Developing Partnerships
Delivering Peace of Mind

2016 Sustainability Report

pch

Welcome

Our business is guided by the principles of transparency and accountability. Operating sustainably is key to the peace of mind we provide our customers.

To deliver the best products in a sustainable way requires us to build strong and mutually beneficial relationships with suppliers and customers alike. Our future success depends on embedding sustainability into our business and demonstrating the benefits to these stakeholders.

And, because we are expert in developing, making and fulfilling sophisticated and innovative products with established brands, we can inform and influence our customers about where sustainability in the supply chain is possible.

Although we are not required to issue a report, we choose to do so and to share openly our sustainability findings. We are not perfect, but we seek to be the best in our industry and to lead where we can.

This report discusses sustainability activities in 2016. In addition to informing our stakeholders about our practices, this report helps us measure against the sustainability goals we set, anticipate risks in our business and guide the strategic direction of the company.

PCH is a privately held global company with headquarters in Cork, Ireland, and with two Innovation Hubs – one in San Francisco and the other in Shenzhen, China.

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Message from Liam Casey

Chief Executive Officer

Just as the tech industry changes, so did PCH in 2016. We made a number of organizational changes to diversify our customer base and business portfolio and to support profitable growth in the hardware space. We consolidated our facilities in Shenzhen, China into a single campus in the Futian Free Trade Zone. This streamlined, modern facility now houses our full platform of services in one building. We also merged our engineering teams in Shenzhen and San Francisco to strengthen collaboration and create greater synergies in our organization.

The result is a stronger, more efficient and more sustainable company poised for growth. We now serve a diverse set of new customers who partner with us because of our extensive experience delivering sophisticated products and the custom supply networks to support them. In 2016, we increased our work with global brands and medium-sized and startup companies in the health, beauty and fashion industries. Our customers depend on us to help them innovate, get their products to market faster and deliver a unique and delightful out-of-box experience. PCH is better positioned than ever to deliver these services to companies that are passionate about design, brand and the consumer experience.

As we look back at 2016, it was the right time to diversify and reduce the size and change the composition of our organization. It was a hard decision to make because our people are our greatest asset. We strove to make these changes as compassionately as possible for employees. The biggest impact was on our factory colleagues in China. All affected employees were offered a redundancy package that was above industry norms along with support to transition to new employment. The reduction in our workforce was largely completed in 2016. Customer testimonials reveal a more focused and responsive organization today.

"Our customers depend on us to help them innovate, get their products to market faster and deliver a unique and delightful out-of-box experience. PCH is better positioned than ever to deliver these services."

Our commitment to sustainability is stronger than ever, and we aspire to be an industry leader. For over 20 years, PCH has worked with leading global consumer brands and innovative startups to help bring sophisticated and design-led products to market. Our services range from product engineering and development to manufacturing and fulfillment, to custom supply chain services. We work with innovators who come from a variety of tech and non-tech sectors, including automotive, beauty, consumer electronics, entertainment, fashion, IoT, medical/health and transportation.

PCH has a unique business model in which we operate parts of the supply chain where we can be highly differentiated and provide value-added services. For example, we source and manage some elements of the supply chain for customers, while operating our own engineering, development, pack out, fulfillment and delivery services. In this Report, we talk about both our own operations and those of our suppliers and our sustainability approach to and impact on each.

Partnerships with customers and suppliers are key to our sustainability program. Since the beginning of our reporting journey, we have seen that making an impact on factories we do not own, but which we do business with, requires trust and perseverance. By forming long-term partnerships with customers and suppliers, we have the greatest influence on these relationships and sustainability outcomes.

And, because we work with many companies at the early concept and design engineering phases, where sustainability issues are largely determined, we are in a position to influence our customers and the supply chain. We take this responsibility seriously and regularly review our operations so that we can continue to improve as well as advise customers and suppliers on how to operate more sustainably.

Sustainability is a deeply held commitment at PCH and part of the peace of mind we offer our partners. It is integral to our everyday culture at all levels of the organization. Sustainability is key to our business success, differentiation in the market, and simply – the right thing to do. We will continue to measure our sustainability practices, be transparent and, where we see opportunity, to lead the industry.

Thank you for your interest in our Report.

Liam Casey
Chief Executive Officer

2016 Trends Across our Business

> Growing pressure on CEOs and global brands to innovate their product portfolio, to gain access to customer data, to achieve a direct relationship with customers and to gain customer loyalty

> Disruption of traditional supply chain models caused by rapidly evolving technology

> Growing importance of partnerships to achieve competitive edge

> Real-time data driving supply chain efficiency, transparency, and reduced inventory

> Growth of non-tech companies, such as beauty and fashion brands, entering the hardware market

> Increased requirement for high mix/low volume manufacturing solutions in the consumer hardware industry

> Increased product customization and personalization; "orders of one"

> Shorter production cycles

> Focus on sustainable manufacturing to reduce cost and optimize efficiency

> Increased sophistication of factories in China

> Factory labor shortage and high turnover in Southern China

> Growth of the Chinese middle-class domestic market

> Increased local and national environmental protection in China, including factory emission reduction

> Increased availability of U.S.-based, bespoke manufacturing solutions tailored to the modern hardware industry

Celine Zhai / Bella Huang / Ray Tan

Sustainability Vision and Strategy

PCH is committed to sustainability. Our highest priority is looking after the people who work both directly and indirectly for PCH. We place the utmost priority on their health, safety and wellbeing. Most of our greatest challenges occur in China, where our supplier partner factories have the greatest environmental social impact.

Our Sustainability Vision

We imagine a better, more sustainable future. PCH is working to make this future a reality.

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 full product life cycle. And, we imagine a future where sustainability goals foster enduring relationships with suppliers and deliver peace of mind.

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 employee safety and development, supplier qualification and development, and chemical and materials management.

Sustainability at PCH

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

Health and safety

PCH
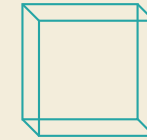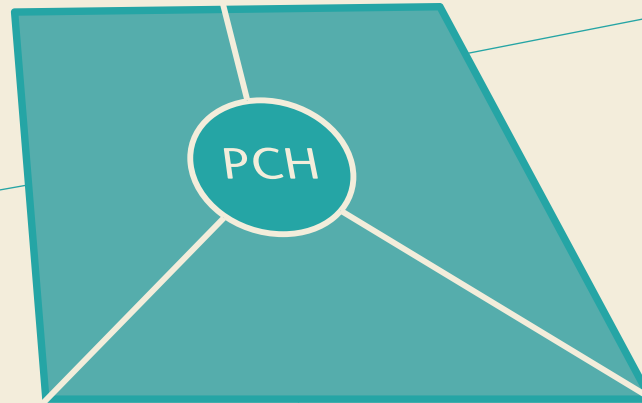
Products

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
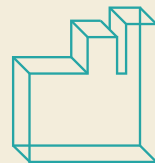
Supply Network

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

Global workforce (at Dec. 31)

604

Percentage of workforce in China

71%

Engineers globally

142

2016 changes

Merged San Francisco and Shenzhen engineering teams into PCH Lime Lab

Consolidated facilities in China into one main campus in the Futian Free Trade Zone

Size of operations

414,759 sq ft

Factories in our network

1,000+

Total Highway1 companies as of 2016

74
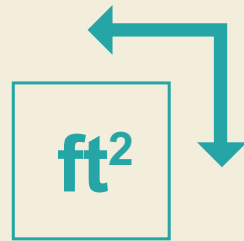
Suppliers* transacted with globally

134

* Excludes PCH Lime Lab U.S. suppliers.

Supplier and PCH workers with access to feedback hotline

2,000+

Units shipped

11.69M

What we do

Pack out,
Fulfillment
and Inventory
Management

Real-time
End-to-end
Traceability
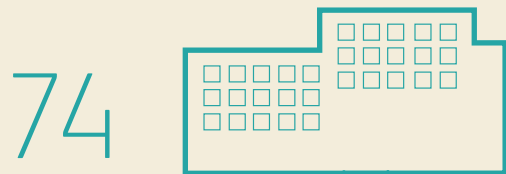
Our Diverse
Customer Base

XiaoZhong Chen / Lynn Zeng

About PCH

We have unparalleled experience in product design engineering and development, supplier network management, manufacturing, fulfillment and distribution. We have a network of over 1,000 suppliers and experience assembling and fulfilling products for sectors such as consumer electronics, consumer health, medical, fashion, beauty, transportation and more.

Our company goals are to:

> Remain an innovator and technology leader

> Partner with customers to add value at each step, provide superior customer service and deliver peace of mind

> Retain our passion for results and our can-do attitude

> Maintain a special, progressive, and rewarding place to work

> Increase diversity within our employee base

> Operate profitably and sustainably

What we do

PCH designs custom product solutions for companies that are passionate about design, brand and the consumer experience. We bring world-class products to global markets and reduce risk for our clients, and we always keep quality, sustainability, cost and time-to market at the forefront of our solutions.

Our customers often come to us early, during the product exploration, concept or industrial design phase, where we explore opportunities before starting design engineering and development. This improves the product offering, lowers risks and accelerates time to market.

PCH works at all phases of the product journey. We offer a customized platform that takes products from concept to consumer experience. Whether our customers want a full solution or discrete services such as design engineering and development, manufacturing, pack out, fulfillment and distribution, PCH tailors our solution to meet our customers' needs.

"Our supplier network of factories in China provides one of the biggest opportunities we have to implement sustainability programs. Although we don't own these factories, we know this is where we can have the greatest impact."

– Alan Cuddihy, PCH head of sustainability

The PCH Platform

Concept

Develop

Manufacture

Pack Out, Fulfillment

Design engineering

New product introduction

| Define | Explore | Architect | Design for Mfg. | Supply network design | Tool | Procure | Make | Pack out | Inventory mgmt. | Fulfillment | Ship | Distribute |

Sustainability
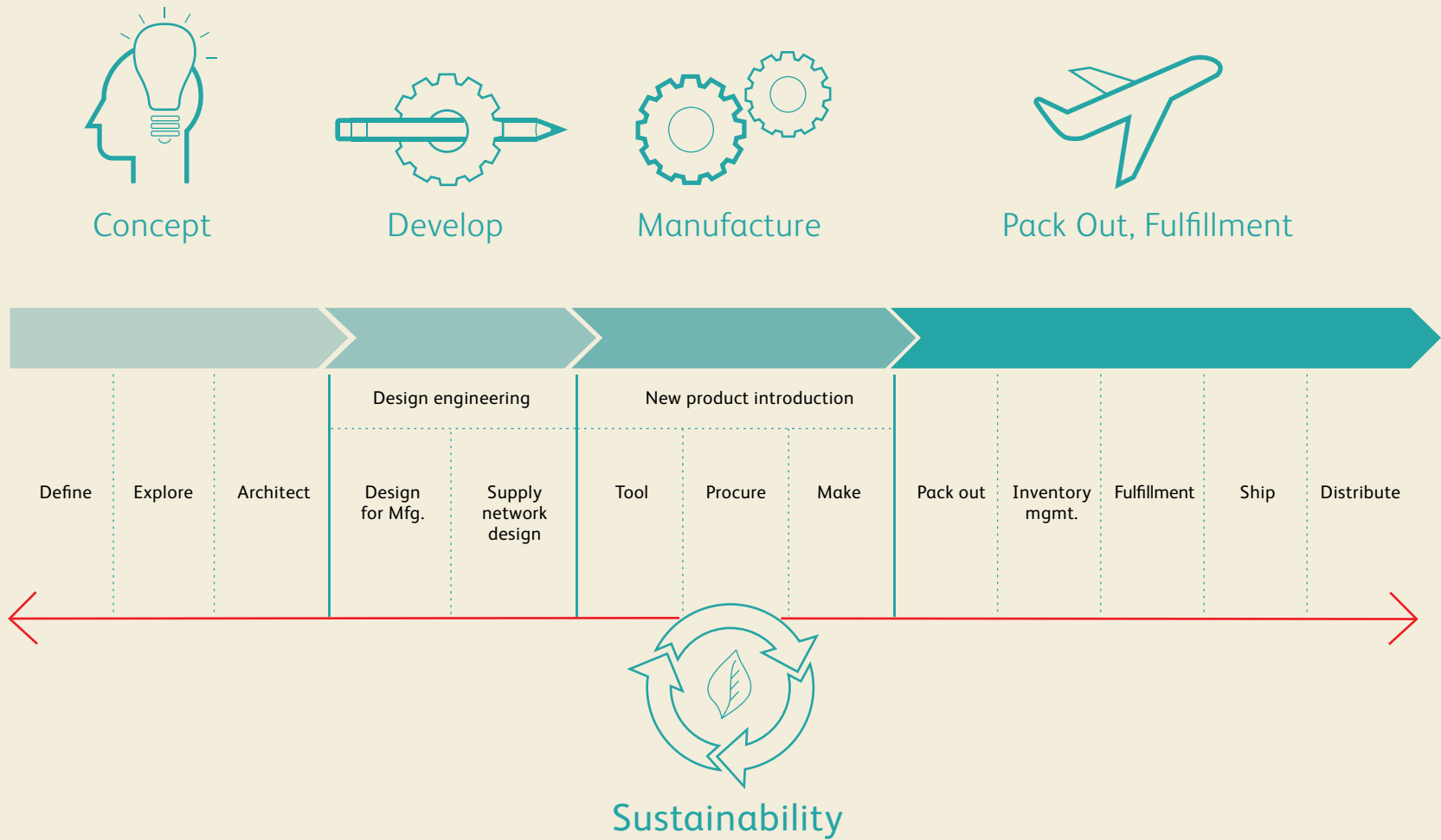
The PCH Platform: Taking Products from Concept to Consumer

Concept

PCH works with companies as early as the product concept phase to help them deliver the best consumer out-of-box experience. During this initial phase, we conduct feasibility assessments to identify and mitigate risks that can reduce functionality, cause product delays or add unnecessary costs. Our goal is to architect elegant and simple solutions and make products based on the desired product design, feature set and use case. Our design engineering teams in the PCH Lime Lab division are located in San Francisco and Shenzhen, China. These teams include 142 mechanical, systems architecture (electrical, firmware and software), manufacturing integration and packaging engineers, as well as system integrators and program managers, among other experts.
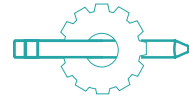
Develop

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 chain before moving into the manufacturing phase, which includes tooling and sourcing of components, parts and sub-assemblies. Expertise includes: systems architecture, mechanical engineering, program management, manufacturing, integration, packaging engineering and prototyping.

"PCH excels in design engineering, making products and supporting customers who have unique product development requirements that require speed to market, personalization and specialized supply chains. This is where our 20 years of experience and commitment to sustainability differentiates us."

– Andre Yousefi, PCH Lime Lab co-founder

Define	Explore	Architect

Design engineering

Design for Manufacturing	Supply network design
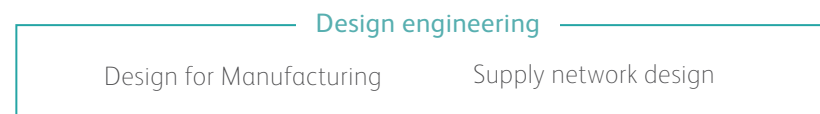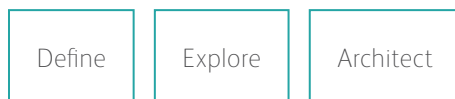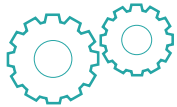
Manufacture

After testing and validating the product design, we are then ready for tooling, production ramp and scale. We refine the production process to optimize manufacturing for production volume, scalability and ultimately cost improvement considerations. Capabilities include: tooling, procurement, process automation, mass production ramp, mass production sustaining sourcing[1] and supplier network management. Integrating sustainable practices into design engineering, manufacturing and supply network management is one of the key values that distinguishes PCH from other companies. We partner with tried and trusted suppliers. 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.
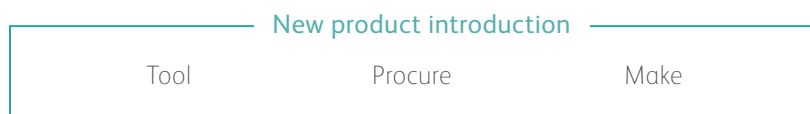
"Our customers are innovating, and PCH must often identify new development and manufacturing solutions. Our product development and deep experience making products in China distinguishes PCH."

– Carlos Martin, PCH director of manufacturing integration

New product introduction		
Tool	Procure	Make

Pack out, Fulfillment

PCH operates facilities for pack out and fulfillment. These are the final production phases before products are shipped. Our postponement model allows our customers to design built-to-order experiences 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 real-time data, including the type and number of units selling and where, we begin to understand the consumer buying pattern. Utilizing this information allows us to reduce risks of excess inventory and product obsolescence.

Today, both businesses and consumers demand affordable and quick shipping. With automation and efficient fulfillment, PCH delivers new products direct to consumers within three days. This allows our customers to enter new markets effectively and gain market share quickly. Our capabilities include: packaging, personalization, customization, pack out, inventory management, fulfillment, logistics management, shipping and distribution.

Pack out	Inventory mgmt.	Fulfillment	Ship	Distribute

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1. Sourcing activities during mass production to identify alternative supplier for critical components, reduce risk of material shortage, lower costs or replace low performance suppliers.

Highway1 2013-2016

Type of product

- 20.3 % Health
- 27.0 % Smart home
- 29.7 % Wearable
- 4.1 % Robotics
- 4.1 % Agriculture
- 14.8 % Other

Home country

- 81.10 % U.S.
- 4.05 % Ireland
- 2.70 % England
- 1.35 % Netherlands
- 1.35 % Russia
- 1.35 % South Africa
- 1.35 % India
- 1.35 % Portugal
- 1.35 % Australia
- 1.35 % Canada
- 1.35 % Mexico
- 1.35 % Sweden
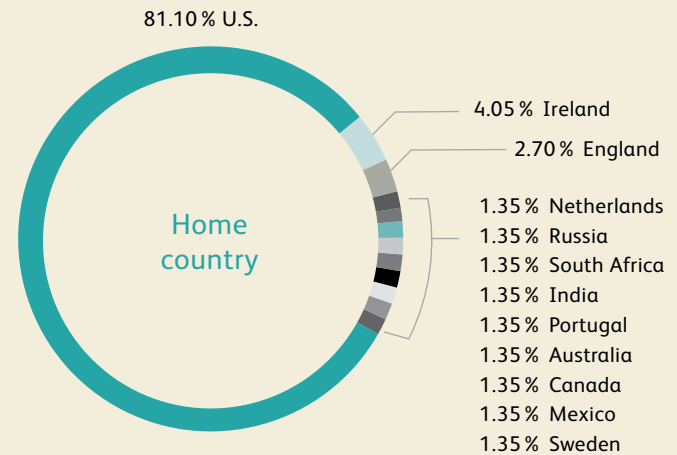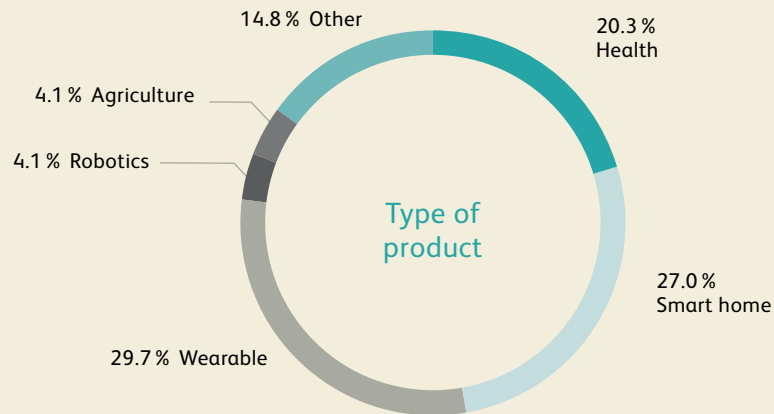
Startups solving social or environmental problems

34 %
total between 2013-2016

31.3 %
in 2016

Number of companies
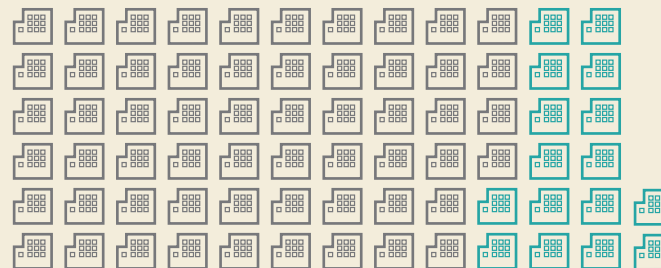
74
Total between 2013-2016

16
in 2016

28
Female founders 2013-2016

Investment raised

$115M
Total between 2013-2016

Giving Startups a Boost: Highway1

A division of PCH, Highway1 was established in 2013 and is widely viewed as one of the premier hardware accelerators in the world. Highway1 encourages startups to test rigorously their products with customers, validate their market assumptions, and work with world class industrial designers. Increasingly, many of the companies selected for the Highway1 program have already raised initial venture funds and have shipped products. These companies are best able to take advantage of PCH's product development, manufacturing and global supply chain network.

Spotlight on PCH Lime Lab in San Francisco and Shenzhen

PCH Lime Lab is the design engineering division of PCH that works with innovative global brands, medium-sized companies, startups and industrial design firms to define, design engineer and realize compelling products. The division teams, located in both San Francisco and Shenzhen, are composed of mechanical, electrical, software, manufacturing, integration, product management and test engineers who work side-by-side with our customers.

Because PCH Lime Lab works at the concept phase of product, PCH is able to identify sustainability opportunities and risks early. This is a critical time in product development, when sustainability issues are best understood, optimized or resolved with the least impact to the product development schedule.

Define, Explore and Architect (Concept)

At this stage we explore high-risk product features and develop prototypes to demonstrate the product performance and associated cost drivers. This exploration results in a clear understanding of what it takes to develop a fully integrated product that meets our customers' design and user experience criteria. Here, we also discuss sustainability opportunities. Changes can be made most cost effectively at this stage of product development.

Design Engineer (Develop)

At this stage, we build numerous consecutive prototypes, or "builds," to evaluate solutions in the lab and with real users. The goal is to collect accurate data to drive the best decision-making. We design each component for production, including a detailed product requirement definition (PRD) that combines all the product features.

**New Product Introduction (Manufacture)**

Capital investment is required at this stage, but the risks are low because of the rigor PCH Lime Lab provides in previous steps. The final assembly process is refined over successive builds to optimize for quality, yield and cost in the final saleable product. Minor design tweaks are made as reliability testing and failure analyses reveal opportunities for improvement.

PCH Lime Lab Partners with Nebia

Nebia was started on the premise of creating great products that fundamentally change the way people think about their relationship to water in their home. PCH worked with the Nebia team to help bring the revolutionary shower system to market. Nebia and PCH share a passion for creating better consumer experiences as well as a core belief in water conservation.

Nebia's founder became conscious of water waste and worked to develop an innovative water-saving shower system. After raising more than $3 million in less than one month on Kickstarter, Nebia committed to an aggressive launch schedule. PCH Lime Lab was engaged because of our design engineering expertise, including mechanism design[2], fluid seal design[3], design for reliability, Design for Manufacturing (DFM) and Design for Assembly (DFA), and our deep appreciation for premium design elements.

Throughout the design engineering process, PCH worked with both U.S. component suppliers and PCH Lime Lab's Shenzhen-based manufacturing and tooling engineers to reduce risk in the manufacturing of the most complex assemblies and components. This early design feedback loop saved a significant amount of time in the overall schedule and helped make this a successful product launch.
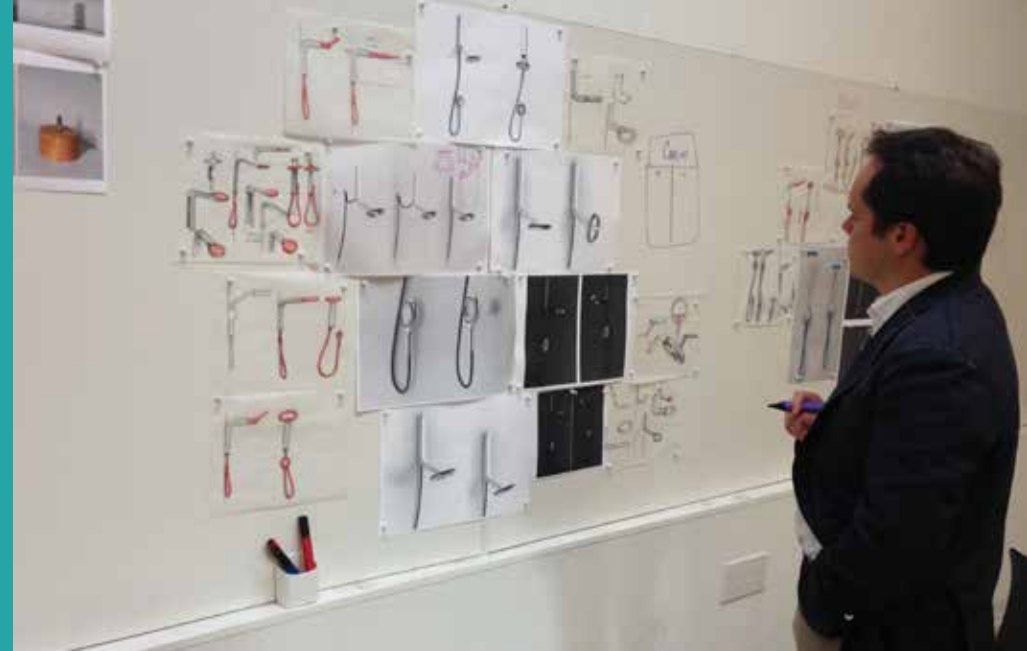
"A better shower experience that saves you thousands of gallons of water a year."

– Nebia

2. Mechanism design includes kinematic study work (the motion of parts in space), sensitivity analysis to parts and assembly variations, input/output stroke and force analyses, friction management and noise management.

3. Designing reliable fluid seals requires special considerations such as tolerance analyses, surface finish inspection requirements and extensive reliability testing over multiple component lots under various ambient conditions.
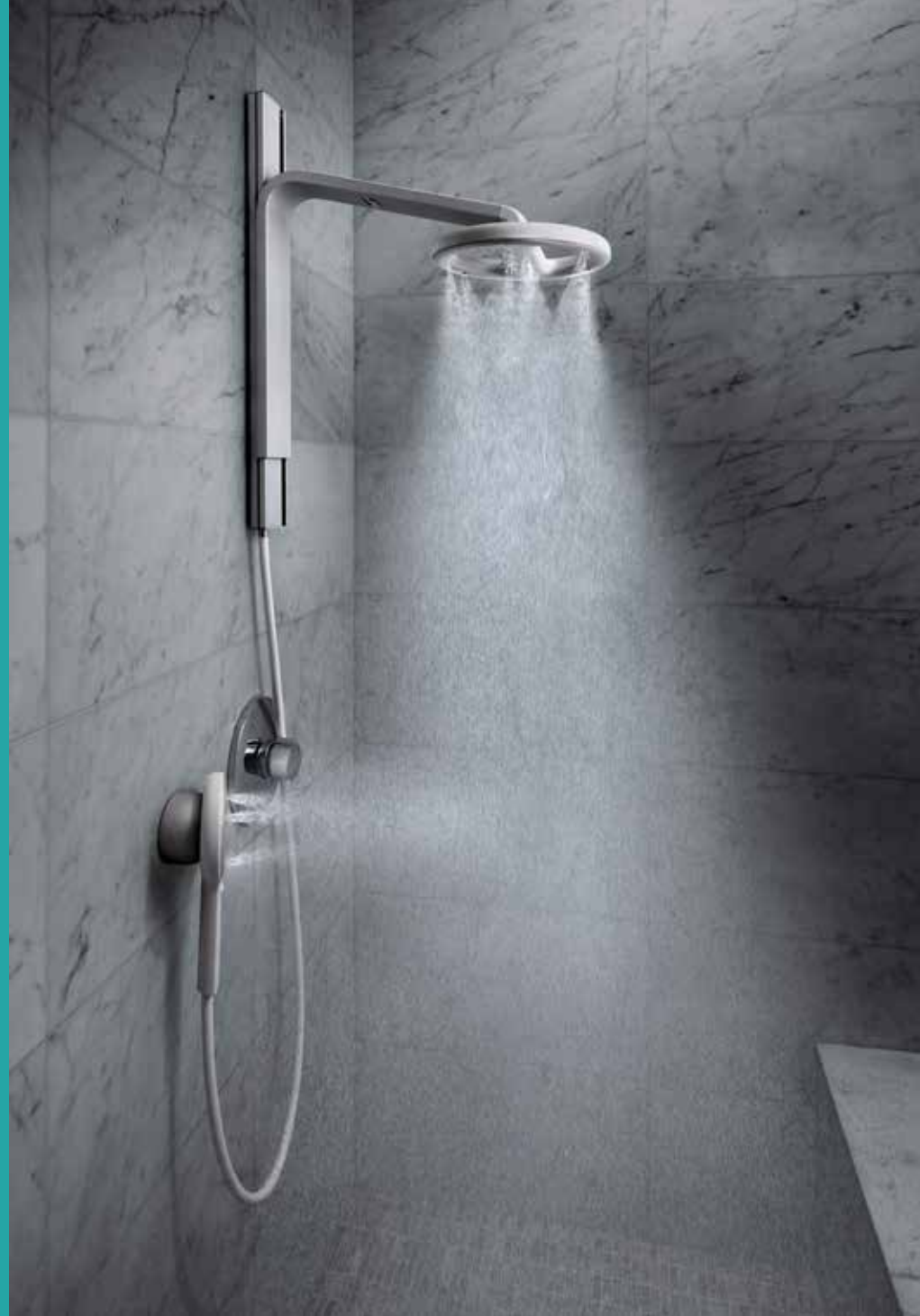
Pack out, Fulfillment and Inventory Management

We work with customers all along the product journey to deliver products in the most efficient way possible to minimize waste and costs. Cost savings and environmental impact can be greatly reduced by considering a variety of factors. For example, efficient product packaging, the packing of pallets, the storage and transportation of goods, and long-haul and within-market shipping decisions all have cost and waste implications.

PCH's network of suppliers and our own facilities in Shenzhen allow us to make products on demand, which increases efficiency and uses fewer resources by eliminating unnecessary production and potential waste. Our global fulfillment center enables us to move products to where they are selling, fast and efficiently, rather than sitting in regional distribution centers waiting to be sold.

PCH strives to ensure a great customer experience at every point in the product journey – on the shelf, off the shelf and out of the box. Our end-to-end expertise extends to one-stop pack out, customization and full inventory management. We collaborate with our customers to create the most seamless out-of-box experience for each product.

"A company's financial health and environmental impact is tied to how inventory is managed. The more days of inventory in the channel, the more potential risk for overproduction and waste. By designing an efficient supply chain, providing real-time data, producing products on demand and shipping direct to consumers or retail, we help our customers reduce these risks and optimize their business."

– Liam Casey, PCH chief executive officer

PCH's professional pack out services, located at our recently modernized, FDA-certified facility in the Futian Free Trade Zone in Shenzhen, has contributed to the success of numerous startups and Fortune 500 companies. 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, optimizing efficiency throughout the production process, reducing supplier costs and removing complexity in forecasting and planning.

We operate several production line setups at our pack out facility to achieve optimum efficiency and to account for fluctuating demand. This configuration supports high volume efficiency and high mix, low volume flexibility. Customized, automated technologies such as auto-labeling machines, H-shape sealing machines and auto-scaling machines deliver further efficiencies, while a comprehensive serial number control process simplifies inventory management.

We operate a rigorous five-stage quality control system during pack out, from vendor incoming batch to outgoing shipment, supported by our Shop Floor Control intelligent tracking system. This process includes:

1. Incoming article inspection

2. In-process quality control

3. First article inspection

4. Final inspection

5. Out-of-box audits

Direct ship status	B2C	B2B	Total	B2C % Split
2007	294,755	2,852,098	3,142,247	9%
2008	317,658	4,665,575	4,986,504	6%
2009	227,476	7,012,355	7,239,831	3%
2010	1,345,996	9,867,627	11,213,611	12%
2011	2,532,135	14,941,499	17,473,634	14%
2012	1,754,425	11,831,169	13,585,594	13%
2013	1,711,330	30,695,273	32,406,603	5%
2014	3,446,061	38,698,539	42,144,600	8%
2015	1,793,360	20,850,406	22,643,766	8%
2016	1,052,739	12,034,507	13,087,246	8%

Yearly Shipping Units and B2C%
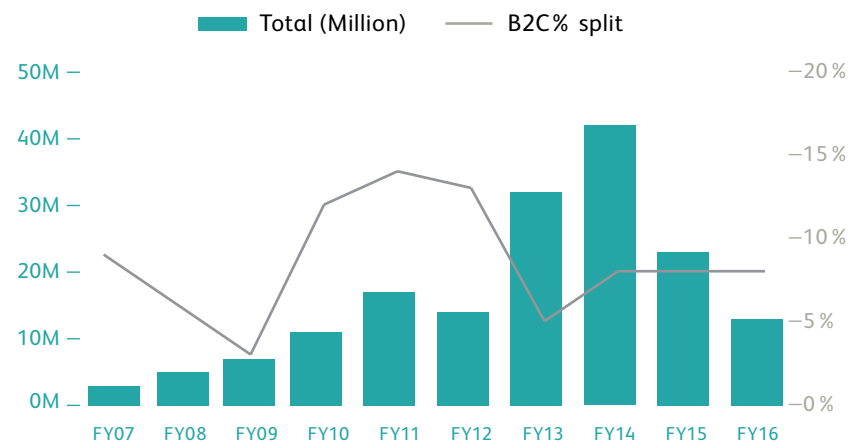
Add-on services provided by PCH include:

> **Packaging development, design-for-fulfillment and reliability testing (material selection, structural design, life cycle analysis and palletization):** PCH develops product packaging to ensure lowest cost, maximum efficiency and minimum environmental impact. Our rigorous reliability testing ensures packaging serves its key purpose to protect the product inside it.

> **Software loading, firmware refreshing and device pairing:** Software/firmware device loading delivers improved supply chain efficiencies and limits Internet Protocol exposure. Device pairing from different OEM/ODMs consolidates customer shipments. Last-minute regionalization of products and other postponement services can streamline the overall supply chain and reduce the need for larger inventory.

> **Hardware function testing:** Hardware tests allow for final product functionality tests across a range of simulated use cases. PCH ensures all final product specifications are met.

> **Customer services:**

> > **Laser etching:** Etching messages and images (which can be personalized to individual requests) on hardware or soft goods.

> > **Dye-sublimation:** Allows for high-quality image transfer using PCH's proprietary dye-sublimation process (with water-based inks) to ensure high-image fidelity and maximum product reliability.

> > **Device/package printing:** Ultraviolet (UV) cured printing on devices or accessories for high-quality personalized image finishes with excellent reliability properties.

> **Vendor-managed inventory (VMI) service:** PCH ensures that our customers maintain inventory based on delivery to MPS (Mass Production Schedule), optimizing inventory and leading to easy access and fast turnaround on orders while reducing labor and transportation costs.

Dangerous Goods Regulations

At times, our teams can be required to handle "dangerous goods" as determined by the International Air Transport Association (IATA). These include lithium ion or lithium polymer cells and batteries, for example. To ship such goods, consignors are required to prepare a form certifying that the cargo has been packed, labeled and declared according to the IATA.

PCH strictly adheres to these regulations and we have robust processes in place to ensure appropriate handling of these items during production. We hold IATA Dangerous Goods Certification and have a dedicated team responsible for dangerous goods who receive regular training. In 2016, three PCH colleagues carried out 40 hours of dangerous goods handling training.

PCH is a certified AEO (Authorized Economic Operator) company and has been approved as compliant with WCO (World Customs Organization) or equivalent supply chain security standards.

He MeiYing / Shen XiuLan

Real-time End-to-end Traceability

includes information on delivery orders, purchased orders, inventory management, production schedules, finance, demand forecast, report generation and product catalogue. Our developers and engineers work with customers to provide:

> System integration with customer processes

> System integration with customer partners

> Development of application tools

> Product line IT setup according to customer requirements

> Online system support to daily production

Ultimately, these systems enable us to ensure that our customers always have the right product in the right place at the right time.

PCH's in-house software team has developed proprietary system tools to help our customers better manage their daily business with real-time data. Our comprehensive IT tools enable complete supply network visibility to our customers, allowing real-time traceability of order and shipping status. As soon as a customer or consumer places an order, the details are printed on packaging labels in Shenzhen. PCH has operation integration with over 10 carriers and orders reach 90 percent of consumers globally within three days.

Through our PCH-owned software suite, PCH Flo, our clients have access anytime/anywhere to real-time end-to-end traceability for every product that PCH touches. Flo's second-by-second data

Where we Ship

Units shipped
11.69M+

90% of customers utilize air freight

100 %		
80 %		
60 %		
40 %		
20 %		
0 %		

48% North America
44% Asia
6% Europe
2% Other

Customers by region

Chen YaoFeng / Niu Teng Fei / Peng YuHui

Our Diverse Customer Base

Our customers choose PCH because of our extensive experience working with design-led, sophisticated products and the supply networks that support them.

Our customer base ranges from startups to global brands in industries and sectors such as consumer electronics and Internet of Things (IoT), home, medical, health and wellness, beauty, fashion, entertainment and transportation.

Our customers include seasoned technology companies as well as newcomers to the tech scene. As such, their understanding, expectations and values around sustainability vary. In the case of large brands, most of whom have sustainability programs, we partner to implement their code of conduct across the supplier network. When a company is new to manufacturing or hardware, we advise them on best practices and help them define minimum requirements, as well as where they can go beyond standard requirements.

"In 2016, we conducted specific client satisfaction queries. We were pleased to see an increase in customer satisfaction in our Quarterly Business Review scorecards, with our customers noting more focused attention from our very experienced teams."

– Fiona Lowbridge, PCH head of global account management

Encouraging sustainable products and manufacturing is dependent on ensuring our customers are enthusiastic and engaged. We realize that many of our customers are not aware of the available sustainable solutions, so we view this as an opportunity to help educate and make recommendations. We began in 2015 to include sustainability indicators in our new business proposals, and these efforts have been well received. Indicators include Life Cycle Analysis (LCA) for design engineering, manufacturing and packaging as well as other product solutions. We arm our customers with information about the impact of their product so that they can make the best decisions for their stakeholders and their brand.

Most of our customers believe sustainability is an essential part of their brand proposition, and many see that they can achieve significant cost savings and efficiencies through sustainability as well.

Customer Satisfaction

Keeping our customers satisfied is central to our success, and we continually look for quality and service improvement mechanisms to offer throughout our supply network. This includes both PCH facilities, where we have more control, and supplier facilities, where we can influence sustainability, especially when we have customer support. We did not conduct a formal customer satisfaction survey in 2016 but plan to do so in 2018.

Anne Swanberg

Where we
Operate

PCH Enhanced
Operations in
China

Reducing our
Environmental
Impact

Operations

PCH in 2016 became a stronger, more efficient and more sustainable company. We consolidated our Shenzhen facilities into a single campus in China's Futian Free Trade Zone. This change provided numerous benefits to our Company, customers, workers, supply base and the environment.

Our improved operations enable greater collaboration and communications. Our employees now enjoy a modernized workplace that includes a new cafeteria, library and relaxation areas. In addition to greater cost efficiencies for our customers and our Company, PCH in China has also reduced energy use, emissions and our overall environmental footprint.

Where we Operate

○ Office location
○ Operations

HQ

Cork, Ireland
Global Headquarters

New York
Fab.com office

Shenzhen, China
PCH Operational Headquarters, PCH Innovation Hub

San Francisco
PCH Innovation Hub, Highway1

Cape Town, South Africa
Office

Pune, India
Fab.com development

Hong Kong
Office

Who we work with

33 %
Global brands

67 %
Small- to medium-sized companies (including startups and design studios)

Sectors

Wearables
Fashion
Medical/Health
Entertainment

Consumer electronics

Automotive   IoT
Food
Agriculture
Beauty

Markets served (by shipments delivered)

6 %
Europe

48 %
North America

2 %
Other

44 %
Asia
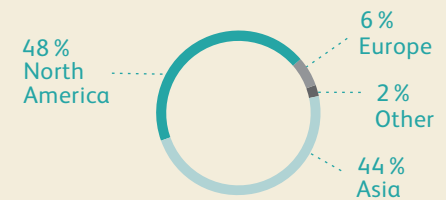
Wu Guidong / Lynn Zeng / Eric Diao

PCH Enhanced Operations in China

Over the past 20 years in China, PCH expanded into new facilities organically, ultimately occupying five buildings. Today the products we make are more vertically integrated, and so in 2016 we consolidated and streamlined operations to better align with our customer needs. We source, pack out and ship FDA-approved medical devices, IOT hardware, consumer electronics, soft goods and accessories.

After much planning and evaluation, we moved our facilities to the Futian Free Trade Zone in Shenzhen where we now occupy one building with over 290,600 square feet devoted to pack out and fulfillment and six container bays. We are able to run two shifts, six days a week. The move to the Futian Free Trade Zone was a strategic one that allows our customers favorable China labor rates for pack-out, without paying any duty to export finished goods to the global market.

In our new PCH Innovation Hub in China we deliver our full product platform, including design engineering, product development, manufacturing, packaging, fulfillment and distribution. We also have our R&D facility and corporate offices in this location, and we have set up a new employee library, relaxation areas and a canteen.

This consolidation allowed us to reduce our square footage and energy usage, while enhancing our pack out and B2B and B2C fulfillment capacity. We can pack out 200,000 units per day and ship both B2B (parcel and bulk shipments) and B2C orders direct from China. This helps reduce our customers' global inventory footprint, increases inventory efficiency and reduces waste.

The move also encouraged and promoted greater employee cross-functional collaboration, communications and alignment. Our customers report a greater sense of focus and clarity in our service offerings.

Our customers choose to work with PCH to benefit from the following business opportunities:

> Near Real-time Replenishment (RTR)
> Rapid demand response
> Shorter cash cycle
> Increased inventory turns
> Decreased inventory exposure
> Decreased inventory write-down risk

Chen Lan

Reducing our Environmental Impact

Leaner and More Efficient

An important result of consolidating our facilities in China was a dramatic reduction in energy and water use and a corresponding decrease in Greenhouse Gas (GHG) emissions. Moving from a total of 889,724 square feet in five buildings to 350,182 square feet in one building significantly cut our costs and use of resources.

Electricity use in our facilities in China in 2016 was 847,302 kWh compared to 5,387,415 kWh in 2015, a decrease of more than 84 percent. Water use went from 41,005 tons in 2015 to 11,608 tons in 2016, a decrease of almost 72 percent.

Our GHG emissions in 2016 were 778 metric tons of CO_2, while in 2015 they were approximately 4,952 metric tons of CO_2. That is a reduction of over 84 percent in GHG emissions.

"Our energy monitoring equipment has proven to be an excellent investment. It alerts us to irregularities so we can promptly resolve issues and reduce both costs and energy."

– Ula Wang, PCH facilities engineering manager

Employees Propose Energy-saving Ideas

In 2016 at our factory facilities in China the engineering and production teams were invited to take part in a new workplace energy savings program. Each participating staff member was required to carry out general research on energy saving and place their findings on a notice board in the factory. Workers were then given the opportunity to recommend their energy-saving proposals.

Eighty-five proposals were put forward by staff. Sixteen of these proposals were shortlisted and three winning proposals were selected. The winning ideas were: 1) a timing system for the office air conditioning so that it would save energy by turning off at specific times, 2) changing the printer settings to print on both sides to save paper, and 3) an electronic signature system to reduce paper usage. All workers were welcome to take part in this program, and it proved popular while increasing worker awareness of energy savings and waste reduction.

Seven of the 16 shortlisted proposals were implemented in 2016. These include turning off lights in the production area and office area during the lunch break, reusing plastic bags from materials packaging to collect waste in the production area, turning off vending machines outside of break hours, promoting an "environmental protection" culture in the factory, using reusable plastic cords when transferring finished goods within the facility and installing energy-saving lights in factory production. Two more proposals have been implemented in 2017: the battery-saving setting has been turned on for all computers in the production area, and electronic signatures are used for documents when a hard copy of the document isn't required. Four other proposals will be re-evaluated in 2017 for implementation.

Better Management Through Real-time Data

Our Energy Management System (EMS) helps us track energy consumption at various PCH facilities. Sometimes a simple observation can lead to a big difference in energy savings. In one example, we found there was a high use of air conditioning on the weekends in our office in China, even though staff was not working during that time. PCH energy managers requested that the security guard turn off the air conditioning when he left work. Once this issue was resolved, energy consumption was reduced by 2,000 kWh per month.

Another useful aspect of the EMS is that it can provide warnings when issues arise. For a new project in 2016, the air humidity in one production area needed to be kept at precise levels. We added humidity monitors and sensors to the EMS. At one point the EMS dashboard showed that humidity levels were out of range and not at an acceptable level. The production team was notified immediately and was able to turn on a machine that had mistakenly shut down. The Energy Management System helped solve this problem quickly and prevented a production issue.

Environmental Impact[4]

Our facilities

—

We have environmental data for

388,682 sq ft

of our reported operations
(94% of the total)

China

One building

The PCH Innovation Hub in China includes office space, manufacturing, pack out, fulfillment and distribution facilities, a loading dock, a product design engineering and development lab, and an R&D center.

—

350,182 sq ft

This facility has a low risk for occupational hazards and environmental pollution.

—

Electricity is the only significant form of energy consumed in our facilities. It is used for air conditioning, lighting and operating machinery associated with pack out and fulfillment.

—

Our facilities do not utilize heat or steam.

U.S.
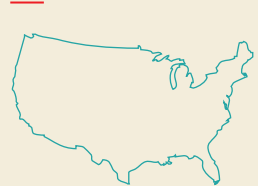
Two buildings

- PCH Innovation Hub
- PCH Hardware Accelerator (Highway1)

—

38,500 sq ft

Natural gas used for heating and hot water.

—

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

Other

Five buildings[5]

One office each in Cape Town, South Africa; Cork, Ireland; Hong Kong; New York; and Pune, India

—

26,074 sq ft

These offices are home to Fab.com, finance, sales, marketing, IT and global operations.

—

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

4. All information for our U.S. sites is obtained from third parties.

5. Environmental data is unavailable for our Cork, New York, Hong Kong, Cape Town and Pune offices. We expect to include these locations in our measurements in 2017.

Resource use[6]

Electricity use

1,427,764 kWh global total

U.S.
580,462 kWh

China
847,302 kWh
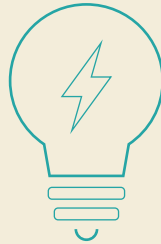
Water use

12,685 tons
global total

U.S.
1,077 tons

China
11,608 tons

Greenhouse gas (GHG) emissions

1,220 metric tons of CO_2

U.S.
442 metric tons CO_2
(36 %)

China
778 metric tons CO_2
(64 %)

Gas use

7,908 therms
U.S.

Waste produced[7]

69,222 lbs.
U.S. total

Landfill U.S.
29,752 lbs. (43 %)

Recycling U.S.
28,258 lbs. (40 %)

Compost U.S.
9,859 lbs. (14 %)

Recycled electronic waste U.S.
253 lbs. (1 %)

Hazardous waste global total
1,634 lbs. (2 %)

U.S.
1,100 lbs. (67 %)

China
534 lbs. (33 %)

Hazardous waste produced in China:

Waste water mixed with lubricant oil: **110.2 lbs.**

Waste lubricant oil: **52.9 lbs.**

Light tubes: **201.7 lbs.**

Hazardous chemical container: **45.9 lbs.**

Used batteries: **6.6 lbs.**

Waste organic solvent: **112.4 lbs.**

Cloth mixed with solvent: **4.4 lbs.**

---

6. U.S. data: All information was received from third parties. The water consumption information was received from the San Francisco Public Utilities Commission through the property management (CBRE) and Godtland Enterprises. The waste information was received from Recology (Waste Management Co.). The gas and electric usage was received from Pacific Gas & Electric accounts.

7. All waste is disposed of by licensed operators. Hazardous waste generated in our owned facilities is the only available waste data for our operations in China. All non-hazardous waste (scraps) generated in PCH facilities are owned by our customers and we dispose of them according to our client wishes using licensed operators.

LuTong Yang

People

The safety and wellbeing of the people who work for PCH directly and indirectly through suppliers is our greatest priority. Our Corporate Social Responsibility policies focus on health and safety training, mentorship, education, social and cultural activities, and open communications. We support a variety of communications channels: an open-door policy, one-on-one communications, a telephone hotline and WeChat instant messaging. These create a positive work environment by fostering open and trusted communications at all levels of the organization. We also encourage teamwork, which is fundamental to our company values and fosters positive relationships between coworkers and managers. Individuals and teams are also empowered to help improve workplace safety, efficiency and innovation. Most importantly, we foster an open culture where workers feel comfortable talking to managers about opportunities and concerns.

About our People

604
Total workforce

2.9years
Average length of service

Employee gender

55%
Female employees

45%
Male employees

Employee age

Employee age range

23%
Below 30

4%
Above 50

73%
Between 30-50
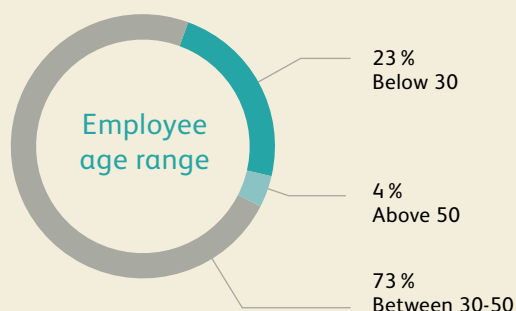
Region	Employees		Supervised workers[7]	Total workforce	% of total workforce
	Operators	Office staff			
U.S. and Canada	0	111	12	123	20%
China	252	169	9	430	71%
Ireland	0	10	4	14	2%
South Africa	0	8	0	8	1%
India	0	29	0	29	5%
Total	**252**	**327**	**25**	**604**	**100%**

Education level of PCH employees

Education level attained

- 48 % University/bachelor and above
- 9 % College (without bachelor degree)
- 5 % Secondary / technical school
- 10 % High school education
- 28 % Middle school education

Contract type

Employee types

- 96 % Full-time employees
- 4 % Supervised workers[8]
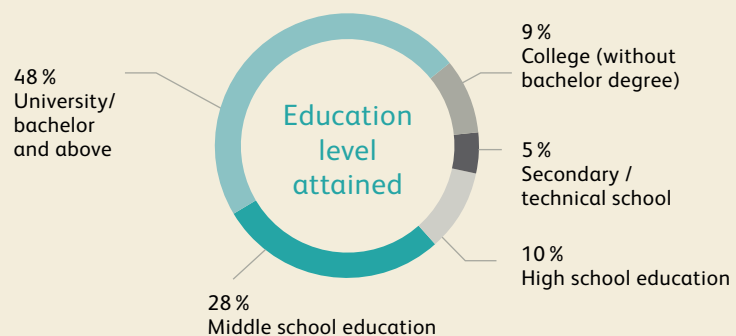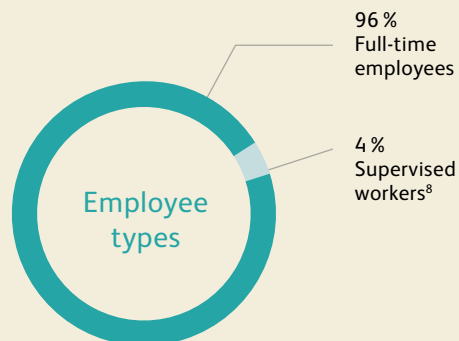
30.77 %

Senior leadership is female

Parental leave

We abide by all parental leave entitlements in accordance with local laws. 100 percent of eligible PCH employees who took parental leave in 2016 returned to work afterwards.

	Male	Female	Total
Entitled to parental leave during 2016	7	21	28
Took parental leave during 2016	7	21	28
Total numbers returning to work after parental leave (due to return during 2016 up to 31 Dec 2016)	7	21	28
Return to work rate[9]	100%	100%	100%
Retention rate[10]	100%	33%	53%

8. Supervised workers are all non-employees: workers hired through dispatch agencies or contractors, consultants and interns.

9. Calculated as 2016 returned/2016 took leave.

10. Calculated as total number of employees retained 12 months after returning to work following a period of parental leave in 2015/Total number of employees returning from parental leave in 2015.

Positioning PCH for the Future

PCH's business model is unique. While we always retain responsibility for producing high-quality products for our customers at every step of the product journey, our strategy is to own manufacturing capability only when we can provide highly unique, differentiated and value-add services to our customers. This gives us the flexibility to source and manage the best suppliers for our customers while specializing within our own facilities on product development, packaging development, pack out, fulfillment, personalization, manufacturing and global supply chain services.

In 2016, we made a number of organizational changes to support this strategy, to sharpen our focus on differentiated services that set PCH apart and to minimize services that have become commoditized. These changes unlocked opportunities to diversify our customer base and to drive sustainable, profitable growth. They also support our continued effort to foster close alignment between the early phases of design engineering and development and our deeply established manufacturing, pack out, fulfillment and delivery services.

As part of our organizational changes, we reviewed internal roles and determined that a shift in the composition of our global workforce, including a reduction in roles, was necessary to position PCH to best serve our customers' needs. Most of the impacted employees were in China where we consolidated our facilities into a single, modern campus in the Futian Free Trade Zone (you can find a discussion of the new facility on page 34). All affected employees were offered a redundancy package that was above industry norms along with support to transition to new employment.

The nature of the products we work with today – combining hardware, software and services – requires continuity throughout development, manufacturing and supply chain. Many of our customers work closely with PCH through the early product concept and engineering phase, which is highly iterative, as well as during the manufacturing stage where proximity to our supplier network is key. In 2016, we merged our engineering teams in China and San Francisco under our PCH Lime Lab division. Now we operate as one team with two advantageous locations – one in the heart of the industrial design center of San Francisco and the other embedded within the manufacturing and increasingly innovative center of Shenzhen. With 142 engineers, PCH works with customers globally and applies engineering resources as needed, depending on our customers' requirements.

We continually evaluate our organization to stay ahead of key trends and to remain focused on differentiated services that set PCH apart. We expect our organization will continue to evolve to keep PCH in the best position to provide services to our highly dynamic customer base.

Bin HongYun

Worker Health and Safety Improvements at PCH in China

As health and safety awareness becomes more widespread in China, we can report that in 2016, there were no fatalities, no injuries and no lost work days due to injuries at PCH in China. We continue our commitment to promoting both a safe work environment and safe work practices. In addition to providing relevant safety training to our employees, PCH regularly reviews and monitors its health and safety management systems to comply with current requirements.

PCH in China has a Social and Environmental Committee (50 people), which is responsible for factory labor, environment, ethics, and health and safety management. The committee is comprised of management, production staff and engineers. Overall, 17 percent of the factory workforce participates in the committee.

At our factory facilities, we monitor potential hazards related to fire safety, chemical use, equipment safety and occupational health. We promote safety programs across our communications channels and supplier base.

"Safety is our highest priority. We have a very good record when it comes to preventing injuries on the job and worker safety overall. We continually monitor, educate and train our workforce to prevent injuries and develop our workforce for continued improvements."

– Amy He, PCH internal EHS auditor

Training + Awareness = Results

Educating employees is the key to enhancing workplace health and safety. Training and open communications empower workers to report issues in factories that otherwise might be overlooked. By training and educating employees, we drive high standards and help grow our organization in a sustainable and responsible manner.

In 2016, PCH recorded no injuries to factory workers and no injuries or illness amongst corporate employees who work at our own and our supplier facilities. All injuries that occur at our facilities must be reported to the local social security bureau.

PCH in China health and safety data	2015	2016
Injuries	1	0
Fatalities /occupational diseases	0	0
Lost days	76	0

17% of our factory workforce
participates in a Health and Safety Committee

Yang XinCui / Si GuiXiang

Career Enhancement Opportunities

Mentors, Classes Motivate Employees

All PCH employees receive on-the-job training. In addition, we also offer employees additional career enhancement opportunities.

We believe it is essential to encourage and help our employees grow through career development programs. In 2016, our staff participated in a variety of training and development sessions such as:

> 1,240 hours of training on customer service, English and Chinese proficiency, management skills, soft skills and technical workshops were provided to 119 participants.

> Presentations were held across PCH to educate staff on team roles and services at the company, including sustainability.

> Factory workers attended over 4,790 hours of training, including human rights and CSR training as well as courses on management, finance, and health and safety.

> Factory workforce engagement programs were offered via the Little Bird programs.

> A mentorship program was offered at PCH Lime Lab in San Francisco.

> PCH engineers attended embedded software training, CAD (computer-aided design) training and soft goods training for DFM (Design For Manufacturing).

"We like mentorship programs because they foster one-on-one relationships and open communications, and they create learning and development opportunities."

– Melissa Cook, PCH Lime Lab human resources manager

Zhou XiaoRong / WuHui

Developing and Engaging our People

We encourage individual and collective team development. We achieve this through our many training and development programs available to employees and teams, as well as our ongoing association with Little Bird.

Our Little Bird Partnership

PCH values our long-term partnership with Little Bird, an independent, non-governmental organization, and continues to see the Little Bird Hotline as a valuable tool for gathering insights about our workforce. Employees are encouraged to use the hotline and be candid about any issues they feel need to be addressed by the company. The hotline is confidential and anonymous, and operated by Little Bird. We will continue to partner with Little Bird to provide workers with a variety of services, including career counseling, opinion collection, dispute mediation, cultural development and occupational safety training. In addition, PCH and Little Bird collaborate in providing a library and learning lab onsite at the PCH facilities. The library and learning lab were temporarily closed in mid-2016 because the Company moved facilities, but reopened once construction was completed.

Phoenix Chen / Simon Lv / Antoine Messager / Huang Ming

Little Bird Activities in 2016

15
Training
events

32
Suggestions
from workers

66
Activities

161
Training event
participants

280
Borrowed
books

398
Hotline calls

1,671
Activity
participants

4,386
Library visits

7,518
Instant
messages

Gender and Diversity

Instilling a company culture that values diversity is particularly important at PCH because we have both a diverse employee base and customers from around the world. We believe respect for diversity is good for business, as well as the right thing to do. We also place great emphasis on gender equality because women are often underrepresented in the hardware and technology sectors. At PCH in 2016, 30.77 percent of the senior leadership team were women, and 27.59 percent of senior management roles were held by women.

Employee category by gender and age	M	F	<30	30-50	>50
Senior leadership	69.23%	30.77%	0.0%	69.2%	30.8%
Senior management	72.41%	27.59%	3.4%	89.7%	6.9%
Middle management	78.12%	21.88%	6.3%	87.4%	6.3%
Individual contributor	54.61%	45.39%	29.8%	65.6%	4.6%
Factory staff	25.0%	75.0%	21.8%	78.2%	0.0%

Cara McEachern

Overtime

While a standard work schedule in China is 40 hours per week, our Supplier Code of Conduct requires that factory workers work no more than 20 hours per week of overtime and no more than 36 hours of overtime per month, except in emergency or unusual situations. During consolidation of our facilities, employees were on deadline to organize and transfer materials to our new building and we were stretched because of downsizing. This resulted in overtime hours.

The opportunity to work overtime is a priority for our workforce and if it is not available, many workers will seek alternative employment. 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.

"Most factory workers want overtime. All overtime is voluntary and a certain amount is allowed according to regulations. However, this past year we saw some breaches in overtime hours because of condensed production schedules and extraordinary circumstances. We continue to monitor this issue and are working towards 100 percent compliance with the policy."

– Celine Zhai, PCH sustainability program manager

Overtime	2014	2015	2016
Average work week (hours)	51	52	44
Compliance with code of conduct	99%	100%	91%
Breaches of 60-hour work week (number of weeks)	8	0	17
Average rest days per month	5	6	5
Breaches of one rest day per week	6	0	3

Eric Diao

Grievances

We expect there will always be some grievances reported by employees, and we see this as healthy that employees feel comfortable reporting. The most important solution is to have a mechanism for grievances to be addressed quickly and for employees to feel their concerns are taken seriously. At PCH in China, we saw a large drop in the number of grievances submitted, from 245 in 2015 to 25 in 2016 (a decrease of almost 90 percent). This mainly is a reflection of our workforce reduction and consolidation of factory space, engineering lab and other offices into a modern, more efficient facility.

Grievance Mechanisms

All of our grievance mechanisms are tailored to comply with local laws and regulations and to promote an atmosphere of open communications. At our corporate offices, HR teams and management are trained to foster an open-door culture, where grievances can be expressed formally or informally. In our factories, we have implemented a formal grievance program.

We want our factory workers to feel they have a forum to express concerns formally, and we want them to trust that their concerns will be resolved in a fair and timely manner. This helps us drive continuous improvement. Much of the feedback we receive continues to center around suggestions for workplace improvement or seeking clarification of local rules and regulations. The Little Bird partnership has also encouraged open dialogue between PCH management and our workforce.

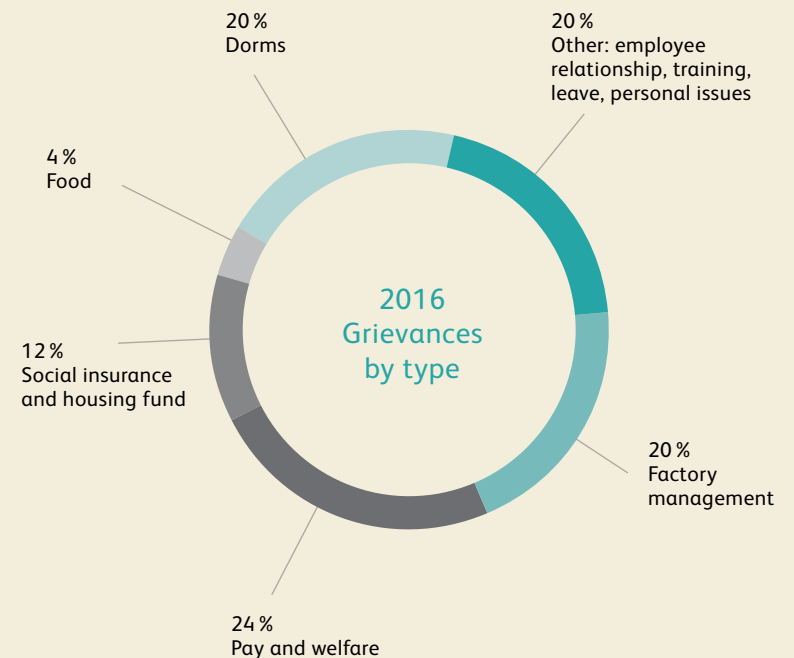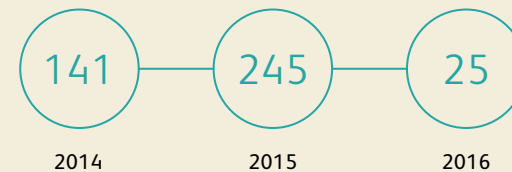We continue to operate multiple grievance mechanisms, and most are available to our workforce 24 hours a day. We operate four grievance systems for factory workers.

"We have an open culture where employees are encouraged to discuss issues candidly with managers or at town hall meetings. We look at these discussions as opportunities to improve our operations and company morale."

– Christie Ma, PCH head of human resources China

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

1. **Direct contact with line-leader, supervisor or manager.**

2. **Suggestion box** – Employees can express their concerns or make suggestions anonymously through suggestion boxes. These boxes are checked every Monday and action is usually taken within 15 days of the concern/suggestion being submitted. This may take longer in certain situations, for example, where a worker survey is required to get wider employee feedback, or more time is needed to fully investigate the case.

3. **Employee forum** – Held once per quarter, this gathering is attended by employee representatives, factory general managers, the HR managers and the internal audit team. Human Resources will supervise the implementation of improvements from the forum. Responses and improvements are posted on a notice board within three months.

4. **Little Bird** – Little Bird sends employee concerns and suggestions directly to the Sustainability Team, who discusses issues with HR once a week. Most issues are resolved within one month, or if a more serious concern arises, it is addressed immediately.

Since our partnership with Little Bird began in 2012, this platform has become increasingly popular among our staff to express concerns/suggestions in the workplace. It continues to be our most popular grievance mechanism among factory workers. Management strives to close all grievances within three months, and address and close serious grievances promptly. All grievances received in 2016 were closed by year-end. Note that the large decrease in 2016 grievances was mainly due to a reduced workforce.

Number of Grievances 2014-2016

141	245	25
2014	2015	2016

2016 Grievances by type

- 20 % Dorms
- 20 % Other: employee relationship, training, leave, personal issues
- 4 % Food
- 12 % Social insurance and housing fund
- 20 % Factory management
- 24 % Pay and welfare

Wang Qi / Zhang HongMei / Chen RongLing

Partnering
with our
Suppliers

———

Audit
Discoveries

———

Health
and Safety
in Supplier
Facilities

———

Supply Network

Partnerships are the cornerstone of PCH. We foster trusted and long-term partnerships with our customers and our suppliers to maximize opportunities and solve problems together. PCH views sustainability the same way we see our partnerships: When we work together we get the best results, and we must do this in an atmosphere of trust and mutual benefit. We seek to form strong, strategic long-term relationships with our suppliers so that we can have significant influence on the supply network.

Partnering with our Suppliers

Our relationships with suppliers provide us with the opportunity to have greater influence across our supply network and incorporate sustainable practices in all areas of our business, even those that we can only influence and not control. At a minimum, suppliers comply with all applicable local laws and regulations and must sign our Supplier Code of Conduct agreement to work with us.

In 2016 PCH transacted with 134 suppliers globally (not including PCH Lime Lab North America suppliers). The majority of our company spend is focused on customer-selected suppliers; however, most of our development programs focus on PCH-selected suppliers because we believe this is where we can have the greatest impact.

The PCH Supply Network

To create each product, multiple factories are often required. In turn, these factories utilize other factories to produce their materials and components. The diagram below represents the possible complexity of the supply network for a product, as well as the influences and controls that PCH has over each link in the chain.
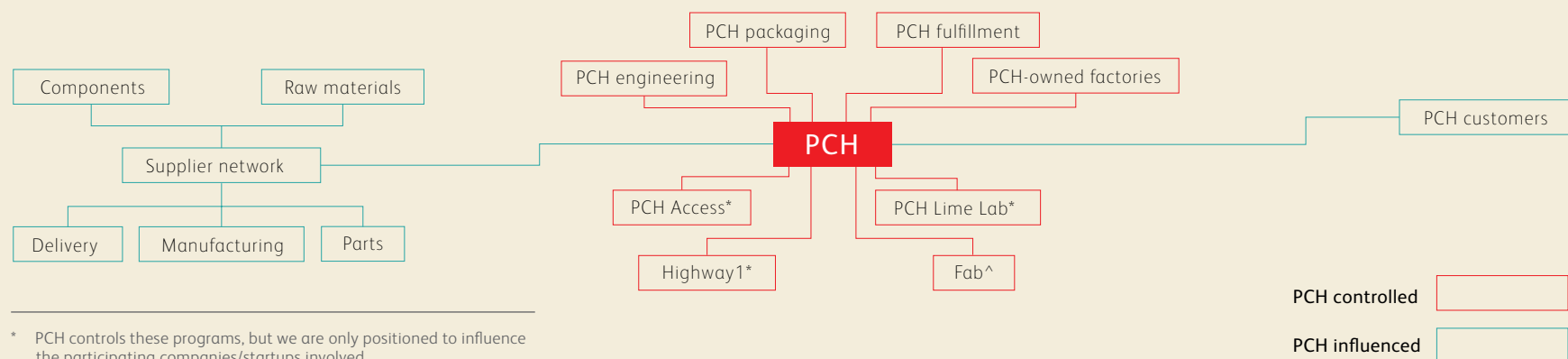
*   PCH controls these programs, but we are only positioned to influence the participating companies/startups involved.

^   PCH does not report on this company.

Specialized Products Require Specialized Supply Networks

Selecting the right suppliers for PCH and our customers is essential as we pride ourselves on being a leading partner for companies creating new products. It is crucial that we partner with the right suppliers that have the expertise to work with innovative products. We place emphasis on our supplier qualification process to screen for the best results.

"We continually evaluate and conduct select audits on key suppliers to ensure they uphold our guidelines and standards. Having been in China for over 20 years, we have trusted relationships that continue to grow. Our suppliers trust us to help guide them when it comes to sustainability and other key practices."

– Alan Cuddihy, PCH head of sustainability

Our sustainable supplier network selection program is a five-step process:

1. Initial evaluation of the supplier. This involves a factory inspection by a member of each of the following PCH teams: project management (PM), supply base management (SBM), client quality management (CQM) and engineering.

2. The PCH procurement team or customer identifies supplier based on capabilities.

3. The PCH Sustainability Team conducts a factory readiness assessment to determine if the supplier can meet PCH and/or our customers' audit requirements.

4. An independent third party auditor appointed by our customer conducts supplier audit, or, the 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.

5. 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.

In 2016, we introduced the supplier initial evaluation stage, which involves our PCH team members inspecting a supplier factory to see if it is likely to pass the PCH or our customers' audit requirements. This saves time where it is clear the supplier will not pass an audit or be suitable for the project. This stage involves the supplier signing the non-disclosure agreement. The factory will be scored on engineering and technical ability, quality management, project management and supply based management. The supplier must score at least 60 out of 100 to be considered a PCH audit candidate. This initial evaluation is carried out by at least one member of the following PCH teams: supply base management, project management, client quality management and engineering.

At PCH we have two types of suppliers: those selected by PCH and those selected by our customers. For customer-selected suppliers, we do not conduct 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. 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 Supply Base

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 chain that pose the most risk. Annual 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 2016, we began to evaluate our key suppliers in our biannual performance survey. This survey is carried out by a member of the CQM team and the SBM team. Supplier scores are weighted 40 percent on quality, 20 percent on delivery performance, 20 percent on pricing performance and 20 percent on service performance. This helps us ensure that our key suppliers, those that we do most of our business with, maintain the standards that we expect.

Pack out line

Factories PCH Transacted with

134
Total suppliers

35
New

99
Existing

1,000+
Number of suppliers
in our network

2.5 years
Average length of
supplier relationship

Supplier spend by industry

54 % Materials and
components

8 % Prototyping
and validation

21 % Printing
and packaging

7 % Final assembly,
test and pack

10 % Service items

Supplier spend by location

7 % North America*

71 % China

76 % Guangdong

22 % Jiangsu

2 % Shanghai and
other parts of China

18 % Asia-Pacific^

4 % Europe

* Excludes PCH Lime Lab North America suppliers.

^ Excludes suppliers in China.
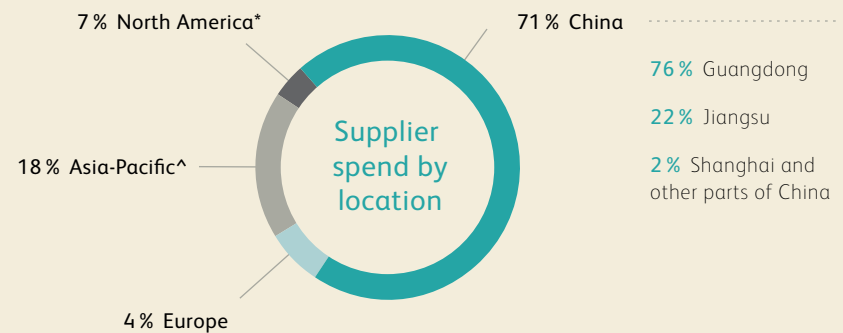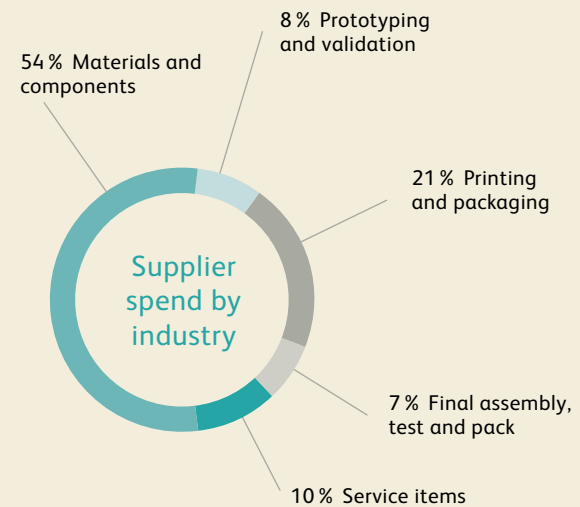
Our Supplier Audits

Audits are conducted in PCH-selected factories only.

75
PCH-selected suppliers

134
Total suppliers

59
Customer-selected suppliers

Standard compliance programs

43 suppliers audited
0 suppliers failed

1,300+
Hours spent on health and safety at supplier sites

Audit Discoveries

"PCH has a zero-tolerance policy towards child labor. We follow industry standards and check for child labor during our audit process, as well as conducting spot checks on suppliers we audit. There were no incidents of child labor during the audits conducted in 2016."

– Larry Huang, PCH director of quality

In 2016, we identified a suitable supplier to work on a customer project. After carrying out our audit, we found that the supplier didn't have an effective overtime structure in place. This led to certain scenarios where individual workers worked over 60 hours per week and over 90 hours of overtime per month. This violates PCH and industry standards.

The supplier wanted to pass the audit and work with our customer, so they agreed to implement overtime controls to ensure individual working hours would not exceed 60 hours per week. This included making sure workers had at least one day off per seven-day w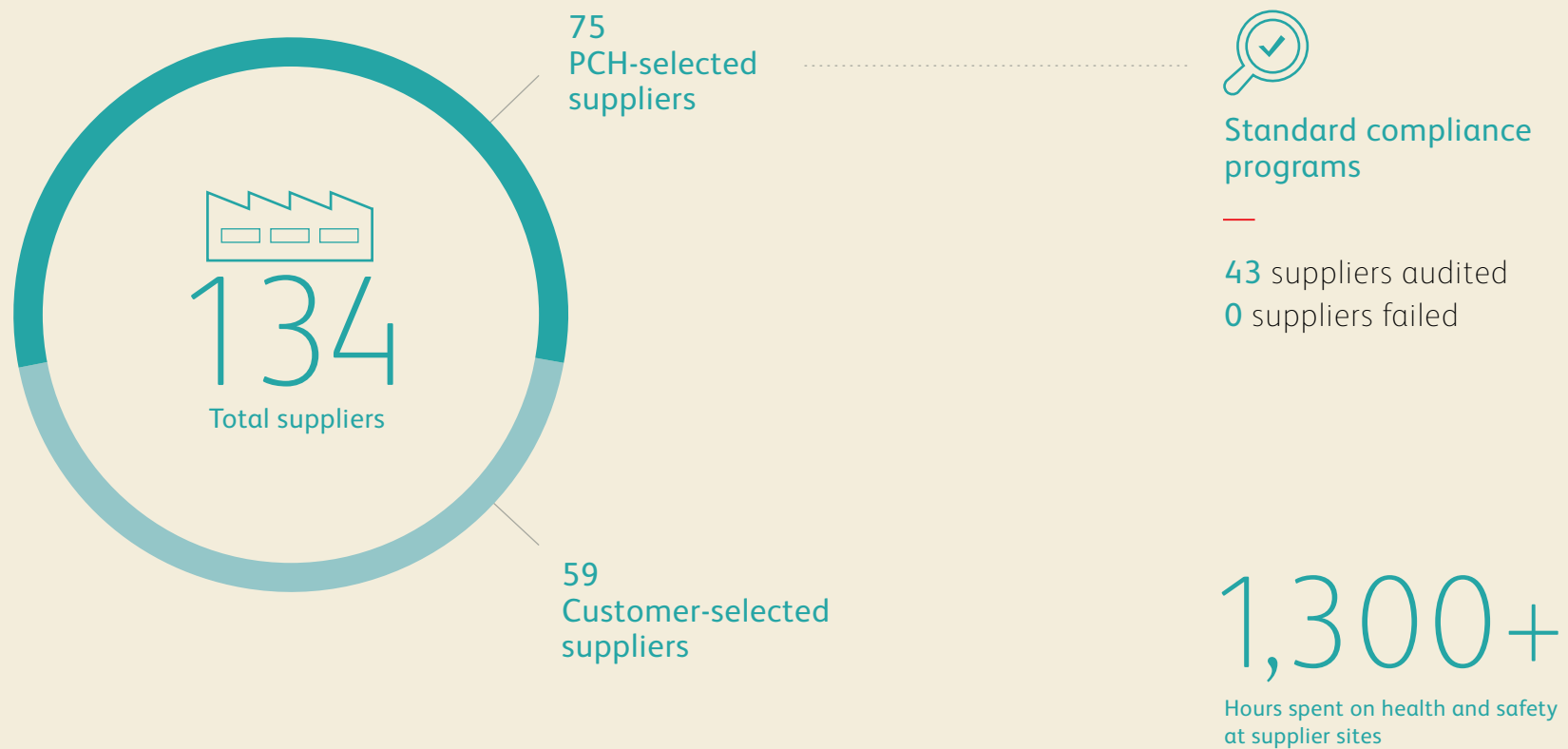eek. This led to a positive result; however, we are conscious that this and other issues can reoccur if a supplier covers up violations in subsequent audits. We continue to work with this supplier but will re-audit in 2017 to ensure compliance is maintained.

PCH has a zero-tolerance policy towards child labor in our own and in 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 follow industry recommendations and we check for child labor during our audit process. All 43 audits (including existing and new suppliers) conducted in 2016 included a check for child labor and prevention systems as well as factory floor spot checks.

There were no incidents of child labor during the audits conducted in 2016. Additionally, when it comes to 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 2016.

Small suppliers are often less costly to customers, and in some cases our customers choose to work with them. These suppliers sometimes do not qualify for a PCH audit and may fall short of our standards in certain areas such as labor and safety practices. In 2016, a customer selected a small supplier to work with as they felt this supplier was best suited to match their business strategy, even though they didn't meet all of our corporate social responsibility criteria. In this case, we provided improvement actions for the supplier to complete within a two-year period. For risk mitigation reasons, we carried out checks for all zero-tolerance practices (including child labor and falsification of salary or worker hours) as well as safety standards such as emergency exits and fire hazards. We made a variety of recommendations to this factory to improve its operations, including chemical management and employee safety.

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

Li YuYing

Health and Safety in Supplier Facilities

One of the greatest challenges we face is the health and safety of workers in our supplier network. We place great emphasis on this, as we recognize that the quality of products and services and consistency of workers' morale are enhanced by a safe and healthy working environment.

Strategies for Supplier Health and Safety

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. We are working with our suppliers to help them integrate health and safety procedures into daily operations. This includes providing training and resources as well as identifying targets for continuous improvement.

When necessary, PCH establishes health and safety procedures at supplier factories, and PCH sets up Key Performance Indicators (KPIs), which measure how well the factory meets its targets. The intent is to integrate health and safety methods into the supplier's day-to-day operations.

"We have high expectations regarding EHS requirements. We integrate EHS from the earliest stages of production before the lines are up and running, and we make any necessary changes before we move to mass production."

– Jason Yu, PCH operations director

Pre-startup Safety Review

In January 2016, we selected one project for the pilot run of our pre-startup safety review (PSSR). The PSSR covers eight areas, including general safety, life safety, chemical management, occupational health, machine safety, electrical safety, environment management and emergency response. During the review, the engineering, production, program management and the Employee Health and Safety (EHS) teams all got involved. By involving all project team members at an early stage, we ensure that everyone is aware from the start of our safety standards and criteria. This early awareness and full team support minimizes accidents and improves overall safety.

The PSSR is for high-risk production lines and was only in effect for the pilot run in 2016. For all other projects, we led with an EHS evaluation at the beginning of each project as well as supplier qualification from a CSR perspective, and this is how we intend to manage risk in the future. However, if a project presents a high risk for safety issues, then we will carry out a PSSR.

Pre-production Safety Considerations

We have identified an excellent opportunity to improve supplier EHS management by engaging at the process design stage. Before production begins, we assess health, safety and environmental factors to identify and prevent EHS risk.

Cheng RongLing / Zhang HeDong

Zhou LiuMing / Peng YuHui

Life Cycle
Analysis

Managing
Chemicals
Safely

Product

Product sustainability addresses materials, chemicals, conflict minerals, packaging, shipping and inventory management. We seize the opportunity to educate our customers about the impact of products at the exploration and design engineering stage, all the way through to manufacturing, distribution and end-of-life. We also strive to influence industrial designers to consider sustainability early in their process.

Life Cycle Analysis

Packaging Lifecycle Analysis (LCA) is now available to all PCH customers. LCA is the systematic approach to 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 size and impact, and improve the customer experience.

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

Adam Reed-Erickson

Smarter Sustainable Packaging

We develop and produce efficient and smart packaging solutions that have the maximum positive impact on the consumer out-of-box experience and minimal impact on the environment.

In one example in 2016, a client approached us with packaging that was big, bulky and expensive to ship. In this case a large volume of packaging was being used for a small product. The PCH design team saw an opportunity to significantly improve both the packaging and the environmental impact.

The original packaging had significant empty space and rigid cardboard inserts that could easily scratch the product during transit. The large size of the package meant large amounts of materials being used and high shipping costs. In general, the original packaging presented major inefficiencies.

"We relish the opportunity to help our customers improve their packaging to meet greater efficiencies while also enhancing the customer out-of-box experience. The key is to enhance sustainability while optimizing the customer experience."

– Josa Leung, PCH design manager

The packaging design team presented the client with several alternative designs. The client was particularly interested in one design which was a foldable, unique package made of corrugated wood-free paper. This design provided a sleek, efficient and beautiful packaging alternative.

The new design was efficient in terms of shipping, sustainability and cost optimization. It also provided the end consumer with a great out-of-box experience, which was a priority for our customer.

Throughout the design process we were conscious of the logistical flow of the product. We ensured that the packaging design passed the drop test and was suitable for both business-to-business and business-to-consumer shipments.

Sustainable packaging can greatly reduce environmental impact, which is evident when comparing the client's original design to the PCH design. The environmental impact reduced GHG emissions, water consumption and fossil fuel consumption, as well as shipping costs.

Sustainable Packaging Design

	Old design	New design	Unit	Percentage change
Space required on pallets	0.033 (unit carton)	0.006 (unit carton)	Meters cubed (m3)/unit	-81.8%
Cost of packaging	5.6	2.97	USD$/unit (per purchase of 10,000 units)	-47%
Cost of shipping	5.20/pc	1.00/pc	USD$/pc from China to UK	-80.8%
Fossil fuel consumption	~29MJ	~11MJ	Mega joules (MJ)	-62.07%
GHG emissions	~1.9kg CO_2e	~0.8kg CO_2e	Greenhouse gas kg of CO_2e equivalent	-57.9%

Rad Bosuego

Our Policy on Conflict Minerals

It is a requirement in our Supplier Code of Conduct that no conflict minerals be procured or used by PCH suppliers in the production of our customers' products. We welcome the advent of conflict minerals mapping as it encourages suppliers to be transparent and track potential use of minerals that are mined in areas of the world where there are armed conflicts 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 Chains of Minerals from Conflict-Affected and High-Risk Areas.

Expanding our Materials Library

Our materials library was developed by our San Francisco and Shenzhen engineering teams to drive awareness of material selection options and to encourage innovation when it comes to materials. The project is ongoing, and PCH will continue to conduct material assessments and research alternative materials to help customers make the most sustainable material selections possible.
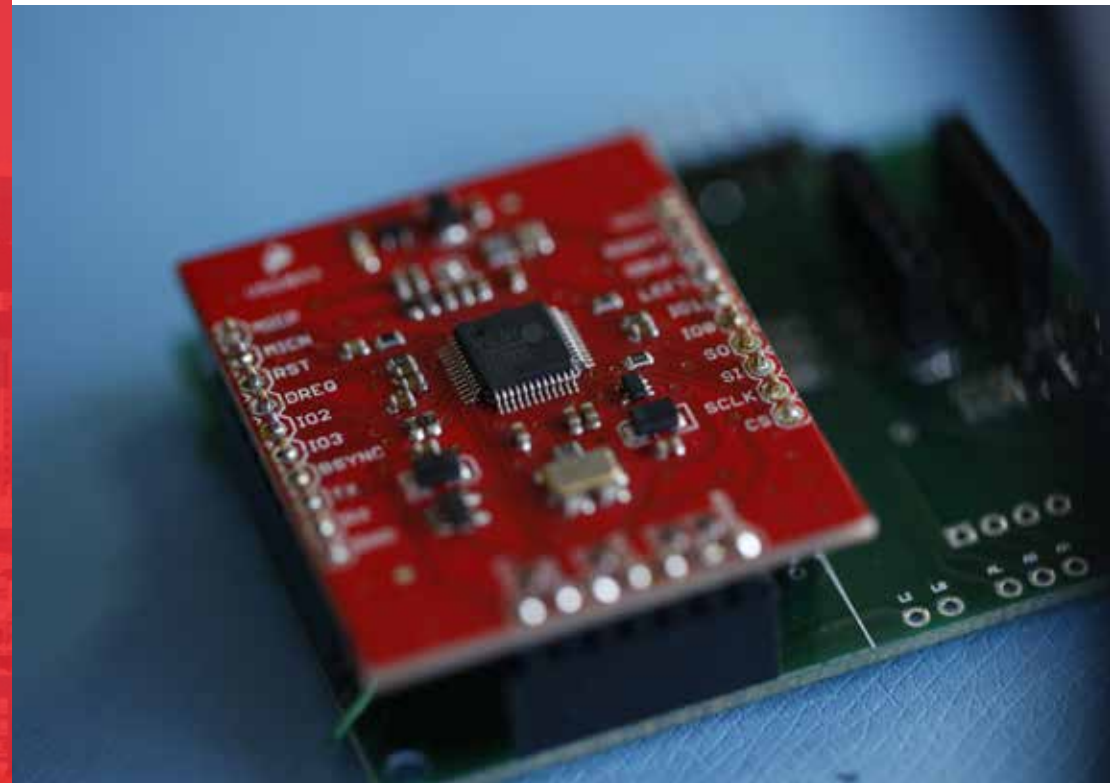
Managing Chemicals Safely

Chemical use in both PCH and our supplier factories is a priority health and safety concern. The careful and monitored use of chemicals is important to PCH and the entire industry. We spend considerable time and resources identifying and managing chemicals both in our own factories and those of our suppliers.

Hazardous chemicals are those that are poisonous, corrosive, explosive or ignitable and which may pose a hazard for people, 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 and carefully monitored.

Our customers are increasingly interested in monitoring the chemicals that are being used in their products and in the manufacturing process. To date, over 1,300 chemicals have been mapped and documented by the PCH Sustainability Team.

Testing for Hazardous Substances

We work together with our customers and our suppliers to ensure that the chemicals used in their products are compliant with chemical regulations and directives. We help our clients with chemical testing and the preparation of the required chemical compliance documentation, which is essential for product registration and customs clearance. In one case, a supplier notified us that a PCH consigned material failed the restriction of hazardous substances (ROHS) test because chromium was found in the product. However, this test could only calculate the total chromium and not the chemical Hexavalent Chromium, which is the element under ROHS control. PCH sent all the suspect material to a third-party for analysis and the results showed no trace of Hexavalent Chromium, so this product was in compliance with the ROHS directives.

Our Chemical Safety Policy

It is important that PCH factory facilities and supplier partners maintain a Material Safety Data Sheet (MSDS) for each product being manufactured. An MSDS contains pertinent information about chemical ingredients, physical characteristics, proper handling, fire safety and emergency handling. 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.

How we address chemical management:

1. Possible elimination

2. Substitution at concept phase

3. Proper ventilation

4. Establishing a safe distance between the chemical and worker

5. Providing personal protective equipment (PPE)

When gathering chemical information, the strength of our relationship with the supplier is paramount to getting accurate data. Some suppliers, particularly sub-tier, are cautious about disclosing the chemicals they use. Ideally, we try to provide training to suppliers, but sometimes because of tight production schedules and the turnover of products, it is not always feasible.

Yang GuiLan

Alex Siano / Jonny Tang / Nick Cruz

Materiality
Matrix

———

How we
Communicate
with
Stakeholders

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Sustainability
Governance

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Materiality and Stakeholder Engagement

We conducted a formal materiality study and stakeholder analysis that engaged our stakeholder groups in 2015. We found that our materiality study and stakeholder analysis was still widely valid for 2016; however, we made some minor adjustments in certain areas to ensure the greatest accuracy.

Understanding the material issues for our different stakeholders is essential for our business, as it allows us to prioritize issues accordingly. We will continue to review our material issues on an annual basis.

Materiality Matrix
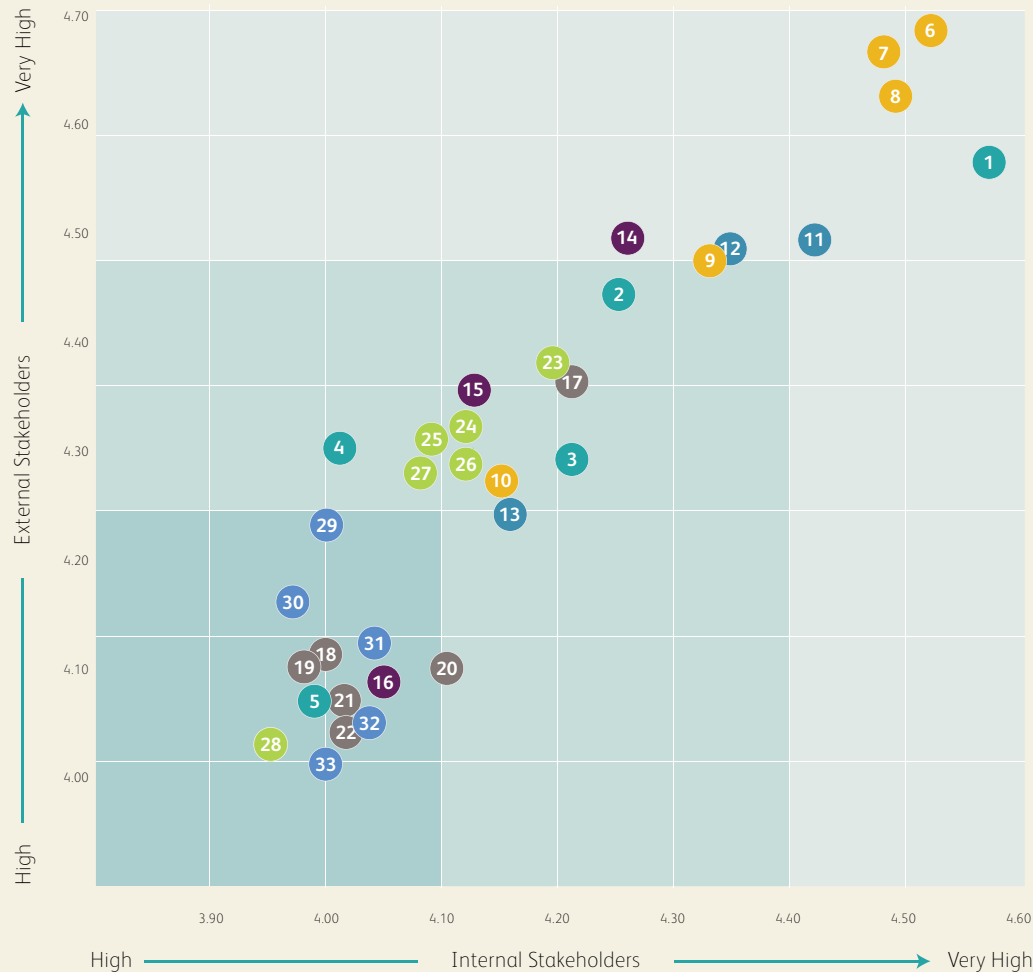
Management and Governance

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	ALL-HANDS MEETINGS	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-selected Suppliers	China		●			●	●					●					●		
Investors and Board of Directors	Global					●							●						
Factory Owners	China		●			●											●		
Supplier Employees	China		●			●	●										●		
PCH Dispatch Agency Hires	China					●	●										●		
Non-governmental Organizations	Global			●		●							●				●		
Prospective Customers	Global			●		●			●				●						
Customer-selected Suppliers	Global		●			●											●		
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.	●		●	●			●					●						
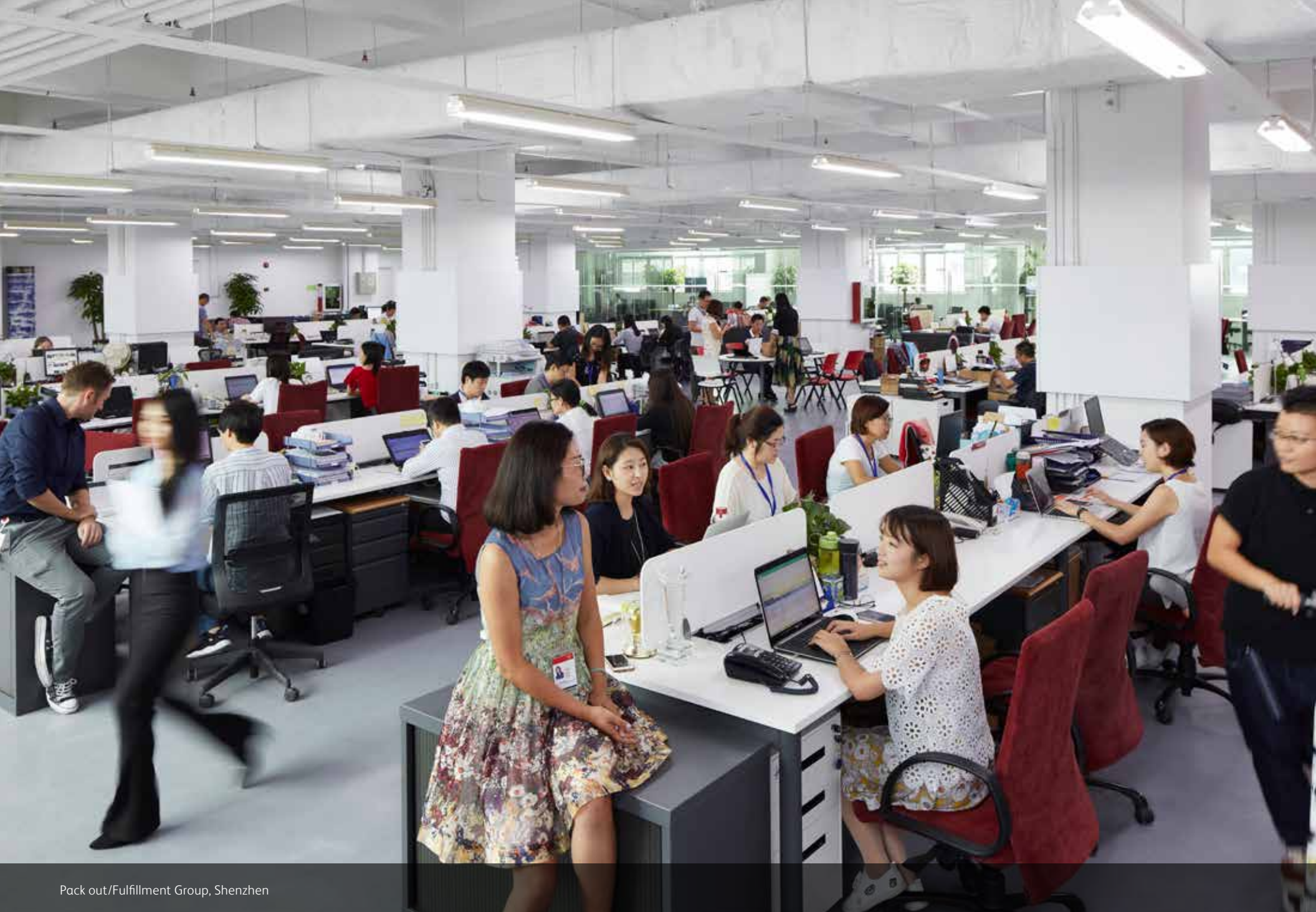
Pack out/Fulfillment Group, Shenzhen

Sustainability Governance

> The PCH Sustainability Team has influence across all our divisions. The Sustainability Team is involved at all stages of the business: product development, supplier selection, supplier development, packaging and distribution. The Team is heavily influential in the areas of Employee Health and Safety (EHS), including compliance, workforce engagement, resource efficiency and safe handling of chemicals and other materials.

> 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 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 facilities 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/
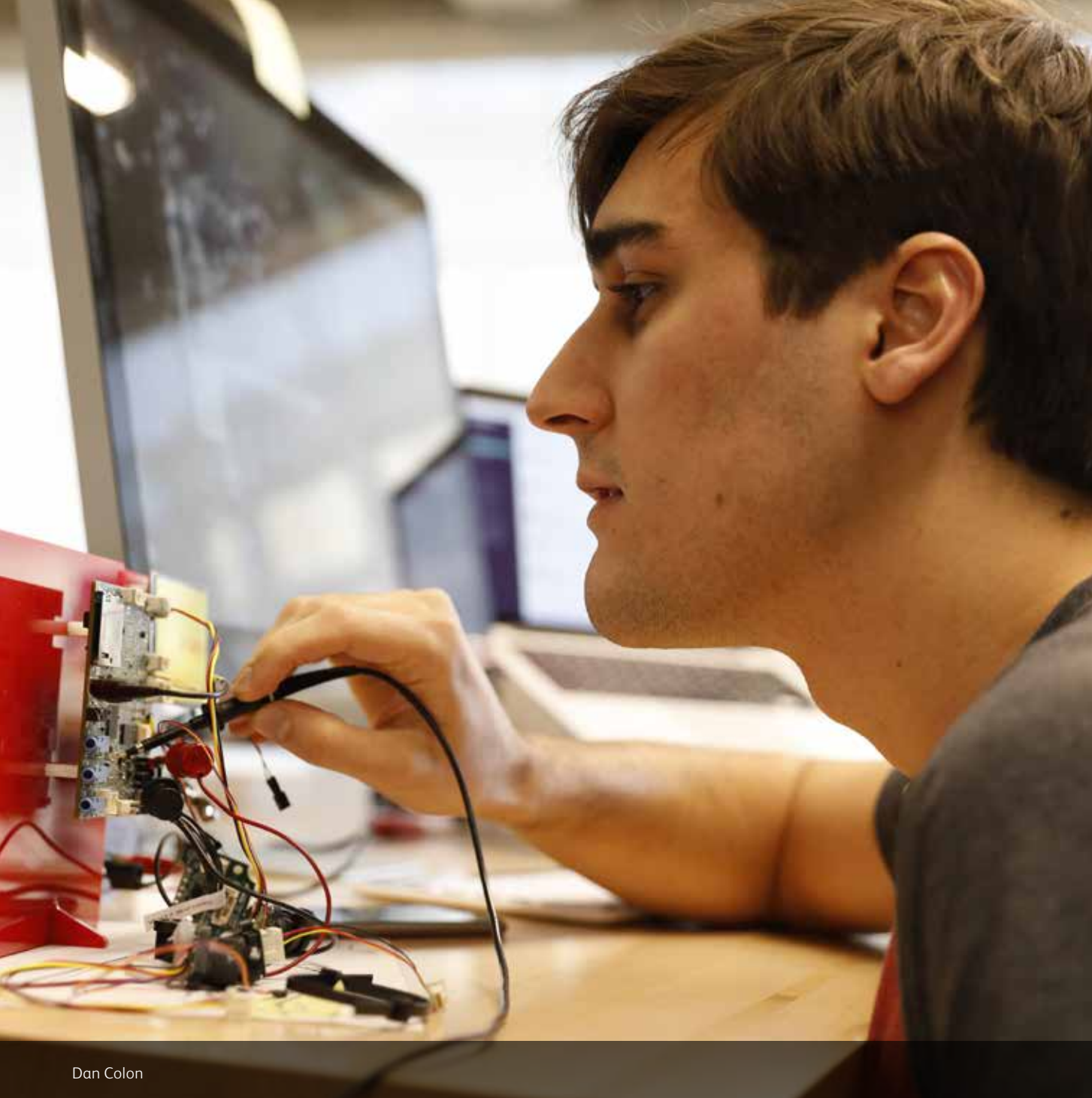
Our
Sustainability
Progress
in 2016

2017 Goals

Dan Colon

Looking Ahead

In 2016 we celebrated 20 years in business. We work in a dynamic industry that is witnessing shorter production cycles, increased factory sophistication, greater demand for personalized products and non-tech industries such as fashion, beauty and entertainment 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. This is the future of business.

Our Sustainability Progress in 2016

	More to do		Ongoing		Complete

Status	Goal from our 2015 Report	2016 Status
⤬	Set long-term, cross-company sustainability goals.	We are continuing to develop the Company's long-term sustainability goals.
✓	Reexamine our supplier selection strategy to ready our business for future customer needs.	In 2016 we reexamined our supplier selection strategy and introduced the initial evaluation stage to our already comprehensive sustainable supplier selection program.
✓	Appoint a company Health and Safety officer in our operations in China in 2016.	In 2016 we appointed a Health and Safety officer in our office in China to monitor and implement health and safety best practices.
⤬	Implement a global grievance mechanism as part of our Employee Guidelines to be rolled out in 2016/2017.	We are in the process of developing employee guidelines which are being rolled out globally in 2017.
✓	Offer a full product Life Cycle Analysis program to our customers.	In 2016 we began offering our customers a comprehensive full product Life Cycle Analysis (LCA).
⤬	Sustainability team members attend all project kick off meetings to understand customer sustainability requirements and supplier development opportunities.	Partially achieved: EHS Team Members attend meetings for all projects that are deemed by the Project Manager to require an EHS inspection.
⊕	Formalize EHS guidelines for our supplier network in 2017.	Guidelines are formalized via EHS audit, and KPIs are in place for high risk processes.

2017 Goals

Expand energy management system and integrate further into PCH facilities management teams. Develop online energy management dashboard to lower cost and manage information faster.
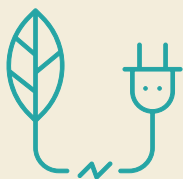
Continue to work on developing long-term sustainability goals for the Company.

Continue to develop materials library, encouraging clients to choose less harmful chemicals/materials/processes.
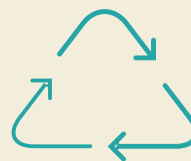
Accelerate rollout of Life Cycle Analysis tools.

Implement global grievance mechanism as part of our Employee Guidelines.

Develop and deploy Restricted Subtances List (RSL) for customers who do not have their own.

Develop with our partner Little Bird (NGO) a new onsite worker grievance mechanism.

Assess sustainability issues for supply base consigned by our customers.

Increase engagement with sustainability leaders in other industries, e.g., apparel, cosmetics, etc. to incorporate best practices.

Our Reporting
Guidelines

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Disclosures

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Glossary
of Terms

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GRI Index

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Wu Li

About This Report

This is our fifth annual Sustainability Report and covers the year 2016 at PCH. Our 2012 - 2015 Reports can be accessed on our website at http://www.pchintl.com/sustainability/sustainability-reports/.

Our 2016 Report covers all PCH business units and entities but excludes Fab (e-commerce platform). The is not a report on the financial condition of the organization. Because we are a privately held company, we do not disclose certain financial information, capitalization structure of the organization or details of the share capital and executive board structure of the organization in this Report or in any public forum. Mutual non-disclosure agreements prevent us from naming our suppliers and customers in many cases. 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 towards a more 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 2016, 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

B2B: Business-to-Business

B2C: Business-to-Consumer

Chemicals: 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

Design for reliability: Architectural and detailed design choices that must be made to address specific reliability performance goals

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

FDA: Food and Drug Administration

Fluid seal design: Designing reliable fluid seals requires special design considerations such as tolerance analyses, surface finish inspection requirements, and extensive reliability testing over multiple component lots under various ambient conditions.

IP: Intellectual Property

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.

Local: The relevant locality which is being discussed

Mass production sustaining sourcing: Sourcing activities during mass production to identify alternative supplier for critical components, reduce risk of material shortage, lower costs, or replace low performance suppliers

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 the material

Mechanism design: Mechanism design pertaining to assembly includes kinematic study work (the motion of parts in space), sensitivity analysis to parts and assembly variations, input/output stroke and force analyses, friction management, and noise management

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.

QBR: Quarterly Business Review

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

ROHS: Restriction of Hazardous Substances

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 Shenzen, China; and our corporate headquarters are in Cork, Ireland.

Supervised workers: All non-employees, workers hired through dispatch agencies or contractors, consultants and 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 internationally recognized standardized framework for disclosing economic, environmental and social performance. The 2016 Report qualifies at the in accordance "Core" level.

Louise Huang / Kerrigan Hodnett

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	About This Report	91
	G4-4	Primary brands, products, and services	What we do	14
	G4-5	Location of the organization's headquarters	Where we Operate	32
	G4-6	Countries of significant operations specifically relevant to the sustainability topics covered in the Report	Where we Operate	32
	G4-7	Nature of ownership and legal form	About This Report	91
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Where we Operate	32

Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Organizational Profile G4-9	Scale of the reporting organization	PCH in 2016	10
G4-10	Workforce	About our People	42
G4-11	Percentage of total employees covered by collective bargaining agreements	100% of factory employees are covered by collective bargaining agreements. This is 42% of our global workforce.	
G4-12	Describe the organization's supply chain	Partnering with our Suppliers	60
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	Message from Liam Casey PCH Enhanced Operations in China	4 34
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 2016 Report covers all PCH business units but excludes Fab (Fab was not fully integrated into our reporting process in 2016).	91
	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	92
	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.	81 82
	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 Matrix	82
	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 Matrix	82
	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	No significant changes have been made from previous reporting periods in the scope and aspect boundaries.	

	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	83
	G4-25	Basis for identification and selection of stakeholders with whom to engage	Materiality and Stakeholder Engagement	81
	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	Materiality and Stakeholder Engagement	81
	G4-27	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 2016 unless otherwise noted	
	G4-29	Date of most recent previous Report	November 2016	
	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 and the GRI Content Index for the chosen option	Our Reporting Guidelines GRI Index Core	92 96
	G4-33	The organization's policy and current practice with regard to seeking external assurance for the Report	Our Reporting Guidelines	92

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
Governance	G4-34	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	85
	G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	Sustainability Governance	85
	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	85
	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	85
	G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	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	People 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 planned for release to all PCH corporate staff in 2017. Once finalized, the guidelines will be communicated to all corporate employees in Chinese and English. For details on our Supplier Code of Conduct, go to our website: http://www.pchintl.com/sustainability/policies-and-code-of-conduct/	41
	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	Our Little Bird Partnership Grievance Mechanisms Little Bird hotline is available to all factory staff.	50 56
	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	Our Little Bird Partnership Grievance Mechanisms	50 56

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	Factories PCH Transacted With Local is defined as Guangdong province, China for this indicator	64
Non GRI Material Aspect: Procurement Practices	G4-DMA			
	PCH-1	Length of supplier relationships	Factories PCH Transacted With	64
Non GRI Material Aspect: Production Ramp	G4-DMA			
	PCH-2	Dispatch workers as percentage of factory workforce	About our People Annual average = 14.52% Annual high = 50% in August 2016 Annual low = 0%	42
Category: Environmental				
Material Aspect: Materials and Chemicals	G4-DMA			
	PCH-3	Chemicals and materials management	Managing Chemicals Safely We utilize our chemical mapping tool and other assessments to safely manage chemical usage. Materials are evaluated according to customer needs, and chemical management indicators are assessed on a per-project basis.	78

	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 our PCH Innovation Hub in China, which includes office space, manufacturing, packaging, fulfillment and distribution facilities, a product design engineering and development lab, and an R&D center. Electricity also includes our San Francisco Innovation Hub (workshops and office). All other corporate offices are excluded.	38
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.	38

	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 2016 reflect local conversion rates 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, 2016 conversion rates were not published by national authorities. Emissions from purchased transport services are not available.	38
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 Futian Free Trade Zone (a Chinese government designated industrial zone). Hazardous waste data is available for our operations in the U.S. and China. All hazardous waste generated by our facilities is disposed of by a licensed operator in that jurisdiction.	38

	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	Smarter Sustainable Packaging Quantitative information is currently unavailable as environmental impact mitigation reviews are conducted on a case-by-case basis.	74
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: 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 100% of our China-based new suppliers were screened.	65
	G4-EN33, G4-LA15, G4-HR11	Significant actual and potential negative environmental, labor and human rights impacts in the supply chain and actions taken	Audit Discoveries We consider remarks of "zero tolerance" and "immediate action" in our audits as well as an overall score of less than 60 to be "significant actual and potential negative impacts'' for purposes of GRI reporting. These outcomes will result in a failed audit.	66

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
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.	

Category: Social

Sub-category: Labor Practices and Decent Work

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
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	Due to our workforce reorganization, 2016 data is not comparable to 2015 data.	
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location	Attendance allowance, position allowance and housing allowance are paid to full-time staff. Although these allowances are not paid to dispatched contractors, these workers have comparatively increased hourly wages.	
	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, as per collective agreements.	

	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 Health and Safety Improvements at PCH in China 17% of our factory workforce (8% of global workforce)	46
	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	Worker Health and Safety Improvements at PCH in China We do not report absentee rate. First aid injuries are not included.	46
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Worker Health and Safety Improvements at PCH in China	46
Material Aspect: Training and Education	G4-DMA			
	G4-LA9	Average hours of training per year per employee by gender and by employee category	Career Enhancement Opportunities Information on training by gender not available	48
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	Gender and Diversity	52

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
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	
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	Grievances	56
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, forced or compulsory labor, and measures taken to contribute to the effective abolition of child labor	Audit Discoveries Supplier audits identify risk for incidents of child, forced or compulsory labor, and no suppliers failed audits in 2016.	66

	Indicator	Description	Location in Report/ Detail/Omission Explanation	Page
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.	
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 2016.	

	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	Our Diverse Customer Base No formal customer surveys were carried out in 2016.	28
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.	

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