

Developing Partnerships Delivering Peace of Mind

2017 Sustainability Report



Welcome

PCH is guided by the principle of transparency and accountability. Operating sustainably is key to the peace of mind we provide our customers.

To deliver the best products and customer experience in a sustainable way, we must build strong and mutually beneficial relationships with suppliers and customers, as well as educate our people. Our future success depends on embedding sustainability into our business and demonstrating the benefits to our stakeholders.

Because we are experts in developing, making and delivering sophisticated and innovative products, we can inform and influence our customers about where sustainability is most possible in the supply chain.

We choose to openly share our sustainability goals, findings, progress and indeed, our shortcomings. 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 2017. In addition to informing our stakeholders about our practices, this report helps us measure against our sustainability goals and anticipate challenges to our business that may arise. It also helps guide the strategic direction of the company.

PCH is a privately held company with headquarters in Cork, Ireland, and Innovation Hubs in San Francisco and Shenzhen, China.



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Message from Liam Casey

Sustainability Vision and Strategy

Our Purpose

Developing Partnerships, Delivering Peace of Mind

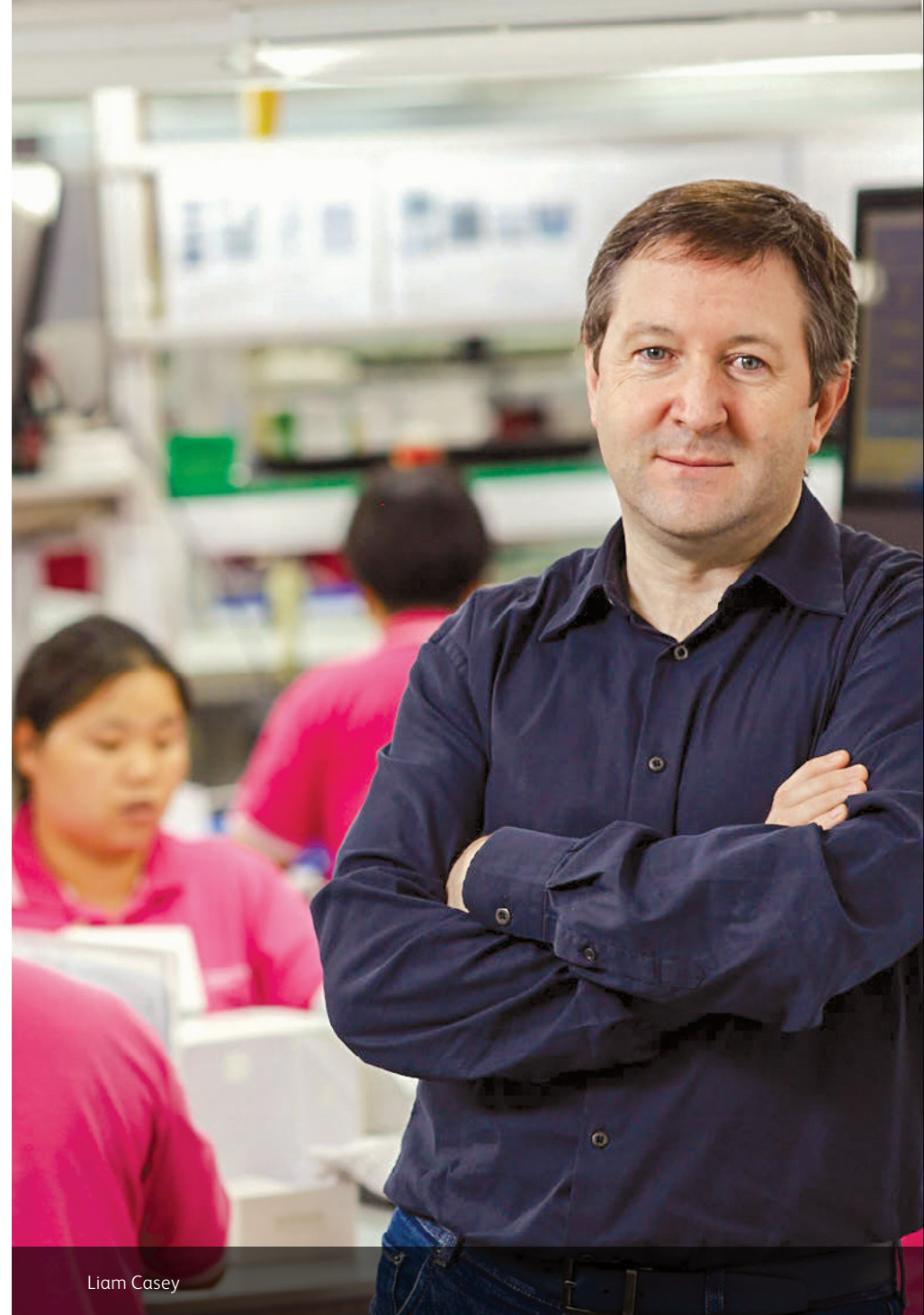
Message from Liam Casey

Chief Executive Officer

2017 marked another milestone year for PCH. We continued to partner with some of the world's best global brands – from Fortune 500 companies to innovative startups – to help them bring the next generation of sophisticated, design-led products to market.

PCH returned to revenue growth in 2017. This was a result of completing strategic initiatives to diversify our customer portfolio and to focus on profitable growth. Today we are a stronger, more efficient, more agile and sustainable company, poised for long-term profitable growth.

While supporting seasoned technology companies and hardware startups, we also grew our customer portfolio of large global brands and medium-sized businesses and expanded our reach geographically. Many companies in industries such as beauty, health and agriculture, are new to hardware and are responding to changes in consumer demand.



Liam Casey

In 2017, PCH successfully completed the merger of our engineering teams in San Francisco and Shenzhen, China and consolidated branding under the PCH name. These changes enhance our seamless work across our global operations. In late 2017, we decided to relocate our hardware accelerator, Highway1, to Shenzhen. This allows us to support more advanced startups that are ready to expand production. We are pleased to report that about a third of our Highway1 startups are working to solve social or environmental problems.

In recent years, changes in the global business environment have brought about increased investment in product development and innovation. Companies we partner with are driving new investments to stay ahead of the curve in technology, consumer preferences, regulatory requirements and markets. We expect this trend to accelerate in the coming years supported by U.S. corporate tax relief and incentives to invest in innovation.

Our operations continue to evolve to stay ahead of key business and technology trends. Our expertise across the entire product journey differentiates us and our solutions. Many of our customers utilize our seamless platform, while others choose custom solutions at different phases of the product journey. Our services range from product development, to new product introduction, to mass production, supply chain management and logistics (see page 15). We are partnering with customers in consumer electronics, consumer health and wellness, fashion, beauty, entertainment, transportation and more. Our customers choose PCH for our expertise and our focus on accelerated time-to-market, quality and sustainability — the hallmarks of our business.

“Sustainability is a deeply held commitment at PCH and part of the peace of mind we provide our partners. We believe it is not only the right thing to do, but the right thing for our business.”

– Liam Casey

In terms of our operations in China, where we have been for over 21 years, we have more than 1,000 valued suppliers in our network that we utilize when selecting the right manufacturing partner for our clients. We are located within the Futian Free Trade Zone in Shenzhen, a key location for our manufacturing, pack out, fulfillment and distribution services to global markets. We help our customers understand and comply with complex regulations and laws pertaining to the assembly and export of finished goods, and we expect that the demand for this expertise will grow in the coming years.

Sustainability remains a deeply held commitment at PCH and part of the peace of mind we offer our partners. We believe operating sustainably is not only the right thing to do, but the right thing for our business. We integrate sustainability in all areas and at all levels of our organization. We are proud of our strong, measurable record in sustainability as told in this and other annual reports.

We aspire to lead the industry in sustainability. To do this, we collaborate with our customers and suppliers on continuous improvements. We are a trusted partner who works to influence our customers' sustainability solutions and helps them deliver on their brand promise. Because of our commitment to sustainability, we can make a difference, and we relish the opportunity.

Thank you for your interest in our 2017 Report.

Liam Casey
Chief Executive Officer

2017 Trends Across Our Business

- > Changes in U.S. corporate tax rate (both the 21% flat tax rate and lowered tax on repatriated foreign earnings) will result in new investments in R&D and innovation
- > New U.S. tariffs on goods produced in China will add to supply chain complexity and put pressure on companies manufacturing in China
- > UK political uncertainty and supply chain disruption caused by Brexit
- > Growing hardware development opportunities among UK and other European companies
- > Growing importance of corporate partnerships to achieve competitive edge
- > Rapid technology changes putting pressure on supply chain models
- > Real-time data driving supply chain efficiency, transparency and reduced inventory
- > Growth of new industries entering the hardware market
- > Increased demand for high mix/low volume manufacturing solutions
- > Focus on sustainable manufacturing to reduce cost and optimize efficiency



Philippe Manoux

Sustainability Vision and Strategy

At PCH we are deeply committed to sustainability. Our key focus is looking after the people who work at PCH and with our suppliers. We place the utmost priority on their health, safety and well-being. Because our greatest sustainability challenges occur in China, where we and our suppliers have the greatest footprint, we focus many of our programs there.

Our Responsibility

We have the responsibility to protect and enhance the well-being of our employees (both people who work for us directly and at supplier factories), and to reduce our environmental footprint (emissions, energy and water). We are also responsible for helping our clients and suppliers make new products in the most environmentally and socially responsible manner. We seek to lead the industry by steadfastly observing and often exceeding industry standards when it comes to corporate social responsibility, health and safety, supplier qualification and audits and protecting the environment.

There are a variety of decisions our clients make that we can influence by discussing sustainability early in the product development process when it is most cost-effective to make changes. These decisions can involve: material selection, eco-friendly packaging, chemical management and replacement of harmful chemicals, inventory management (to reduce overproduction and waste) and product lifecycle management.

As a company, we seek to reduce our CO2 emissions, water consumption and energy use by tracking and monitoring these factors on a constant basis. This allows us to catch problems early and make corrections that reduce our environmental impact.

Our Strategy

We make sustainability our business because we believe it is the right way to do business and results in positive short- and long-term performance. We measure the economic, environmental and social impact of our business and set yearly goals. Our strategy falls into three main categories that will be discussed in this report: 1) People, 2) Suppliers and 3) Products.

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

Diversity

Health and safety



Supply Network

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

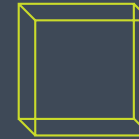
Focus areas

Chemical and safety management

Energy management

Supplier qualification and development

Waste minimization



Products

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

Focus areas

Chemicals

Materials

Manufacturing processes

Sustainable product and packaging design

End of life

PCH in 2017

Global workforce

(at Dec. 31, 2017)



516

Percentage of workforce in China

75%



Engineers globally

125

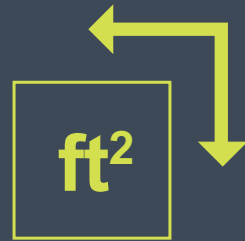


Organizational changes

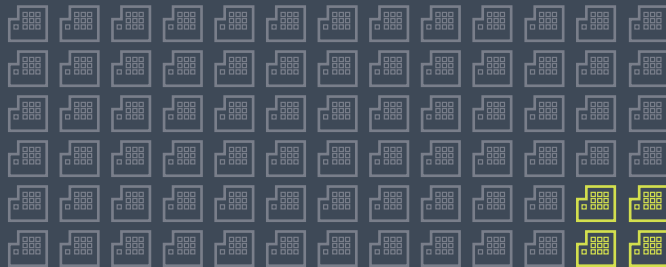
Consolidated
San Francisco
and Shenzhen
engineering teams

Announced Highway1
hardware accelerator
move to China

Size of operations
419,118 sq ft



Total Highway1 companies



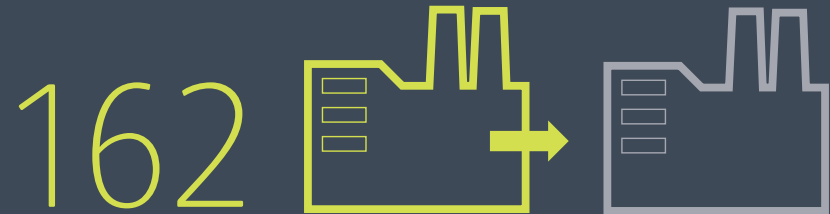
78

Total between 2013-2017

4

in 2017

Suppliers transacted with globally



Suppliers in our network



Units shipped





Kong Xiaoling and Qiu Haiyan

What We Do

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The PCH
Platform

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Inventory
Management

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PCH Flo:
Tracking in
Real Time

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Our Customer
Base

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Highway1

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About PCH

PCH helps companies innovate and deliver new products to market on time and on budget. We have unparalleled experience and expertise in taking products from concept to market including product development, new product introduction, mass production, supply chain management and logistics.

Our company goals are to:

1. Continue to be a world-class innovator and leader in product development, new product introduction, post production and supply chain management.
2. Provide superior customer service and deliver peace of mind to all our customers.
3. Stay focused on results and retain our can-do attitude.
4. Remain a special, progressive and rewarding place to work.
5. Increase diversity within our employee base.
6. Operate profitably and sustainably.

What We Do

PCH is an industry leader in bringing premium products to market globally. We identify and reduce risk for our customers, providing a smooth path to market. Our expertise spans the entire product lifecycle from development to production to supply chain management to logistics. We continually strive to keep time-to-market, quality and sustainability at the forefront of all our solutions.

Companies seek out PCH at all stages of the product realization lifecycle. Many of our clients are new to hardware and therefore value our transparent and collaborative culture in addition to our deep experience bringing products to market efficiently. Additionally, many of our clients are creating innovative products (products that have never been realized before) and come to PCH because we are uniquely able to develop specialized solutions to meet their needs.

Like us, our customers are passionate about design, brand and the consumer experience. At PCH, we always keep these values top-of-mind. When engaged early, we work with our clients, and many times their industrial design partners, to explore, define, architect and prototype solutions that are optimized for manufacturing, post production services and the end-user, out-of-the-box experience.

“We continually evaluate our best practices to help lead the industry in sustainability.”

– Alan Cuddihy, country manager, Greater China

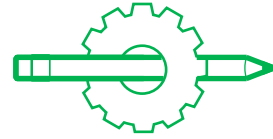
The PCH Platform



The PCH Platform: Taking Products from Concept to Consumer

Because we work with our partners at the earliest stages of product development, PCH can identify sustainability opportunities and risks early. At this time, sustainability opportunities are best understood, optimized and resolved with the least impact to product development and manufacturing.

Integrating sustainable practices into design engineering, manufacturing and supply network management is key to distinguishing PCH in the marketplace. 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 of the way.



Phase I: Product Development Define, Explore, Architect, Prototype

In the development phase, we scope engineering and material cost estimates to bring products from the concept phase to prototypes designed and ready for manufacturing.

We follow a rigorous product development process that increases speed-to-market and reduces risk for our clients. Our team includes 125 developers spanning a wide range of disciplines including: mechanical, system architecture (electrical, firmware and software), manufacturing integration and packaging engineers, as well as system integrators and program managers, among other experts.

At the define stage we review the project objectives, value proposition and use case and develop a development strategy, resource plan and statement of work (SOW). We identify high-risk product features and hard constraints.

At the explore phase we look at the competitive landscape and market-leading products to develop the product requirements, feature set and approach. We evaluate alternative solutions with our clients and present our recommendation. We explore high-risk product features and develop prototypes to demonstrate the product performance and associated cost drivers. Next we assess the minimal mechanical envelope rationale, create mock-ups and deliver the initial product requirement definition (PRD). 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 with our clients, such as material selection and efficient eco-friendly packaging. Changes can be made most cost-effectively at this stage of product development.

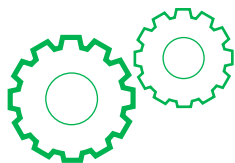
At the architect stage our goal is to conceive a completely feasible product solution with considerations for every feature and to optimize for sustainability. We have a thorough understanding of high-risk elements and begin work streams to address these. We build numerous consecutive integrated prototypes, or "builds," to evaluate solutions in the lab. The goal is to demonstrate that the design meets all the product performance specifications. We collect data through testing

to drive the best decision-making to move forward. We build fully featured and operable prototypes (that include electrical, mechanical and firmware solutions) and test these both in the lab and with users.

At this time we detail all components, sub-assemblies and assembly steps required for production. We deliver the preliminary estimate of an initial bill of materials (BOM) and the cost of goods (COGS) assessment. We identify suitable suppliers, tooling requirements and we configure the supply chain before moving to the manufacturing phase. The final assembly process is refined over successive builds (EVT-PVT) to optimize for cost, quality and yield in the final saleable product. Minor design adjustments are made as reliability testing and failure analyses reveal opportunities for improvement.

“PCH partners with companies that have unique product development requirements and require speed to market, high quality, cost-effectiveness, personalization and specialized supply chains.”

– Andre Yousefi, country manager, USA



Phase II: New Product Introduction Manufacturing Validation, Ramp/Scale

PCH refines the manufacturing process to optimize for cost improvements, quality requirements, reliability and volume and scalability. We confirm capacity, cycle time and line yield. We make final tweaks and set up necessary quality control check points.

Capital investment is required at the manufacturing stage to pay for custom tooling, to procure components and to develop the manufacturing assembly line. However, the risk to our customers is reduced because of the rigor PCH provides in the product development phase.

As we transfer from development to manufacturing, we follow a process that includes Engineering Validation and Testing (EVT), Design Validation and Testing (DVT) and Production Validation and Testing (PVT). Each phase addresses manageable steps to ensure the transfer from engineering to manufacturing is smooth and the product is delivered as designed.

“PCH collects, measures and analyzes manufacturing cycle time, throughput, capacity utilization, yield, supplier quality and other key manufacturing metrics, and delivers this information to our partners to optimize business growth.”

– Sean O Herlihy, director program management

EVT is the first pilot run, or the production design performed in a prototype assembly by the operators, engineers and technicians assigned to the project.

During the DVT phase, the production line design is close to final production. We test and finalize fixture and assembly procedures. The working instructions and quality control plans are finalized.

In PVT, we establish review processes for factories, suppliers and distribution. We integrate packaging and labels and manage and optimize the supply chain. In addition, PCH secures all regulatory certifications.

Our capabilities include: supplier technical analysis, regulatory and compliance management, design for manufacturing (DFM), tooling, industrial engineering, procurement, capacity management, material utilization, supply chain management, quality control, planning, continuous improvement and end-of-life planning.



Phase III: Mass Production, Supply Chain Management and Logistics

PCH offers a variety of services including pack out, fulfillment (B2C and B2B), customization, personalization, inventory management and logistics. We are able to get products from China to 90% of all customers in the world within three days of order.

Pack Out, Fulfillment

PCH operates facilities for pack out and fulfillment – the final production phase before products are shipped.

During pack out, individual items – which are separate or related products included in one order – are grouped and packaged into one unit for shipping. These units can be destined to an individual customer (B2C), or to a retailer or geographic market (B2B). During B2C pack out, for example, a customer may order a product and related accessories that will be sent together in one customized package. This package is assembled at the PCH facilities within the Futian Free Trade Zone. Items are also packed out for specific geographic markets, i.e., a hardware product destined for the UK will have unique branding, power adapter, and instructions in English. Our pack out system is capable of assembling orders on demand. This reduces potential inventory risk, waste and warehousing costs.

Fulfillment is the process of managing orders and the supply chain that supports them.

Fulfillment occurs when we receive a specific order and pack out products for this shipment. Products and their accessories are stored at PCH in China until orders are received via our online order and tracking system. Once the order is received, PCH customizes the order (pack out) and ships direct from our facilities.

PCH also offers postponement services that allow products to be modified just prior to shipment to the consumer. The product is held at the PCH facilities and assembled, packed out, customized and/or personalized with high-quality monogramming, etching and printing on demand. This not only reduces inventory risk, but enables our customers to design built-to-order experiences for their consumers around the world. Postponement optimizes our customers' supply chain by keeping the product at PCH until demand results in a shipment being created, customized, personalized, packed out and shipped.

Today's consumers demand affordable and quick shipping. PCH is fully automated (providing real-time tracking and order taking) and offers efficient shipping/logistics. PCH is located in the Futian Free Trade Zone and has experience and relationships with all major shipping companies. PCH is often relied upon to help our customers enter new markets fast to gain market share quickly, while reducing inventory risk.



PCH Partnership with L'Oréal

PCH collaborated with beauty industry leader L'Oréal to manufacture the first battery-free, wearable electronic UV sensor, *My Skin Track UV*. The cutting-edge product is a skin and sun safety sensor that helps people track their exposure to ultraviolet light, pollution, humidity and pollen.

L'Oréal challenged PCH to deliver a brand-new consumer product that could be produced at large-scale while ensuring performance, quality and usability. With a short timeline, PCH worked with L'Oréal and their industrial design partner – fuseproject – to transform a prototype into a fashionable UV sensor that could be attached to clothing, sunglasses and accessories.

My Skin Track UV is similar to L'Oréal's groundbreaking *My UV Patch*. PCH partnered with L'Oréal in 2016 to bring to market *My UV Patch*, the world's first wearable skin-sensor designed to measure UV exposure. The patch is a water-resistant, transparent adhesive that is half the thickness of a human hair. Both products required accurate, reliable and precise detection of UV exposure, high-volume manufacturing capability and a highly favorable consumer experience.

After initial prototyping, beta testing and feasibility studies, the PCH team determined the product required changes in the design and use case. Our ability to prototype in-house gave L'Oréal the opportunity to provide daily feedback, which led to rapid product builds and testing.

Our integrated team structure meant that the manufacturing team was involved from the beginning to incorporate design for assembly (DFA) and design for manufacturing (DFM). This collaborative effort enabled us to transition quickly from design to manufacturing. PCH led the engineering technical feasibility, sensor validation, protection architecture, industrialization and packaging support, among other areas.

Marketed under L'Oréal's skincare brand, La Roche-Posay®, the battery-free *My Skin Track UV* is activated by the sun and powered by the user's smartphone. The sensor is designed to help consumers make healthy, real-time choices using wearable technology that easily integrates into their daily routines.



“Our partners, like L'Oréal, value our commitment to sustainability, and our ability to deliver new products to market quickly, reliably and cost-effectively.”

– Antoine Messenger, global account director

Inventory Management

PCH has unparalleled skill in inventory management, real-time tracking and delivering a unique out-of-the-box customer experience that may involve personalization, customization and packaging. When inventory is well-managed and tracked, the right product is in the right market at the right time to maximize sales.

PCH combines our automated real-time inventory management system with our (just-in-time) manufacturing, postponement,

pack out, fulfillment and logistics platform to provide our customers the maximum flexibility when it comes to ordering and reordering product to meet the demands of global markets. Based on real-time data, our customers oversee their inventory on hand, as well as inventory in their channels. This gives our customers control over the amount of product produced, when best to reorder, and which markets to send product to.

PCH manufactures products on demand, increasing efficiency and reducing waste by eliminating unnecessary production. We move products fast and efficiently at our Shenzhen operations located in the Futian Free Trade Zone, where we have six loading bays with daily outgoing orders.

When it comes to reducing cost and waste, other key considerations are product packaging, pallet packing, postponement, transportation dynamics and right sizing. PCH manages these factors to reduce costs, lower waste and increase efficiency. All of this while protecting the product and delivering a delightful customer experience.

“Supply chain management based on real-time data is critical to optimize operations. The more days of inventory in the channel, the more potential risk for overproduction and waste.”

– Liam Casey, CEO

PCH's professional pack out services, have contributed to the success of numerous Fortune 500 companies and startups. Our postponement model allows our partners to design and produce a built-to-order personalized experience for customers around the world. Customization optimizes efficiency throughout the production process, reduces supplier cost and inventory waste, and removes complexity in forecasting and planning.

We operate multiple production lines at our pack out facility to improve efficiency and account for fluctuating demand. Our 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 additional 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-the-box audits



Shen Xiulan

Unique add-on services provided by PCH

- > **Packaging development:** PCH develops product packaging to ensure quality handling during shipment, maximum efficiency, lowest cost, minimal sustainability impact and the best out-of-the-box customer experience.
- > **Software loading, firmware refreshing and device pairing:** Software/firmware device loading delivers improved supply chain efficiencies and limits Internet Protocol exposure.
- > **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.
- > **Personalization 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, emissions 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, trained team responsible for dangerous goods handling.

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.



Xiang Danghong and Chen Chuanyun

PCH Flo: Tracking in Real Time

Inventory management is key to running a healthy business. PCH provides complete visibility into our customers' inventory on hand, orders and product in the channel. PCH has a proprietary application – PCH Flo – to help our customers better manage daily business with real-time data. Our customers have complete supply chain visibility, including real-time order and shipping status traceability. As soon as an order is placed, the details are printed on packaging labels in Shenzhen and the status of the package is logged. In addition, PCH is integrated with over 10 carrier systems, providing maximum insight and flexibility.

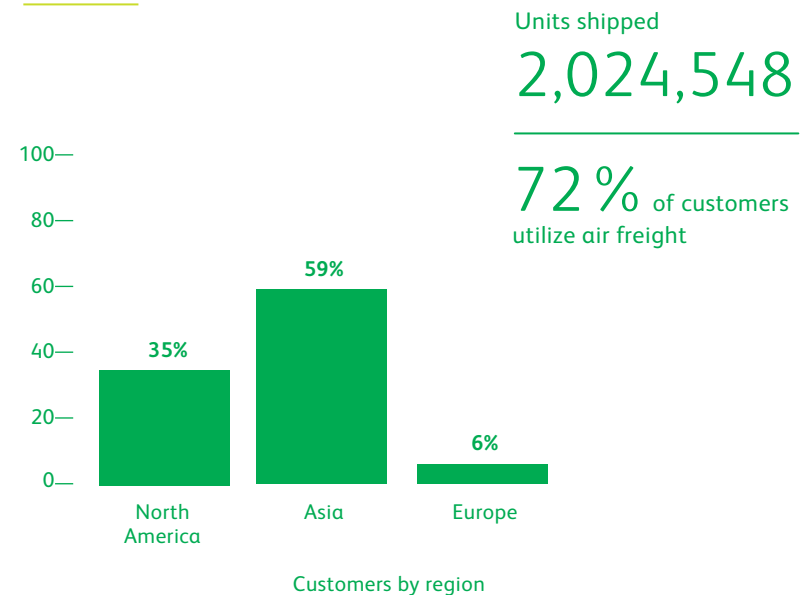
“Our systems ensure that our customers always have the right product in the right place at the right time.”

– Wayne Ford, global director of software development

PCH customers have access anytime/anywhere to real-time end-to-end traceability for every product that PCH touches. PCH Flo's second-by-second data includes information on delivery orders, purchase orders, inventory management, production schedules, finance, demand forecast, report generation and product catalogues. 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.

Where we Ship (2017)





Vinesh Narayan, Bessie Liu, Larry Huang, Jessie He

Our Customer Base

PCH's commitment to sustainability is an important factor that differentiates us in the marketplace. Our customers come from a variety of sectors including medical/health, beauty, transportation, consumer electronics, soft goods, entertainment, Ag-Tech, among others. We develop, manufacture and fulfill hardware and soft goods for the consumer and enterprise markets. We work with global Fortune 500 brands as well as mid-sized and startup companies. Our customers are our partners with whom we seek to develop long-term, trusted and collaborative relationships. For our partners, we are a trusted resource that enables them to deliver new product introductions more rapidly, cost-effectively and sustainably, while upholding the highest standards of quality.

Customer Satisfaction

Keeping our customers satisfied is central to our success, and we continually strive for quality and service improvements. While we informally discuss satisfaction levels with our customers and suppliers on a project basis regularly, we also do broader surveys to determine the satisfaction level of our clients, and what we can be doing better.

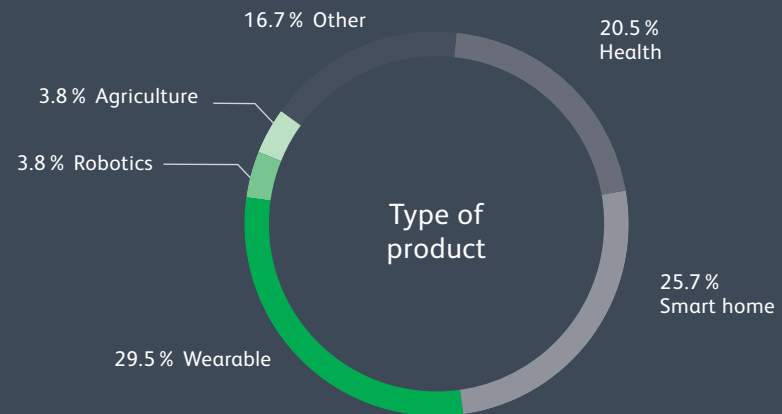
Highway1 Moving to China

At the end of 2017, PCH decided to relocate Highway1, our hardware accelerator program founded in 2013, to the PCH Innovation Hub in Shenzhen.

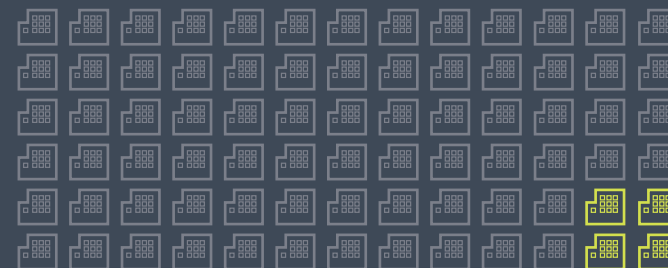
Widely viewed as one of the premier hardware accelerators in the world, Highway1 is attracting startups that are more advanced in their development than earlier cohorts. Startups that already have products in market and seek to scale production are best suited to take advantage of PCH's unique platform.

Four startups, with products in the wearable, smart home, health and agriculture industries, were selected for the 2017 cohort. Half of the companies were from the U.S. and the other half from Canada.

Highway1 2013-2017



Number of companies



78

Total between 2013-2017

4
in 2017



Alex Ko and Bino Consunji

Engineering Services: Rebranded and Consolidated

The PCH engineering division, formerly known as PCH Lime Lab, was rebranded under the PCH name. Located in San Francisco and Shenzhen, the product development engineering team works with global brands, medium-sized companies, startups and industrial design firms to define, explore, architect and prototype products, while always keeping design for manufacturing (DFM) at the forefront. Teams include mechanical, electrical, software, manufacturing, integration, product management and test engineers who work side by side with PCH's manufacturing engineering team. Working as one company we provide an integrated platform and accelerate new product introductions.



Where We
Operate

Sustainability
Initiatives

PCH
Operations
in China

Our
Environmental
Impact

PCH
Operations in
San Francisco

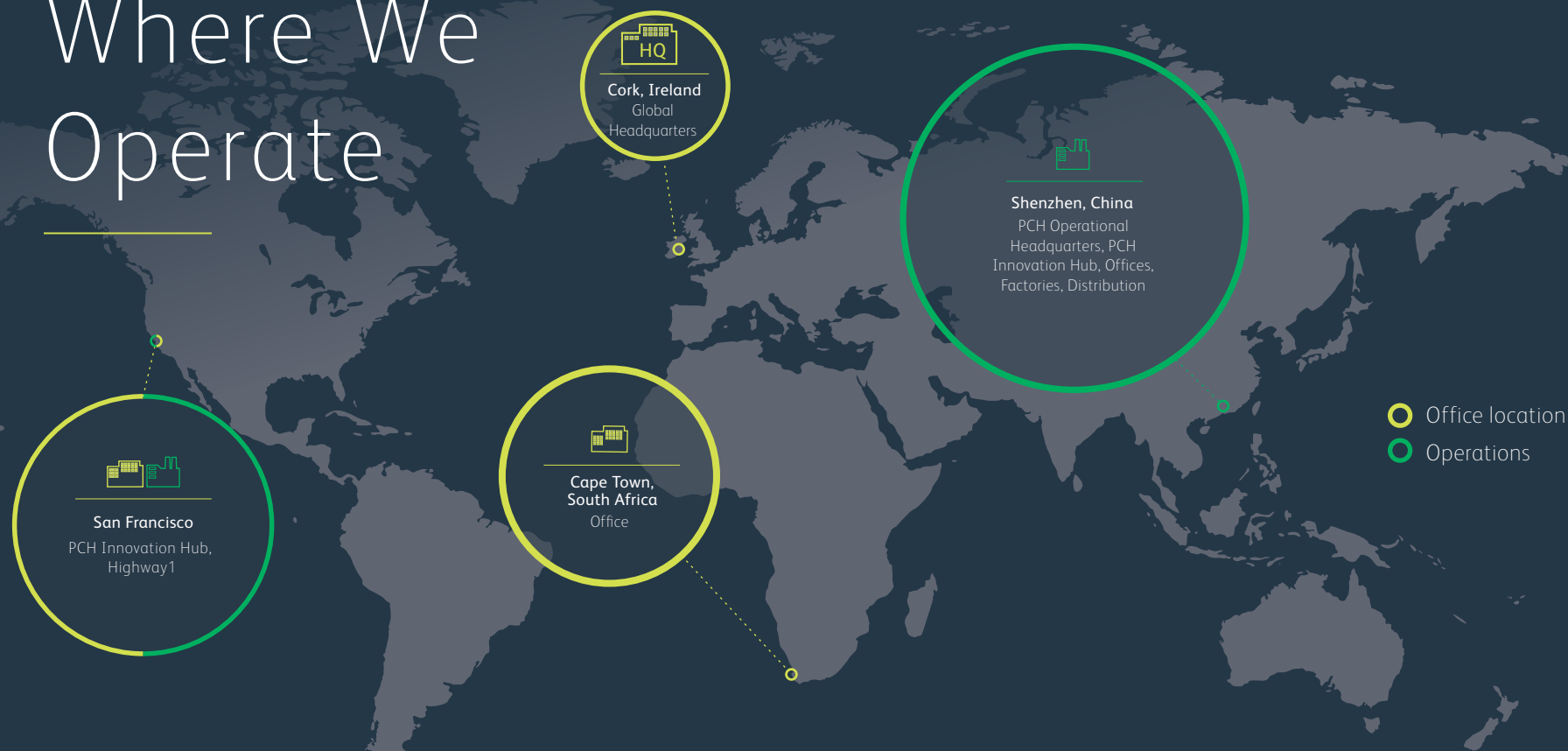
Operations

PCH became a stronger, more efficient and more sustainable company in 2017.

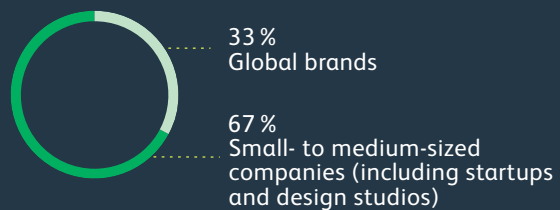
We consolidated our Shenzhen facilities into a single campus in the Futian Free Trade Zone. This change provided numerous benefits to our company, customers, workers, supply base and the environment.

We also rebranded and consolidated our engineering division under the PCH name. Our improved operations enable greater collaboration and communications. Our employees 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 has also reduced energy use, emissions and our environmental footprint.

Where We Operate



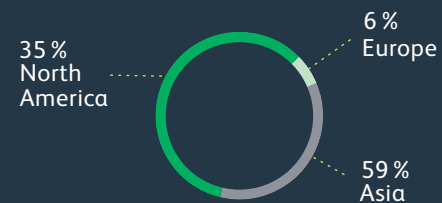
Who we work with



Sectors



Markets served (by shipments delivered)



PCH Operations in China

PCH has our Operational Headquarters in Shenzhen, China. From this key location in the Futian Free Trade Zone, PCH provides development, manufacturing and post production services for product categories, including: FDA-approved medical devices; IoT hardware; consumer electronics; soft goods; beauty products; accessories and other goods.

In addition, PCH has corporate offices and research and development operations in China.

The PCH Innovation Hub has over 290,600 square feet devoted to pack out and fulfillment as well as six container bays, where we ship product daily around the world. Our location in the Free Trade Zone allows our customers to benefit from favorable labor rates, without paying duty to export finished goods to the global market.

PCH packs out hundreds of thousands of units per day and ships B2B (parcel and bulk shipments) and B2C direct from China. Direct shipping and real-time tracking increases inventory efficiency and reduces waste. We run two employee shifts daily, six days a week, and are able to expand production lines depending on demand. For our employees, we have a well-stocked library, relaxation areas and a new cafeteria that serves lunch daily.



Yu Jiayao

PCH Operations in San Francisco

In 2012, PCH opened the PCH Innovation Hub in San Francisco to serve global clients, many of whom are in Silicon Valley or who come to the San Francisco Bay Area seeking innovative partners. With over 35,000 square feet of office and lab space, our Hub houses a state-of-the-art prototyping lab, soft goods lab, team of engineers (mechanical, firmware, electrical and packaging), program managers, business development and support operations.

State-of-the-art prototyping lab

Our prototyping labs (machine shop, electrical engineering, wet lab, soft goods, packaging, 3D rapid prototyping and testing) allow us to work efficiently and iteratively with our clients (and their industrial design teams) to reduce time-to-market, enable efficiencies and mitigate technical risk. At kick-off, our team reviews the product objectives, timelines, constraints, business case, desired user experience, feature set and design intent. They explore feature set variations, research comparable products, design, solutions digitally using state-of-the-art software for the mechanical, electrical and firmware components. We integrate and refine the product by building working units (design validation units or DVUs), subsystem models, conducting tests, developing schematic and layout designs and early packaging concepts. Our team in San Francisco always designs with manufacturing requirements in mind, and we work closely with our manufacturing team in China to develop initial tooling plans, to source components for pilot builds and to design the ideal supply chain.



Shen Xiulan and He Meiying

Sustainability Initiatives

Water reduction

24%

in PCH operations in China

“Monitoring and tracking equipment helps us identify energy waste early and make corrections promptly that reduce costs and save resources.”

– Ula Wang, facilities engineering manager

Most of our sustainability impact occurs in China, where our supplier partners have the greatest environmental footprint. Consolidating our facilities into a single campus in Shenzhen allows us to conserve resources and operate more efficiently. In 2017, PCH developed an online energy management dashboard to track energy use across our facilities.

Conserving Water

As a result of consolidating facilities in 2016, we saw a dramatic reduction in water use. Water use at our China operations went from 11,608 tons in 2016 to 8,903 tons in 2017, a decrease of almost 24 percent.

While we saw an increase in greenhouse gas (GHG) emissions and electricity use, these were a result of increased operations.

Electricity increased to 920,347 kWh in 2017, compared to 847,302 kWh in 2016.

Greenhouse gas (GHG) emissions increased from 778 metric tons in 2016 to 1,390 metric tons of CO₂ in 2017.

Employees Generate Sustainability Initiatives

In 2017, PCH in China implemented paperless operations recommended by employees. The program was tested in the production facilities to monitor paper and ink usage reductions, create better document control and increase productivity.

With this program, once a document is approved our document control center scans it and keeps the original on file. The scanned copy is added to the shared drive and disseminated as a digital file, as needed. As a result, once a document is approved for distribution, each department, including quality control, production, warehouse operations, planning and sourcing, sees it via a log list and can reference it when needed.

New Dashboard Tracks Energy at PCH in China

PCH created a software dashboard in 2017 to monitor ongoing energy use across our facilities in China. As part of this program, 43 energy meters were installed on nine floors. These units monitor energy usage, including HVAC, ovens, air compressors, power, sockets and overhead lighting.

This has allowed our facility and sustainability teams to track energy consumption accurately to every 15 minutes, floor by floor. Because of this new tracking tool, we can determine when and where energy consumption is high and rapidly initiate energy reduction protocols.

Our Environmental Impact¹ 2017

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.

349,956 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 is used for heating and hot water.

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

Other

Three buildings²

One office each in Cape Town, South Africa; Cork, Ireland; Hong Kong

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).

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

2. Environmental data is unavailable for our Cork, Hong Kong and Cape Town offices. We expect to include these locations in our measurements in 2018.

Resource use³ 2017

Electricity use

1,467,196 kWh global total

U.S.
546,849 kWh

China
920,347 kWh



Water use

10,610 tons
global total

U.S.
1,003 tons

China
9,607 tons



Greenhouse gas (GHG) emissions

29 metric tons of CO₂

U.S.
29 metric tons CO₂

China
0 metric tons CO₂



Gas use

29,410 therms
U.S.



Waste produced⁴

69,237 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
1,498 lbs. (2 %)

U.S.
1,115 lbs. (74 %)
China
383 lbs. (26 %)

Hazardous waste produced in China:

Waste water mixed with lubricant oil: **0 kgs.**

Waste lubricant oil: **25 kgs.**

Light tubes: **10 kgs.**

Hazardous chemical container: **30.5 kgs.**

Used batteries: **0.5kgs**

Waste organic solvent: **107kgs.**

Cloth mixed with solvent: **0.5 kgs.**

3. 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.

4. 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 are disposed of according to our clients' wishes using licensed operators.



Liu Feiyue, Ming Jiarui, Peng Yuhui

About Our
People

Diversity

Worker Health
and Safety at
PCH in China

Overtime

Grievances

Career
Enhancement
Opportunities

Developing
and Engaging
Our People

People

The safety and well-being of the people who work for PCH directly and indirectly (through suppliers) is our greatest priority. Our Corporate Social Responsibility focuses on: health and safety training, mentorship, education, social and cultural activities and open communications. We support a variety of communications channels – town hall meetings, one-on-one meetings, management open-door policy, a telephone hotline and WeChat instant messaging. These vehicles 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 results in positive relationships. Individuals and teams are empowered and encouraged to help improve workplace safety, among other areas of possible improvement. Most importantly, we promote an open culture where employees feel comfortable talking to managers about opportunities as well as concerns.

About Our People



516
Total workforce

Employee gender

42%
Female employees

58%
Male employees

33%
Female senior leadership

Region	Employees		Supervised workers ⁵	Total workforce	% of total workforce
	Operators	Office staff			
U.S.	0	86	12	98	19.0%
China	189	189	8	386	74.8%
Ireland	0	13	2	15	2.9%
South Africa	0	8	0	8	1.6%
India	0	9	0	9	1.7%
Total	189	305	22	516	100%

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



Lu Mulan, Liu Xuejiao, Li Yongmei | LiuXiangyu and Pi Guanhui

Worker Health and Safety at PCH in China

We continue to promote safety within the work environment and safe work practices. In addition to providing relevant safety training to our employees, PCH regularly reviews and monitors our health and safety management systems to comply with current requirements.

In China, PCH 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.

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.

“We are proud of our strong record in employee safety. Ensuring safety is our highest priority. We focus on prevention, education and training. We continually monitor our initiatives to identify improvements.”

– Christie Ma, director of HR

Training + Awareness = Results

Educating employees is the key to enhancing workplace health and safety. Training and open communications empower our workforce 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 2017, one PCH employee was injured when she missed a step walking downstairs. Her injury was minor and she missed three days of work.

PCH in China health and safety data	2015	2016	2017
Injuries	1	0	1
Fatalities /occupational diseases	0	0	0
Lost days	76	0	3

19% of our factory workforce
participates in the Health and Safety Committee



Si Guixiang

Career Enhancement Opportunities

Mentorships and Classes Motivate Employees

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

We encourage our employees to grow through career development programs. In 2017, our staff participated in a variety of training and development sessions such as:

- > One hundred and sixty-nine participants were provided 1,945 hours of training on customer service, office software, management skills, technical skills, labor law and Social and Environmental Responsibility. Sixty-six new hires were provided new hire orientation.
- > Factory workers attended over 3,559 hours of training, including CSR/EHS/AEO/ISO as well as courses on health and safety.
- > Factory workforce engagement programs were offered via the Little Bird programs.
- > PCH project managers attended project management training.
- > PCH Supply Base Management Team attended supply chain management training.

“PCH thrives when our employees are engaged. For each employee, this may mean something different – they feel empowered, motivated, challenged, valued, balanced. Our goal is to provide the support employees need to feel invested in their work and to love what they do.”

– Jessica Karlberg, HR and recruiting manager



Ryan Scribner, Courtney Cavanaugh, Peter Barschall, Jessica Karlberg, Gan Manikandan

Developing and Engaging Our People

We advocate 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.

Little Bird Partnership

PCH values our long-term partnership with Little Bird, an independent, non-governmental organization. We continue 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. The hotline is confidential and anonymous. 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.

After the transition to PCH's new base of operations in Shenzhen, a library and learning lab were set up on the 10th floor next to the cafeteria area. Here workers have the opportunity to read books, play chess, drink tea and relax, among other activities. Little Bird representatives and members of the sustainability team are available on site to provide guidance to the workers

“We value our people and recognize that they are our greatest asset as a company. We encourage employees to continue to grow professionally throughout their career at PCH, and we provide a variety of development opportunities.”

– Christie Ma, director of HR



Pierre Gaillard

Diversity

“We continue to strive to improve gender equality across the business and at the senior leadership level and we are proud of the progress we are making.”

– Liam Casey, CEO

Having a company culture that values diversity is particularly important at PCH because we have a diverse employee base, as well as a global customer base. We believe respect for diversity is good for business and the right thing to do. We also place great emphasis on gender equality because women are often underrepresented in the hardware and technology sectors. In 2017, 33.3 percent of the PCH senior leadership team was female, up from 30.7 percent in 2016. Also in 2017, 44.8 percent of the senior management roles were held by women, a significant increase from 27.5 percent in 2016.

Employee category by gender and age	M	F	<30	30-50	>50
Senior leadership	66.7%	33.3%	0.0%	66.7%	33.3%
Senior management	55.2%	44.8%	3.5%	96.6%	0.0%
Middle management	60.9%	39.1%	4.3%	91.3%	4.4%
Individual contributor	68.6%	31.4%	17.7%	72.6%	9.7%
Factory staff	28.3%	71.8%	26.2%	73.3%	0.5%

**39.1% of middle management
and 44.8% of senior management are women**



Peter Yu and Claudia Cenicerros

Overtime

A standard work schedule at PCH, including China, is 40 hours over five days 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 per month, except in emergency or unusual situations.

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, and at PCH we share this view.

“Overtime is always voluntary, and workers are entitled to at least one day off per seven-day week.”

– Jason Yu, director of operations

Overtime	2013	2014	2015	2016	2017
Average workweek (hours)	53	51	52	44	49
Compliance with code of conduct ⁶	99%	99%	100%	91%	91%
Breaches of 60-hour workweek (number of weeks)	5	8	0	17	4
Average rest days per month	5	5	6	5	5
Breaches of one rest day per week	5	6	0	3	1

⁶Sudden increase in demand of products; we were unable to increase headcount quickly enough to meet demand for production. Any overtime was strictly voluntary.



Wu Li and Chen Yaofeng

Grievances

We expect there will always be some grievances reported by employees, and we see this as healthy because employees feel comfortable reporting issues. The most important solution to grievances is to have a mechanism to address these quickly, and for employees to know that their concerns are taken seriously. At PCH in China during 2017 and 2016, we saw a large drop in the number of grievances submitted. This reflects a reduction in our workforce and consolidation of factory space, engineering lab and other offices that occurred in 2016.

Employees reported 39 grievances in 2017, compared to 25 in 2016. Most of the grievances – 79.48 percent – were complaints about the food service, which was disrupted while transitioning to a new food supplier. Other grievances addressed factory management (10.26 percent), pay and welfare (5.13 percent) and miscellaneous (5.13 percent). Miscellaneous grievances include employee relationships, training, leave and personal issues.

“We believe in open and frequent communication. We have a variety of forums such as – town halls, all-hands, team meetings and one-on-ones. Employees can also use our confidential and anonymous formal and informal platforms to engage management.”

-- Christie Ma, head of HR in China

Grievance mechanisms

All of our grievance mechanisms comply with local laws and regulations and promote an atmosphere of open communication. 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 a formal grievance program so that factory workers know their concerns will be resolved in a fair and timely manner.

Open communication among employees drives continuous improvement. Much of the feedback we receive centers around suggestions for workplace improvement or clarification of local rules and regulations. The Little Bird partnership reinforces 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, 6 days a week. We operate four grievance systems for factory workers.

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

1. Direct contact with factory line-leaders, supervisors or managers.
2. Suggestion box – Employees can express their concerns or suggest improvements 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, 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/suggestions to factory 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 in 2012, this platform has become increasingly popular among our staff to express concerns/suggestions in the workplace and 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.



Chen Yilin and Xia Yajun

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 align interests, maximize opportunities and solve problems together. PCH views sustainability the same way we view 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.

Partnering with Our Suppliers

Strong and positive relationships with suppliers enable us to have greater influence across our supply network and to incorporate sustainable practices where we see opportunity. Our suppliers must sign our Supplier Code of Conduct agreement and comply with all applicable local laws and regulations.

In 2017, PCH transacted with 162 suppliers globally. This does not include suppliers that work with our engineering team in San Francisco. 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.

“Because we’ve operated in China for over 20 years, we have fostered trusted and long-term relationships. Our suppliers trust us to guide them on sustainability issues, guidelines, policies and practices. We continue to emphasize with them the importance of sustainability to the brands we work with.”

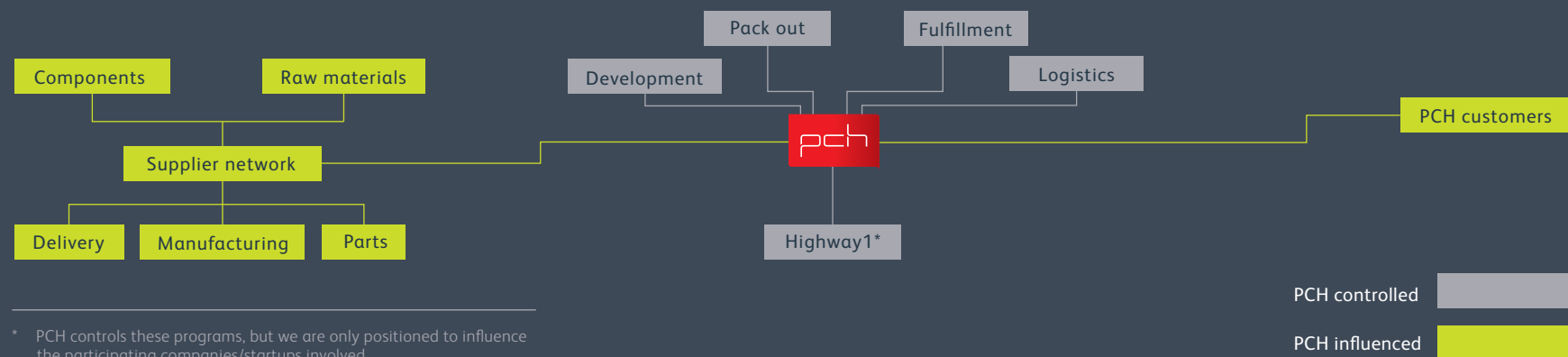
– Alan Cuddihy, country manager, Greater China

Five-step process to admit suppliers into our sustainability network:

1. The PCH Procurement Team or our customer identifies the supplier based on capabilities.
2. Initial supplier evaluation. 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.
3. The PCH Sustainability Team conducts a factory readiness assessment to determine if the supplier meets PCH and/or our customer audit requirements.
4. 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.

The PCH Supply Network

To create products, multiple factories are often required. In turn, these factories utilize other factories to produce 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.



The supplier initial evaluation stage is designed to evaluate whether the supplier is likely to meet audit requirements. When it is clear the supplier will not pass an audit or be suitable for a given project, we are able to move quickly to other supplier opportunities. Suppliers are evaluated 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 eligible for a PCH audit.

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 our 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 Supplier Network

We follow industry best practices and consider the issues of social, environmental, health and safety impact and business risk when determining which suppliers to audit. Audits set a baseline; they cover quality, sustainability and chemical management practices. We cannot audit every 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.

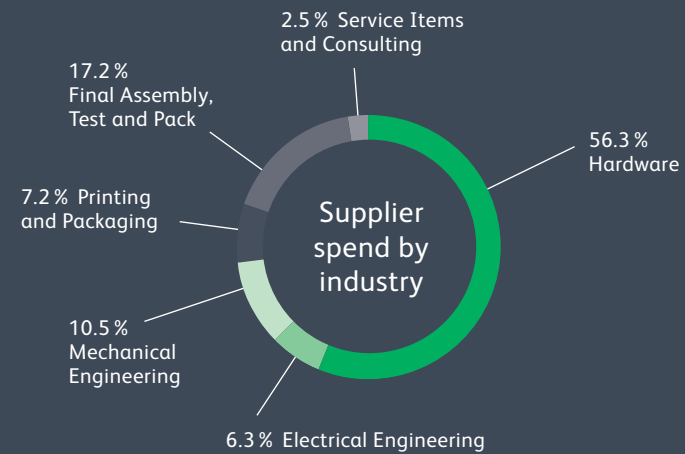


Yang Yinping, Wang Hongguo, He Xiaohua

Suppliers PCH Transacted with in 2017



1,000+
Number of suppliers
in our network



* Excludes PCH suppliers in North America.

^ Excludes suppliers in China.

Our Supplier Audits

Audits are conducted in PCH-selected factories only.



Standard compliance
programs

38 suppliers audited
0 suppliers failed

525

Hours on Employee Health and Safety (EHS)
assessment and staff training

Audit Discoveries

In one of our supplier audits in 2017, members of the PCH Environmental Health and Safety team identified three workers who had worked 66 hours in a week. This violates PCH and industry standards of no more than 60 hours per week including overtime. We made sure that this supplier was aware of the policy, our standards and, most importantly, the rights of these and other workers. This supplier took action to improve its overtime controls, and PCH will continue to monitor the progress in future audits.

In another supplier audit, our sustainability team identified air compressor equipment that didn't have the correct registration certificate. This was a safety violation. As a result of our audit, the supplier secured the necessary certificate. PCH will continue to monitor this supplier for compliance with industry standards.

PCH has a zero-tolerance policy towards child labor in our own or 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 38 audits (including existing and new suppliers) conducted in 2017 included a check for child labor and prevention systems as well as factory floor spot checks. The audits showed no incidents of child labor.

“We have a zero-tolerance child labor policy. We check for child labor during our audit process and conduct spot checks on suppliers we audit. There were no incidents of child labor during 2017 audits.”

– Larry Huang, director of quality



Sunny Zhu, Alan Cuddihy, Celine Zhai

Health and Safety in Supplier Facilities

One of our greatest challenges is the health and safety of workers in our supplier network. We place great emphasis on making sure health and safety come first. It is the right thing to do, and we recognize that quality products and services are dependent on strong worker morale, which comes from a sense of well-being.

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 the highest standards regarding health and safety. We integrate EHS procedures early and make all necessary changes before production lines are up and running.”

– Jason Yu, operations director

Pre-startup Safety Review

For high-risk safety situations, we conduct pre-startup safety reviews covering eight key areas: general safety, life safety, chemical management, occupational health, machine safety, electrical safety, environment management and emergency response. During the review process, engineering, production, program management and the Employee Health and Safety (EHS) teams get involved. By involving all project teams at an early stage, we ensure that everyone is aware of our safety standards and criteria. This early awareness and full team support minimizes accidents and improves overall safety. For other projects that are not high risk for safety issues, our EHS team evaluates all projects at the beginning (including supplier qualification on CSR issues) on how any risk will be managed.

Pre-production Safety Considerations

The best way to engage suppliers on EHS management is by starting at the process design stage, early in each project. Before production begins, we assess health, safety and environmental factors to identify and prevent EHS risk.

Within our own facilities, PCH also evaluates safety considerations and industry guidelines before each project begins. In 2017, for example, our sustainability team identified one project that needed to change a process involving silk printing. The initial proposal was to carry out the project within our facility. The PCH team reviewed the proposal and found it would be difficult to complete the process correctly and safely at that particular time. Therefore, PCH engaged a qualified supplier to fulfill this job for our client.



Lian Junpei



Wang Qi

Lifecycle
Analysis

Our Policy
on Conflict
Minerals

Managing
Chemicals
Safely

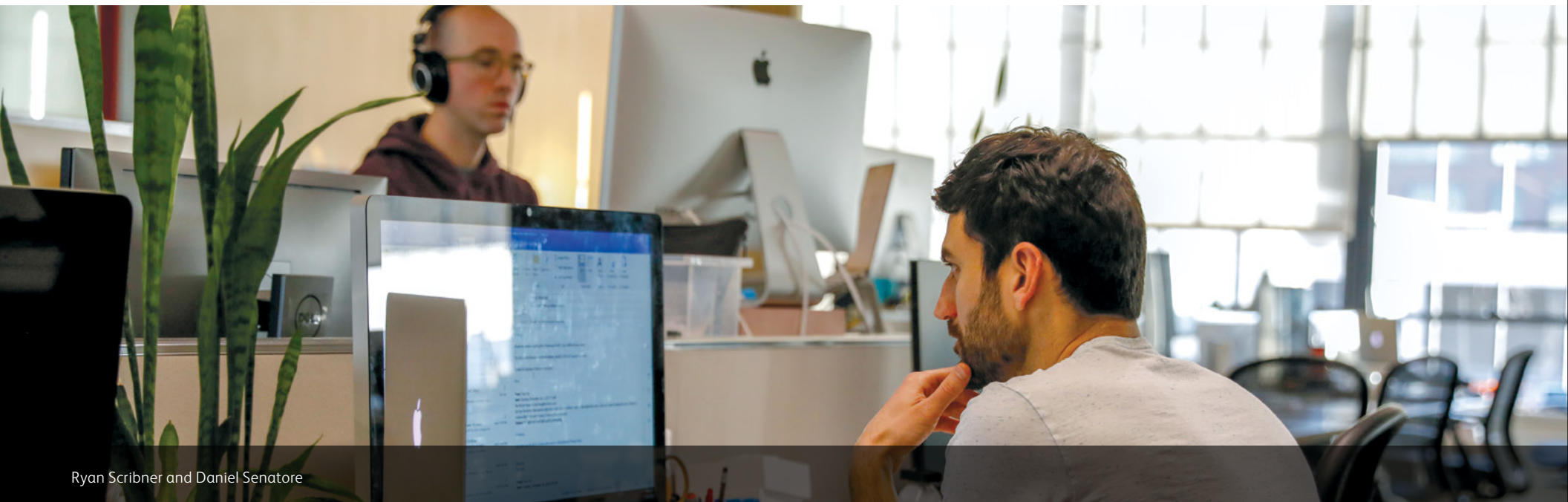
Product

Product sustainability addresses materials, chemicals, conflict minerals, packaging, shipping, inventory management and lifecycle analysis. 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.

Lifecycle Analysis

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.



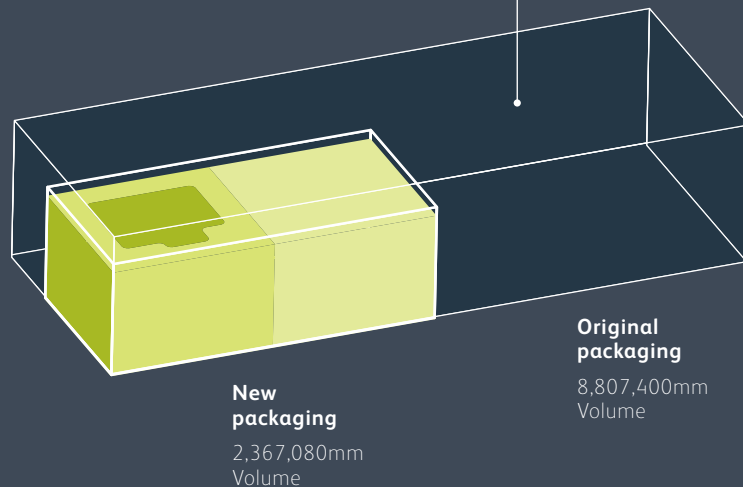
Ryan Scribner and Daniel Senatore



Graham Hough and Kevin Hernandez

Smarter, Sustainable Packaging

372 %
Volume reduction
compared to the old packaging



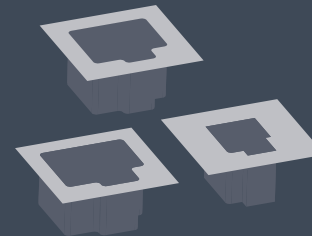
In 2017, a leading consumer electronic company challenged PCH to redesign its packaging system used for refurbished or warrantied products. Our design team was tasked with developing a completely new, efficient, customer-friendly and sustainable packaging system.

Our customer's existing one-size-fits-all approach utilized overpacked and poorly protected cardboard boxes. For end users, the packaging potentially diminished the perceived quality of the product. The company required new packaging that would:

1. Have a high visual impact
2. Offer an enhanced consumer out-of-the-box experience
3. Accommodate numerous products of different shapes, sizes and weights, and
4. Be made from sustainable materials

Product Tray

Three interchangeable options that are dependant on the product.



Accessory Box

Keeps accessories organized and tidy.



The PCH team designed several sample prototypes, and each concept underwent three rounds of revisions to determine optimum fit, design and structure. During testing and quality assurance, sample prototypes underwent drop tests, vibration testing and temperature/humidity tests.

The final design involved a two-tier packaging system that included an interior and exterior component in one carton. The design team kept the exterior box dimensions the same but created custom-fit packaging tray inserts to accommodate each model. The exterior

package was made from double-wall corrugated cardboard, while the internal components were made from recycled light-weight plastic to support different product weights.

PCH finished the project within budget and in record time. The new system is easier to assemble, and the shared packaging components significantly reduced manufacturing costs. PCH now manages the production of the packaging system, adapting the design as needed as the electronics company's product range expands.

Sustainable Packaging Design

	Old design	New design	Unit	Percentage change
Size	466x180x105mm	236x118x85mm	Millimeters	
Volume	8,807,400mm ³	2,367,080mm ³	Millimeters cubed (mm ³)/unit	-73.12%
Cost of packaging	USD \$2	USD \$1.6	USD\$/unit (per purchase of 10,000 units)	-20%
Cost of Shipping	USD \$36.08	USD \$27.65	USD\$/pc from China to UK	-23.36%
Fossil fuel consumption	~25MJ	~2MJ	Mega joules (MJ)	-92%
GHG emissions	~.95kg CO ₂ e	~0.15kg CO ₂ e	Greenhouse gas kg of CO ₂ e equivalent	-84.2%



Ryan Francis

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.

Anti-Corruption and Business Ethics

PCH has clear and consistent guidelines around Anti-Corruption and Business Ethics. Our procedures are documented for all employees and mandate a Code of Conduct (CoC) for all supply partners, which includes guidelines that are in accordance with RBA (Responsible Business Alliance) and CoC standards, and reflect our commitment to anti-corruption:

- > Business Integrity
- > No Improper Advantage
- > Disclosure of Information
- > Intellectual Property
- > Fair Business, Advertising and Competition
- > Protection of Identity and Non-Retaliation
- > Prevention of use of Conflict Minerals
- > Privacy



Managing Chemicals Safely

Proper chemical use within PCH facilities and our supplier factories is a health and safety priority. Careful use and monitoring of chemicals is critical, and we spend considerable effort and resources to identify and manage chemicals. In addition, our customers are increasingly interested in monitoring the chemicals that are being used in their products. To date, over 1,300 chemicals have been mapped and documented by the PCH Sustainability Team.

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.

Testing for Hazardous Substances

We work with our customers to ensure that the chemicals used in their products are compliant with chemical directives and regulations. We also help our clients with chemical testing and the preparation of the required chemical compliance documentation, which is necessary for product registration and customs clearance

“Careful selection, handling and monitoring of chemicals is critical to sustainability, and we expend considerable effort and resources to identify and manage chemicals properly.”

– Sunny Zhu, sustainability program manager

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 (according to guidelines) 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 and enforcing protocols. Some suppliers, particularly sub-tier, are cautious about disclosing the chemicals they use. For this reason, we endeavor to provide training on safe chemical management.



Luo Yanlan



Grace Liu and Craig Berrigan

Materiality
Matrix

How We
Communicate
with
Stakeholders

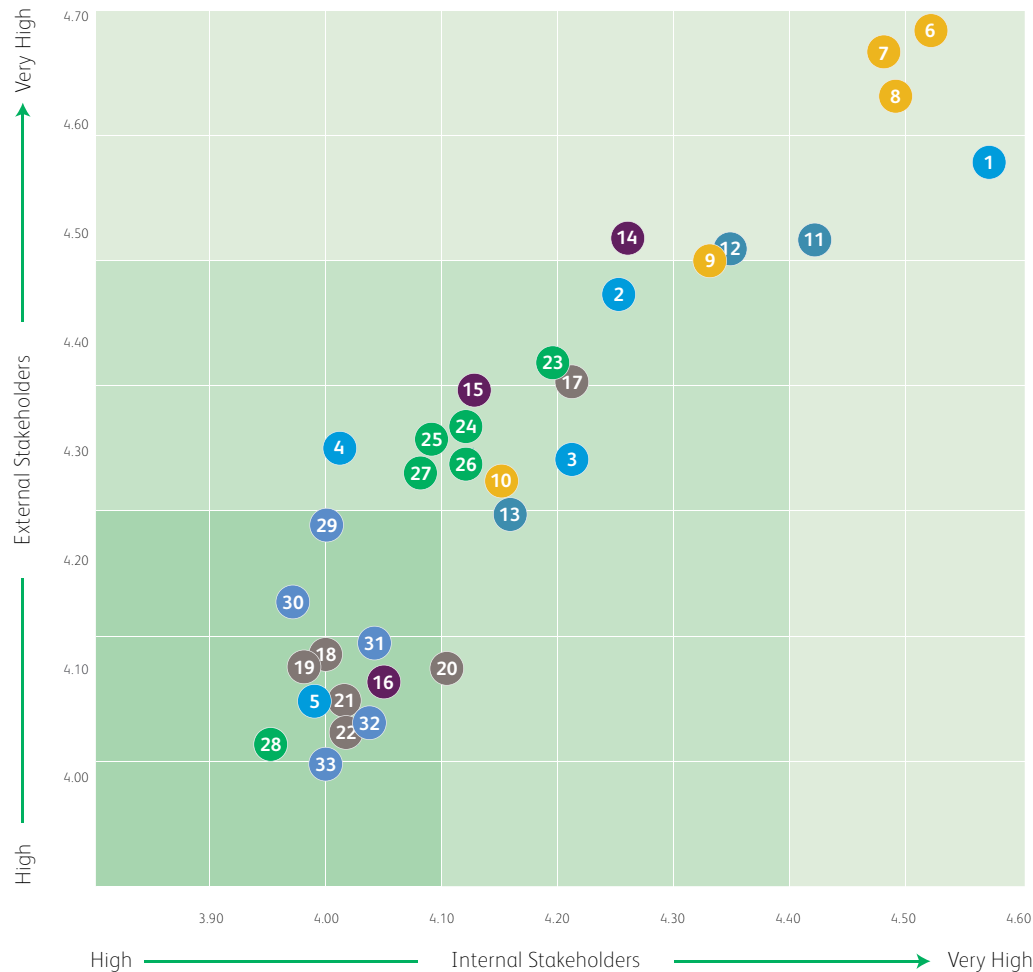
Sustainability
Governance

Materiality and Stakeholder Engagement

We conducted a formal materiality study and stakeholder analysis in 2015. We found that our materiality study and stakeholder analysis is still widely valid for 2017; 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 and in setting priorities. 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.	●		●	●			●					●						



Line 6

Time	Defect count	Defect rate	Defect rate	Defect rate
10:00	0	64	5	
11:00	0	96	8	
12:00	0	160	13	
13:00	0	32	2	
14:00				
15:00				
16:00				

Kong Xiaoling, Qiu Haiyan and Chen Qiuxia

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 factories have a Sustainability Committee with Labor, EHS and Ethics subcommittees.
- > Individual offices champion CSR initiatives across the organization, including volunteering, diversity, internships and charitable giving.
- > Our suppliers are expected to adhere to our [Supplier Code of Conduct](#).



Amichai Amar

Our Sustainability Progress in 2017




2018 Sustainability Goals




Looking Ahead

We work in a dynamic industry that requires shorter production cycles, increased factory sophistication and greater demand for personalized products. Non-tech industries such as fashion, beauty and entertainment are entering the hardware market. We will continue to expand our profitable growth opportunities by focusing on product development, specialized manufacturing, fulfillment and supply chain management.

As end consumers ask more questions about the origin of products, PCH seeks to lead the industry in product transparency and product lifecycle considerations.

Our Sustainability Progress in 2017

 More to do
  Ongoing
  Complete

Status	2017 Goals	Update	2018 Goals
	Continue Long-Term Sustainability Goals that support our business, and improve and differentiate our service offering.	Further integrated sustainability factors into daily business operations (package design, supplier selection, etc.).	Assessment of current sustainability structure within PCH and identify how modifications can help achieve longer term goals.
	Develop Materials Library that is practical, cost-effective and available for integration.	Materials Library has focused on packaging in 2018.	Expand to include more product materials and the removal of single-use plastics as a near-term focus.
	Global Grievance Mechanism that ensures integrity, impartiality.	Implemented in PCH's facilities in China.	Rollout initiative across all PCH locations.
	Increase engagement with industry leaders, learn from best practices where possible.	Engaged with sustainability leaders in new industries including apparel and consumer products.	Develop corporate partnership with sustainability bodies in additional industries; develop roadmap for future collaboration.
	Restricted Substance List (RSL) that is useful, adaptable and feasible for client usage.	Currently helping clients develop RSL, specific to products.	RSL standardized and applied across all projects.
	NGO partnerships that improve business operations, adds value to PCH and its clients.	In China, PCH engaged in NGO cross-industry forums focused on issues related to migrant workers.	Explore possible transition from NGO to social enterprise partnerships to help prepare for scale to meet long-term goals.
	Sustainability Governance at Consigned Suppliers.	Continued to assess and develop consigned supplier capability for specific clients to improve capacity and standards.	All consigned suppliers meet AVL standard.

2018 Sustainability Goals



Continue to enhance long-term sustainability goals for the Company.



Continue to develop Materials Library, encouraging clients to choose less harmful chemicals/materials/processes.



Implement global grievance mechanism as part of our Employee Guidelines.



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



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



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



Assess sustainability issues for supply base consigned by our clients.



Li Juanli

Our Reporting
Guidelines

Information
in this Report

Glossary
of Terms

GRI Index

About This Report

This is our sixth annual Sustainability Report and covers the year 2017 at PCH. Our 2012 - 2016 Reports can be accessed on our [website](#).

Our 2017 Report covers all PCH business units and entities. This 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) Sustainability Reporting Guidelines. This Report has been prepared in accordance with the GRI Standards: Core option.

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 December 31, 2017, unless stated otherwise.

Information in this Report

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.

BOM: Bill of Materials. A list of raw materials, subassemblies, intermediate assemblies, subcomponents, parts and the quantities of each required to manufacture a product.

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).

COGS : Cost of Goods Sold is the direct costs attributed to the production of the goods sold.

Corporate staff: All non-operator (non-factory) employees who work in PCH offices.

CQM: Client Quality Manager.

CSR: Corporate Social Responsibility.

Customer: A customer of PCH.

Customization: The process of creating a unique order for an individual customer, market, region or retailer.

DFA: Design for Assembly is a process by which products are designed for efficiency and ease of assembly.

DFT: Design for Testing.

DFM: Design for Manufacturing is the engineering practice of designing products so they are easy to manufacture.

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

DVT: Design Validation Test.

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.

EVT: Engineering Validation Test.

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 employees who work in factory offices.

FDA: U.S. Food and Drug Administration.

Fulfillment: The process of preparing and delivering a customer order.

IoT: Internet of things is the network of devices, vehicles and home appliances which use technology to connect, interact and exchange data.

IP: Intellectual property.

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

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

NPI: New Product Introduction is a phase in manufacturing when processes are refined and validated through pilot builds and capabilities studies to capture issues early and resolve these.

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.

Pack out: The final step (often including packaging and labeling) before shipment to customer.

Personalization: The process of creating a unique product utilizing such methods as monogramming, etching and printing.

PM: Program Manager.

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.

PRD: Product Requirements Document.

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

Prototype: An early sample, model, build or release of a product created to test product features and design concept before investing time and money in production.

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

PVT: Production Validation Test.

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

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

SBM: Supply Based Management.

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.

SOW: Statement of Work defines the specific services (work activities and deliverables) that a contractor is expected to perform.

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.

GRI Index

PCH follows the GRI Standards, an internationally recognized framework for disclosing economic, environmental and social performance. Our previous reports followed the GRI G4 guidelines. This report has been prepared in accordance with the GRI Standards: Core option.



Dominic Baldizan and Jessica Karlberg

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	102-10	Significant changes	N/A	
	102-11	Precautionary Principle	N/A	
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	102-50	Reporting period	Calendar year 2017 unless otherwise noted	90
	102-51	Date of most recent report	December 2017	90
	102-52	Reporting cycle	Annual	90
	102-53	Contact point for questions	Alan Cuddihy, country manager, Greater China, sustainability@pchintl.com	
	102-54	GRI in accordance option	Core	90
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	102-56	External assurance	N/A	
Specific Standard Disclosures				
Economic				
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Emissions	305-2	Indirect (Scope 2) GHG emissions	Environmental Impact	38
Waste	306-2	Waste by type and disposal	Environmental Impact	38
Environmental Compliance	307-1	Non-Compliance with environmental laws and regulations	We have never been fined or had any incidents of non-compliance with regulations or laws in the jurisdictions in which we operate.	83
Social				
Labor/ Management Relations	402-1	Minimum notice periods for operational changes	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.	54
Occupational Health and Safety	403-1	Occupational health and safety management system	Worker Health and Safety at PCH in China	44
	403-9	Work-related injuries	Worker Health and Safety at PCH in China	44
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Marketing and Labeling	417-1	Requirements for product information and labeling	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.	22



Nicci Cazares



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