William Duffy, Engineering Director at PCH.

In 2015 we began to work with select customers on Pre-Startup Safety Review (PSSR), an assessment that integrates health and safety measures before production begins. In some competitor factories, lines are up and running before sustainability and safety issues become primary concerns. The tool evaluates EHS processes prior to mass production. "This is a great start because most of our competitors don't do this, especially when there is a tight timeline," Duffy said.

PCH is training our own staff and staff at key supplier sites to implement the pre-start safety review, which is oriented around prevention. The review gives engineers the opportunity to negotiate changes during production. "We have high expectations," said Duffy. "Meeting the minimum requirements is not enough — we're working to raise the bar."

Employee Health and Safety

Employee health and safety management programs at supplier facilities include chemical management, fire safety, ventilation and electrical safety. Audits and daily spot checks cover emergency exits, equipment safety, chemical labels and other potential hazards.

A challenge, said Sunny Zhu, Sustainability Program Manager at PCH, is that many of our supplier partners do not have a system to report potential hazards. Therefore, PCH faces difficulties obtaining reliable data on accidents, injuries and illnesses at supplier factories. Because performance is tied to bonuses, suppliers may be reluctant to disclose problems. "We have a monthly check and they give us data," Zhu said. "One supplier always says there were no injuries. We don't know if this is accurate. If EHS performance is not good, their bonuses will be deducted."

To help establish health and safety procedures at one supplier factory, PCH set up Key Performance Indicators (KPIs), which measure how well the factory meets its targets. The intent was to fully integrate health and safety methods into the supplier's day-to-day operations. However, Zhu said not all of the factory teams embraced the program, and they were not always aware of the availability of an internal EHS function. PCH identified over 80 corrective action items which were all subsequently remediated. "These KPIs are owned by the factory EHS team and not the other business teams," Zhu said. "We are trying to instill an EHS culture because without that, we can't get anywhere. We continue to push our suppliers to improve performance on health and safety."

"Employee health and safety management at suppliers can be insufficient due to a lack of resources and training. PCH fine tunes the internal EHS processes at supplier factories that we partner with."

– Sunny Zhu, Sustainability Program Manager, PCH

Ink Room

An ink room was set up for a new project at a supplier site in 2015. The room was to be used for ink mixing and cleaning. The chemicals were complicated: Some were flammable with a strong, irritating odor, while others were hazardous with a low Occupational Exposure Limit (OEL). At the outset of the project, the factory team did not conduct a deep risk assessment and installed only a basic ventilation system.

When production began, workers in the ink room felt sick because of the strong odor. The workers were then required to wear personal protective gear, including a respirator that was so heavy that some employees refused assignments to work in the ink room.

EHS teams from PCH, the supplier and the customer worked together to develop a solution. First, suitable respirators were bought for the workers who were then trained how to use them. Next a professional ventilation supplier designed a new system with approvals from the EHS teams. As soon as the new system was installed and passed inspection, a group of ink room workers applauded with approval.

Supplier Safety

EHS management is especially important in the electronics industry, where the life of each product is becoming shorter and production methods change frequently. There is room for improvement surrounding volatile organic compounds (VOCs) used in cleaning and other processes.

At one supplier factory, our customer EHS team found a cleaning chemical that could potentially lead to asthma in workers. The chemical wasn't on the restricted substance list, but the team asked the factory to stop the cleaning action immediately. Customer EHS teams have the authority to stop the line if there is a high risk, and in this case the production timeline was tight. "Within three hours we found another chemical," said Chris Yang, Sustainability Analyst at PCH.

Celine Zhai / Shao Lei

Goals for 2016

Our three key goals for 2016 are to improve chemical management, fire safety and machine safety. We plan to formalize EHS guidelines, which will incorporate Key Performance Indicators for our supplier network in 2017. The guidelines will include a reporting process for all corporate employees to document work-related illnesses and injuries. We also plan to appoint a company health and safety officer in 2016.

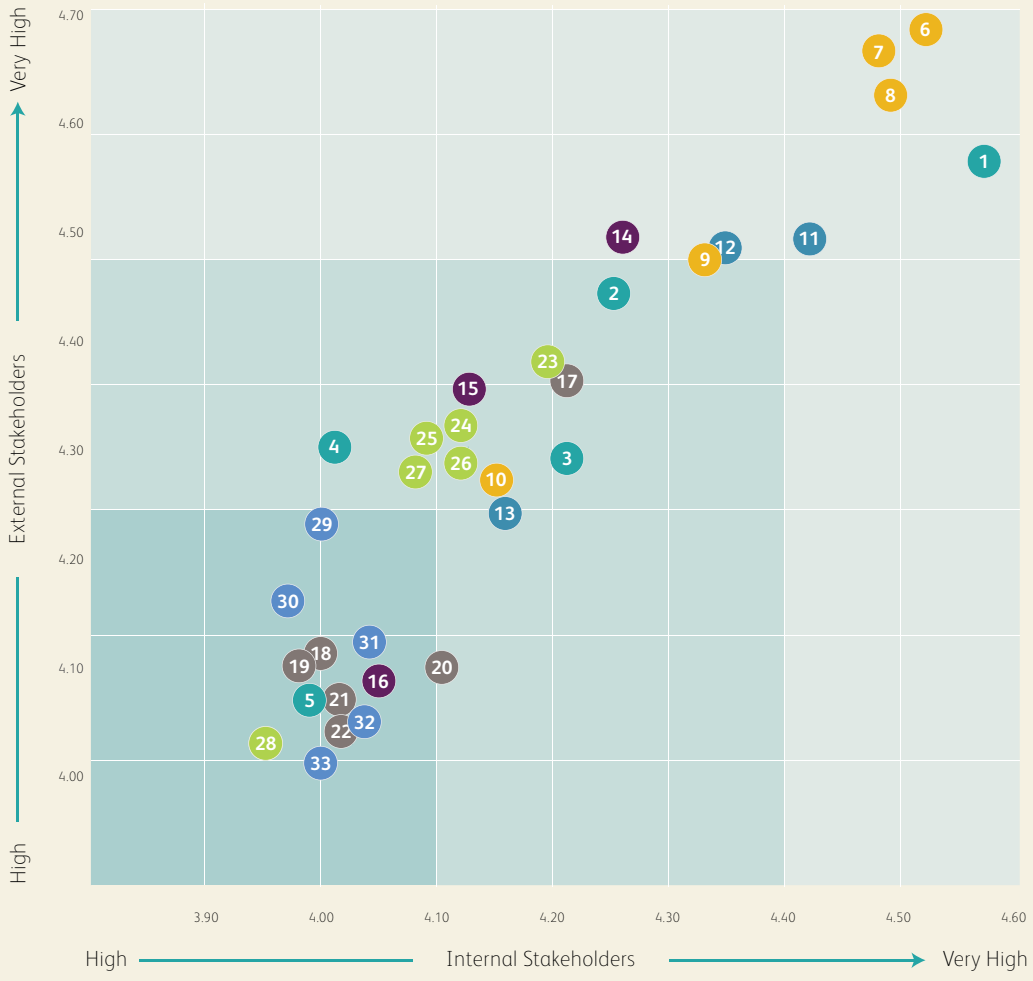
Sanno Lee / Sunny Zhu

Materiality and Stakeholder Engagement

We conducted a formal materiality study and stakeholder analysis in the first quarter of 2015 that engaged our stakeholder groups and elicited key material issues that were featured in our 2014 Sustainability Report. Full details of this study can be found in our 2014 Report.

In 2015 we reviewed the outcomes of this process and found that our stakeholder list and materiality matrix was still widely valid, but we performed a few minor adjustments to some focus areas, e.g. the inclusion of new stakeholder groups (as outlined on the following pages) and enhanced coverage on health and safety in our supply network. We will continue to review our material issues on an annual basis.

Materiality Matrix



Management and Governance

1. Business integrity and ethics
2. Transparency and accountability
3. Risk and reputation management
4. Economic impacts
5. Internal communication and knowledge transfer

Business Practices

6. Human rights protection/ prevention of child labor
7. Client privacy and intellectual property protection
8. Compliance
9. Non-discriminatory pay
10. Fair business practices

Industry Collaboration

11. Customer satisfaction
12. Product compliance
13. Accurate production planning

Product/Service Delivery

14. Time, cost, price competitiveness
15. Product innovation to solve social/environmental problems
16. Accurate product and service labeling

Environmental Management

17. Safe manufacturing
18. Waste reduction through inventory management
19. Alternative materials/chemicals
20. Supplier environmental performance
21. Sustainable packaging
22. Sustainable design

Suppliers

23. Health and safety for all PCH employees
24. Supplier audits/code of conduct compliance
25. Anti-corruption
26. Supply network traceability
27. Responsible procurement practices
28. Grievance mechanisms

Employees/Labor Practices

29. Fair wages and working hours
30. Training/career development opportunities
31. Diversity and equal opportunity
32. Recruitment and retention
33. Labor management relations

How We Communicate with Stakeholders

Stakeholder Group	Location	AGENCIES	AUDITS	CONFERENCES	EVENTS	FACE-TO-FACE	LITTLE BIRD	MICROBENEFITS	MEDIA	NEWSLETTER	POSTERS	RECRUITMENT FAIRS	SURVEYS	SUSTAINABILITY REPORT	THROUGH CLIENTS	TOWN HALLS	TRAINING	WEBSITE	WORD-OF-MOUTH
PCH Factory Employees	China				●	●	●	●		●		●			●	●			
PCH Corporate Employees (global)	Global				●				●	●		●	●		●	●			
PCH Office Employees in Factory	China				●				●	●			●		●	●			
Large Clients	Global			●	●	●		●					●			●			
Medium Clients	Global			●	●	●		●					●			●			
Small Clients (startups)	Global			●	●	●		●					●			●			
Pro-social Entrepreneurs	Global			●		●		●					●						
PCH Chosen Suppliers	China		●			●													
Investors and Board of Directors	Global					●							●						
Factory Owners	China		●													●			
Supplier Employees	China						●									●			
PCH Dispatch Agency Hires	China					●	●									●			
Social Enterprises (MicroBenefits)	China					●													
Non-governmental organizations	Global			●		●							●			●			
Prospective Customers	China			●		●		●					●			●			
Customer Chosen Suppliers	China		●			●													
Local Communities	China / U.S. / Ireland						●												

Stakeholder Group	Location	AGENCIES	AUDITS	CONFERENCES	EVENTS	FACE-TO-FACE	LITTLE BIRD	MICROBENEFITS	MEDIA	NEWSLETTER	POSTERS	RECRUITMENT FAIRS	SURVEYS	SUSTAINABILITY REPORT	THROUGH CLIENTS	TOWN HALLS	TRAINING	WEBSITE	WORD-OF-MOUTH
Media and Social Media	Global	●		●	●	●			●					●				●	
Prospective Workforce	Global	●		●	●	●			●			●		●				●	●
Factory Landlords	China					●													
Supplier Dispatch Workers	China						●												
Dispatch Agencies	China	●																	
Peer Companies	Global			●	●	●								●			●		
Academia	Global			●		●			●					●			●		
End-of-life Recycling Plants	Asia / U.S. / Europe					●													
Industrial Service Providers	China					●													
Direct Consumers	Asia / U.S. / Europe								●					●	●			●	
Other Consumers (End-product)	Asia / U.S. / Europe								●					●	●			●	
Trade Unions	China					●													
Industry Associations	Global			●	●				●					●			●		
Retail Stores	Global			●	●				●						●				
Logistics companies and freight forwarders	Global													●	●				
Agencies and consultants	Global			●	●				●										●
Design associations and design consultants	U.S.	●		●	●					●				●					

NEW IN 2015

Lauren Brookhart / Natalia Daniel

Sustainability Governance

- The PCH Sustainability Team is a shared resource across divisions. The Team provides support in the areas of Employee Health and Safety (EHS), including compliance, workforce engagement, resource efficiency and safe handling of chemicals and other materials. The Team participates in all stages: product development, supplier selection, supplier development, packaging and distribution.
- PCH is governed by a Board of Directors who delegate governance and responsibility for sustainability to the PCH Senior Leadership team.
- The 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. Details are reported to the CFO to ensure there is a viable business case for each project.
- Programs focus on supplier network development: EHS, worker engagement, social initiatives and industry partnerships.
- Sustainability reviews are conducted on product and packaging across PCH platforms in the U.S. and China, including new project proposals.
- The Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief Operating Officer and Senior Leadership Team review all programs.
- The PCH Audit Team conducts all China-based supplier qualification audits for labor, environmental and chemical management practices.
- PCH-owned factories have a Sustainability Committee with Labor, EHS and Ethics subcommittees.
- Individual offices champion CSR initiatives across the organization including volunteering, diversity, internships and charitable giving.
- Our suppliers are expected to adhere to our Supplier Code of Conduct. http://www.pchintl.com/sustainability/policies-and-code-of-conduct/supplier-code-conduct/

Lian Feng / Shao Lei / Zeng Lingjian

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2016 Goals

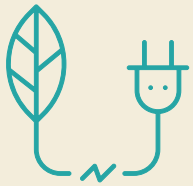
Looking Ahead

In 2016 we celebrate 20 years of business. We work in a dynamic industry that is witnessing shorter production cycles, increased sophistication of factories, greater demand for personalized products and non-tech industries such as fashion entering the hardware market. We will continue to expand our growth opportunities by focusing on high-end design engineering and specialized manufacturing and distribution for our diverse customer base.

As consumers ask more questions about the origins of products, PCH will continue to lead the industry in product transparency when designing the full customer experience. This is the future of 2016 and beyond.

2016 Goals

To date, we have set annual short-term goals as we build out our sustainability programs and fully understand priorities. As our business evolves, we plan to update long-term goals for sustainability across the company.

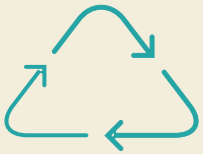


Set long-term, cross-company sustainability goals.

Reexamine our supplier selection strategy to ready our business for future customer needs.

Appoint a company Health and Safety officer in our operations in China in 2016.

Implement a global grievance mechanism as part of our Employee Guidelines to be rolled out in 2016/2017.



Offer a full product Life Cycle Analysis program to our customers.

Sustainability team members attend all project kickoff meetings to understand customer sustainability requirements and supplier development opportunities.

Formalize EHS guidelines for our supplier network in 2017.

Sanno Lee / Jims Zhang

About This Report

This is our fourth annual Sustainability Report and covers the year 2015 at PCH, a privately held company. Our 2012–2014 Reports can be accessed on our website at www.pchintl.com/sustainability.

The 2015 Report covers all PCH business units and entities but excludes TNS Connect (our distribution business headquartered in Dublin, Ireland) and Fab (e-commerce platform) which was acquired in 2015. 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 customers. Many suppliers and customers do not wish to be named to protect trade secrets and maintain a competitive advantage. We respect this and are working with our partners toward a transparent future.

Our Reporting Guidelines

Our sustainability reporting follows industry and sustainability standards, including the United Nations Global Compact (UNGC) Communication on Progress and the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. This Report was written "in accordance" with GRI G4 guidelines at the Core level.

In compiling this Report, we incorporated the principles for defining report content, namely: stakeholder inclusiveness, sustainability context, materiality and completeness. We strive to ensure the principles for defining report quality are also met, namely: balance, comparability, accuracy, timeliness, clarity and reliability. We have not sought independent assurance of this Report.

All data in this Report is based on the best possible methodologies currently available and is aligned with recognized standards. Greenhouse gas (GHG) emissions data is subject to inherent uncertainties because of incomplete scientific knowledge used to determine emission factors and measurements. Our GHG emissions accounting and reporting are aligned with the GHG Protocol, and the emission factors we use are from publicly available sources such as the International Energy Agency (IEA). The reported energy usage is based on invoiced utility data, data reported by transport providers and suppliers, and data from real-time electricity meters.

Monetary amounts are reported in U.S. dollars. Additional currency values are conversions based on the conversion rate on 31 December 2015, unless stated otherwise.

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.

Glossary of Terms

Chemical: Refers to substances and chemical compositions that are additives to manufacturing process such as adhesives, paint, ink, cleaning agents and thinners. Included are chemicals that form part of the final product as well as sacrificial chemicals (those that are not part of the final product).

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

CSR: Corporate Social Responsibility.

Customer: A customer of PCH or of our suppliers.

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

EHS: Employee Health and Safety, also referred to as Environment, Health and Safety in our industry.

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

Fab: An e-commerce company acquired by PCH in 2015.

Facility: A factory building; one factory business might have multiple facilities.

Factory: A manufacturing, logistics, fulfillment 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 in which our operations team is involved in the day-to-day workings of the factory for large-scale PCH projects.

LCA: Life Cycle Analysis. This is the assessment of all environmental factors of a product's life, from raw materials to end of use.

Leaver: Any worker who leaves their employment.

Local: Refers to the relevant locality which is being discussed.

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

OECD: Organization for Economic Cooperation and Development.

OEL: Occupational Exposure Limit is a regulation that sets maximum exposure levels of chemicals and other hazardous materials in workplace air.

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

PPE: Personal Protective Equipment such as 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 production demand.

PSSR: Pre-Startup Safety Review is a tool that incorporates safety measures in pre-production design and processes.

Raw material: any non-living matter, whether natural or man-made, which combine to make customer products such as plastic components, metals, leather and fabrics.

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

RSL: Restricted Substance List, which includes hazardous chemicals and raw materials and possible alternatives.

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 and Chief Financial 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, California, U.S.; and our corporate headquarters are in Cork, Ireland.

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

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

Vendor: 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 including our employees and our supervised workers.

GRI Index

PCH follows the GRI's G4 guidelines, an internationallyrecognized standardized framework for disclosing economic, environmental and social performance. The 2015 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	4
Organizational Profile	G4-3	Name of the Organization	Our Purpose About PCH	3 9
	G4-4	Primary brands, products, and services	What We Do	12
	G4-5	Location of the organization's headquarters	Where We Operate	17
	G4-6	Countries of significant operations specifically relevant to the sustainability topics covered in the Report	Where We Operate	17
	G4-7	Nature of ownership and legal form	Our Purpose About This Report	3 87
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Where We Operate Customers	17 36

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Organizational Profile	G4-9	Scale of the reporting organization	PCH in 2015	10
	G4-10	Workforce	About Our Workforce	42
	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. This is 100% of our factory workforce and 71% of our global workforce	42
	G4-12	Describe the organization's supply chain	Suppliers Our Supplier Network	30 32
	G4-13	Significant changes during the reporting period regarding size, structure, or ownership	Message from Liam Casey About This Report Acquisition of e-commerce company Fab in 2015 (sustainability data not integrated by year end) Closing of South Korea and Japan offices	4 87
	G4-14	Whether and how the precautionary approach is addressed by the organization	The precautionary approach has not been specifically addressed	
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	PCH is a signatory of the United Nations Global Compact https://www.unglobalcompact.org/	
	G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization participates	PCH is a signatory of the United Nations Global Compact https://www.unglobalcompact.org/	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Identified Material Aspects and Boundaries	G4-17	List 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	About This Report The 2015 Report covers all PCH business units but excludes TNS Connect (our distribution business headquartered in Dublin, Ireland) and Fab. (TNS and Fab were not fully integrated in our reporting process by year end.)	87
	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	Our Reporting Guidelines	88
	G4-19	List all the material Aspects identified in the process for defining Report content	Materiality and Stakeholder Engagement Materiality Matrix All material aspects identified are in the materiality matrix.	77 78
	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 and Stakeholder Engagement Materiality Matrix	77 78
	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 outside the organization	Materiality and Stakeholder Engagement Materiality Matrix	77 78
	G4-22	Restatements of information provided in previous Reports and the reasons	No restatements	
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	About This Report No significant changes have been made from previous reporting periods in the scope and aspect boundaries.	87

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Stakeholder Engagement	G4-24	Provide a list of stakeholder groups engaged by the organization	How We Communicate with Stakeholders	79
	G4-25	Basis for identification and selection of stakeholders with whom to engage	Materiality and Stakeholder Engagement	77
	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	How We Communicate with Stakeholders	79
	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	This is described in each section when discussing the material aspect.	
Report Profile	G4-28	Reporting period for information provided	Calendar year 2015 unless otherwise noted	
	G4-29	Date of most recent previous Report	November 2014	
	G4-30	Reporting cycle	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	Our Reporting Guidelines GRI Index Core	88 92
	G4-33	Policy and current practice with regard to seeking external assurance for the Report	Our Reporting Guidelines	88

	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 . Identify any committees responsible for decision-making on economic, environmental and social impacts	Sustainability Governance	81
	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	Sustainability Governance	81
	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	Sustainability Governance	81
	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	Sustainability Governance	81
	G4-52	Report the process for determining remuneration and involvement of independent remuneration consultants	All factory employees receive at least the local minimum wage as set by the Shenzhen government and are paid legal overtime rates. This is supplemented by statutory social insurance payments and ancillary benefits. Base salary for corporate employees is based on market value for the role in each particular location and includes consultation with remuneration consultants. All requisite local social insurance and tax payments are made by PCH.	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Ethics and Integrity	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Sustainability Progress Goals for 2016 Our PCH factories provide all employees with an employee manual, which guides the factory workforce on human rights and responsibilities, labor management procedures and safety procedures. Employee Guidelines under development and is planned for release to all PCH corporate staff in 2016/17. Once finalized, the guidelines will be communicated to all corporate employees in Chinese and English.	26 55
	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	PCH in 2015 Our Little Bird Journey Grievances Little Bird hotline is available to all factory staff.	10 47 52
	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	PCH in 2015 Our Little Bird Journey Grievances	10 47 52

Specific Standard Disclosures

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Category: Economic				
Material Aspect: Procurement Practices	G4-DMA			
	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	32
Non GRI Material Aspect: Procurement Practices	G4-DMA			
	PCH-1	Length of Supplier Relationships	Our Supplier Network	32
Non GRI Material Aspect: Production Ramp	G4-DMA			
	PCH-2	Dispatch workers as percentage of factory workforce	About Our Workforce Annual average = 8% Annual high = 18% in August 2015 Annual low = 0%	42
Category: Environmental				
Material Aspect: Materials and Chemicals	G4-DMA			
	PCH-3	Chemicals and materials management	Chemicals Management/Mapping Indicator to be developed. We have not chosen an indicator for this material issues at time of reporting. We are defining and building out our health and safety capabilities.	61

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Material Aspect: Energy	G4-DMA			
	G4-EN3	Energy Consumption Within The Organization	Environmental Impact Electricity use is for two factory facilities, one product development lab, Shenzhen operations office and San Francisco Innovation Hub (workshops and office). All other corporate offices are excluded. 2014 data refers to three factory facilities, one product development lab (opened in May 2014), Shenzhen operations office and San Francisco innovation Hub.	20
Material Aspect: Water	G4-DMA			
	G4-EN8	Total Water Withdrawal By Source	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.	20

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Material Aspect: Emissions	G4-DMA			
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental Impact All emissions are a conversion calculation of our energy use (gas and electricity) (EN3). All calculations for the years 2014 and 2015 reflect local conversion rates for 2014 namely: • China: 0.918kg CO_2/kWh (applicable to all facilities in Southern China), • U.S.: 0.69kg CO_2/kWh (electricity) and 0.005302 metric tons CO_2/therms (gas) At time of reporting, 2015 conversion rates were not published by national authorities. Emissions from purchased transport services are not available.	20
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Data from three supplier sites indicates annual electricity use of 12,017,230 kWh (11,032 metric tons CO_2). Data is received from remote energy sensors which were interrupted occasionally in 2015. One site had 8 months of data; the other two sites were in operation for 12 months.	23
Material Aspect: Effluents and Waste	G4-DMA			
	G4-EN23	Total weight of waste by type and disposal method	Environmental Impact Non-hazardous waste data is available for our U.S. operations only. All waste generated in our operations in China is owned by our customers and complies with the waste disposal rules of the Free Trade Zone (a Chinese government designated industrial zone). Hazardous waste data is available for our U.S. and Chinese operations only. All hazardous waste generated by our facilities is disposed of by a licensed operator in that jurisdiction.	20

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Material Aspect: Products and Services	G4-DMA			
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Sustainable Packaging Design Quantitative information is currently unavailable as environmental impact mitigation reviews are conducted on a case-by-case basis.	59
Material Aspect: Compliance	G4-DMA		The privacy and security of our customers' concepts, ideas and dreams are important to us. Our customers own the intellectual property (IP) of their products which we safeguard. We sign a mutual non-disclosure agreement with all customers and partners, and we have customer IP security plans in place at all of our factories. We have never had a complaint, breach or loss of customer data.	
	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	0/$0 We have never been fined or had any incidents of non-compliance with regulations or laws in the jurisdictions in which we operate.	
Material Aspect: Transport	G4-DMA			
	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	This is estimate data only and excludes data of some of our larger customers who consign all shipping methods.	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Material Aspect: Supplier Environmental, Labor And Human Rights Assessment	G4-DMA			
	G4-EN32, G4-LA14, G4-HR10	Percentage of new suppliers that were screened using environmental, labor and human rights criteria	Our Supplier Audits 50% (23 of 46)	33
	G4-EN33, G4-LA15, G4-HR11	Significant actual and potential negative environmental, labor and human rights impacts in the supply chain and actions taken	How We Manage Our Supplier Network Our Supplier Audits 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.	31 33
Material Aspect: Environmental Grievance Mechanisms	G4-DMA		No formal 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	The information is currently unavailable.	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Category: Social				
Sub-category: Labor Practices and Decent Work				
Material Aspect: Employment	G4-DMA		All of our workforce receive a written contract and benefits in line with local regulations.	
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Retention	50
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	All employees are full-time; no part-time employees at PCH in 2015.	
	G4-LA3	Return to work and retention rates after parental leave, by gender	Parental Leave	43
Material Aspect: Labor/ Management Relations	G4-DMA			
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	In the event of any change to our operations that would significantly affect our factory 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.	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Material Aspect: Occupational Health and Safety	G4-DMA			
	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	Worker Safety 12% of our factory workforce (9% of global workforce)	68
	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 gender	Employee Safety Training We do not report absentee rate. First aid injuries are not included.	70
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Worker Safety	68
Material Aspect: Training and Education	G4-DMA			
	G4-LA9	Average hours of training per year per employee by gender and by employee category	Developing and Engaging People Information on training by gender not available	45
Material Aspect: Diversity and Equal Opportunity	G4-DMA			
	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	42
Material Aspect: Equal Remuneration for Women and Men	G4-DMA			
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Not reported due to incomplete data	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Material Aspect: Labor And Human Rights Practices Grievance	G4-DMA			
	G4-LA16, G4-HR12	Number of grievances about labor and human rights practices filed, addressed and resolved through formal grievance mechanisms	Number of Grievances	53
Sub-category: Human Rights				
Material Aspect: Investment	G4-DMA		PCH does not include human rights criteria in investments or joint ventures.	
	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	PCH factory employees are trained on human rights policies. We do not have any formal human rights policies in place for our corporate staff, nor do we provide formalized training regarding human rights.	
Material Aspect: Child, Forced or Compulsory labor	G4-DMA			
	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	Audit Findings	34
Material Aspect: Security Practices	G4-DMA			
	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	All security personnel in our factories receive training in corporate social responsibility. In 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 oversees security staff at those locations.	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
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 on our supply network, but we can generally comment that the greatest risk of human rights abuse lies in the supplier network.	
Sub-category: Society				
Material Aspect: Anti-Corruption	G4-DMA		We have conducted preliminary risk assessments for corrupt practices and determined that the risk is low.	
	G4-SO3	Total number and percentage of operations assessed for risks related to corruption	Audited suppliers are not assessed for corruption as part of their audit.	
	G4-SO4	Communication and training on anti-corruption policies and procedures	We do not have any formal policies in place for PCH corporate staff like we do in our factories, nor do we provide formal training on anti-corruption, anti-competitive behavior, insider trading or conflict of interest.	
	G4-SO5	Confirmed incidents of corruption and actions taken	0	
	G4-SO6	Total value of political contributions by country and recipient/beneficiary	PCH made no political contributions during 2015.	

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Material Aspect: Supplier Assessment for Impacts on Society	G4-DMA		We have not conducted a formal assessment of our impacts on society, but we can generally comment that the greatest impact is in China where we have our largest operations.	
	G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	The PCH audit does not cover impacts on society.	
Sub-category: Product Responsibility				
Material Aspect: Product and Service Labeling	G4-DMA			
	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	For product labeling such as European Conformity (CE), U.S. Food and Drug Administration (FDA) or labeling approval for a particular market, our customers instruct us on their labeling requirements.	
	G4-PR5	Results of surveys measuring customer satisfaction	Customer Satisfaction	37
Material Aspect: Marketing Communications	G4-DMA			
	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.