



Pace Micro Technology plc
→ **Environmental Report**
2002

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1

Summary

- **Environmental Management Systems (EMS)**

Pace has implemented its environmental policy and achieved certification to the international management standard ISO14001 at its Saltaire site. The Environmental Policy can be seen in the main body of the Environmental Report.

- **Report**

Pace commissioned its first independent Environmental Report, prepared by consultants Scott Wilson Kirkpatrick & Co Ltd.

- **Product Environmental Performance**

Pace is a partner in the Energy Star programme established by the United States Environmental Protection Agency which sets strict performance criteria for Set-Top Boxes. Of the 36 'non-prototype' Set-Top Boxes developed last year, 21 (58%) were designed in accordance with the Energy Star performance criteria and 8 (22%) now carry the Energy Star label. Details of the Energy Star performance criteria can be seen at <http://www.energystar.gov>.

Pace is also signatory to the European Code of Conduct on Energy Efficiency of Digital TV Service Systems and is committed to making reasonable efforts to ensure that its Set-Top Boxes are designed to minimise energy consumption. These and other commitments of Pace under the Code of Conduct can be seen at <http://energyefficiency.jrc.cec.eu.int>.

Pace has developed systems to monitor the proportion (by weight) of its product(s) that is recyclable. This is in line with the requirements of forthcoming EU legislation.

In order to keep in line with forthcoming legislation, Pace has established procedures to ensure that each product is checked for certain hazardous materials. Again, this is in line with forthcoming EU legislation.

Pace has implemented procedures to check that the packaging it specifies in the design process is recyclable.

- **Site Environmental Performance**

- **Energy and Resource Consumption**

Pace has established a baseline for its energy, water and paper consumption across its three UK sites. This has been carried out with a view to setting objectives and targets, and to implementing measures for reduction.

- **Air Emissions**

Using data gathered from its UK sites, together with transport information on flights and road travel, Pace has estimated its direct and indirect greenhouse gas emissions for the period (expressed as units of CO₂ equivalent).

- **Waste**

Due to the tenancy arrangements at Pace's UK premises, available data allows Pace to report on those waste streams that are not co-disposed with other tenants. Waste streams that are segregated for recycling or disposal have been calculated and reported.

- **Legal**

There are no breaches of UK legislation to report during the reporting period.

- **Supplier Environmental Performance**

Since re-organisation earlier in the reporting period, Pace has developed supplier assessment and approval procedures to evaluate the environmental performance of its suppliers and sub-contractors. Using the supplier assessment and approval process, Pace intends to influence its subcontractors and component vendors with the achievement of ISO14001. Specific targets have been set for sub-contractor sites and component vendors.

- **Corporate Initiatives/Memberships**

In 2001, Pace became a member of the Yorkshire Wildlife Trust (YWT), a registered charity established in 1946 to conserve and promote the diversity of local habitats. Pace contributes to the work of the YWT through donations and participation in fundraising events.

Pace participated in the Yorkshire and Humber 4th Regional Index of Environmental Engagement along with 120 of the region's largest companies. This scheme is administered by Business in the Community and ranks companies in terms of their environmental performance. In the 2002 index, Pace was ranked at 54th out of 120. This demonstrates a significant improvement over last year's results, when Pace was ranked 64th out of 87 participants.

The above presents a summary of environmental performance for the year 2001/02.

This is Pace Micro Technology's environmental performance report applicable to its activities and products in the UK for the period June 2001 to May 2002.

Pace specialises in the development of Set-Top Boxes that provide a gateway for the reception of digital television and the reception/transmission of interactive services, telephony and high-speed data. In the UK, Pace operates from three sites in Saltaire, Cambridge and Bracknell.

This report applies to the Set-Top Box development activities carried out at Pace's UK premises.

Environmental Policy

Pace Micro Technology plc (Pace) is a pioneer of digital technology for the home and has helped build the global market for pay-television services. Using this expertise, Pace is evolving the Set-Top box into a home gateway to enable sophisticated services for TV and the networked home. The company recognises that its day-to-day operations impact on the environment in ways that are both positive and negative. Pace is fully committed to minimising the pollution and harmful effects of such actions wherever practicable.

This commitment is demonstrated by implementing an Environmental Management System (EMS) aimed at achieving environmental best practice throughout its business activities.

To this end, Pace will:

- Comply with all relevant legislative and regulatory controls
- Minimise waste, maximise use of resources and prevent pollution in all parts of the business
- Identify environmental impacts and establish objectives and targets for improvement
- Review, monitor and improve the company's environmental performance
- Undertake audits of company activities against this policy in order to assess environmental improvement
- Communicate the policy as appropriate to customers, suppliers and the public both in the UK and world-wide
- Ensure all employees are made accountable for these policy goals through training in, and communication of, environmental issues throughout the company
- Encourage all employees to be proactive in the maintenance and continual improvement of the company's environmental management system

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Organisation and Environmental Management System

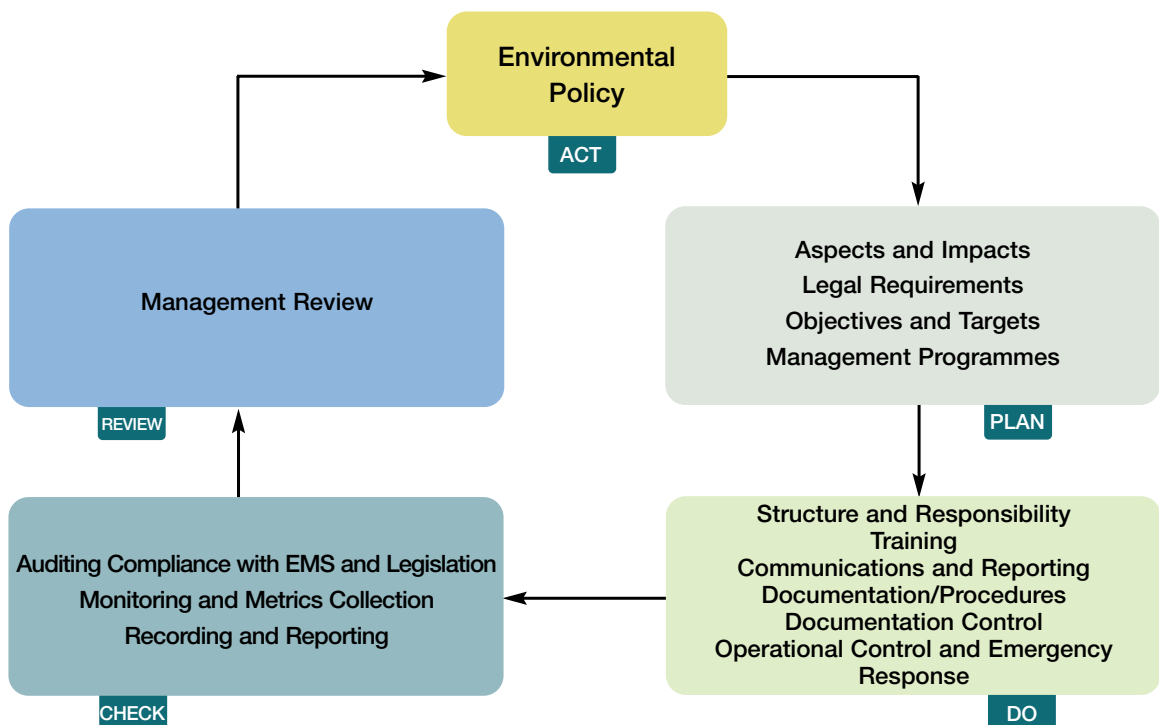
During 2001, Pace developed and implemented an environmental management system (EMS) at its Saltaire site to support the Company's environmental policy commitments. These commitments have been made because of the significant impact of the Company's activities on the environment. Against these commitments, objectives and targets have been set which enable the Company to measure progress.

Pace first implemented an EMS at the Saltaire site because (prior to re-organisation in May 2001) this is where product manufacturing was carried out. Saltaire is also where the majority of the significant 'direct' environmental impacts were originally generated (e.g. emissions of Volatile Organic Compounds from coating operations, use of solvent-based fluxes, bulk storage and use of toxic and hazardous chemicals (solvents and solders), generation of special wastes (e.g. solvents, solvent containers).

Since re-organisation in May 2001, all manufacturing has been carried out by sub-contractors in the UK and overseas. Whilst Pace no longer has direct control over the environmental effects associated with manufacturing, it recognises that this hasn't reduced the environmental impact and that it must also now focus attention on its sub-contractors, ensuring that they produce products applying the appropriate environmental controls. As a result of these impacts, Pace has devised environmental performance criteria that its contractors must adopt.

Pace EMS is based upon the international standard ISO14001 and is summarised as follows:

Pace Micro Technology's Environmental Management System (EMS)



The EMS is now certified to ISO14001, as verified by independent assessors of the British Standards Institute (BSI).

The scope of the EMS currently applies to the activities of Pace at its premises in Saltaire. However, it is intended that the EMS will be widened in scope to cover the other offices in the UK in the future.

PRODUCT ENVIRONMENTAL PERFORMANCE

Pace recognises that its activities have both direct and indirect effects on the environment and that not all the environmental impacts occur at product development sites. Indirect impacts are generated via the Set-Top Boxes that are developed and introduced to the market. These products have impacts via:

Energy – the energy they consume during operation by the end-user

Materials – the materials they are made from (e.g. plastics, metals)

Materials – the materials used in packaging (e.g. cardboard, plastic, polystyrene)

Potentially Harmful Air Emissions – Volatile Organic Compounds (VOCs) and Ozone from boxes and/or components

This section of the report addresses the environmental impacts of Pace Set-Top Boxes in the key areas of energy efficiency, product make-up, packaging and potentially harmful air emissions.

Energy Efficiency and Set-Top Boxes

Operation of the Set-Top Box consumes electricity. The primary emissions from the production of electricity from fossil fuels are carbon dioxide (CO₂), sulphur dioxide (SO₂) and oxides of nitrogen (NO_x) which collectively contribute to global warming, acidification and eutrophication of the aquatic environment.

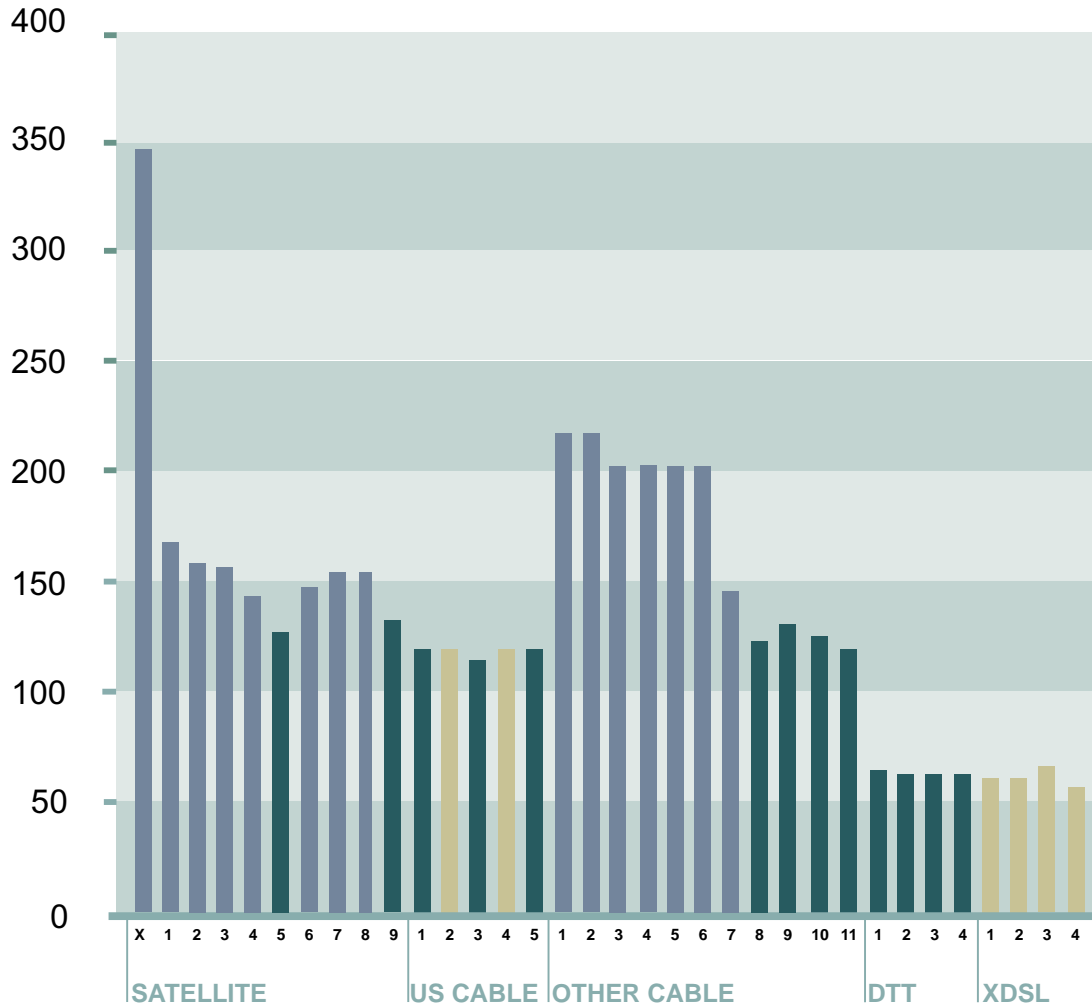
The amount of energy consumed by each Set-Top Box depends on many factors such as duration of use, software loading, network requirements, etc. These are aspects that Pace cannot control directly. Pace can, however, design the Set-Top Boxes to be as energy-efficient as possible whilst in use, whether in 'stand-by' or 'operational' mode.

During the period 2001/02, Pace devised and implemented audit procedures to ensure that energy-efficiency is considered in design. Each Set-Top Box is evaluated using these procedures to help achieve the highest possible energy-efficiency, given the various functional requirements of the box itself.

At Pace, each Set-Top Box is designed to be as efficient as possible during stand-by and operational modes. This, in turn, reduces the 'indirect' contribution to global warming, acidification and eutrophication via the products developed.

During the reporting period, Pace developed 57 new Set-Top Boxes, of which 21 were prototypes and 36 were developed for production, intended for supply to various customers around the world. These 36 models and their estimated annual individual energy consumption figures are reported in the graph below.

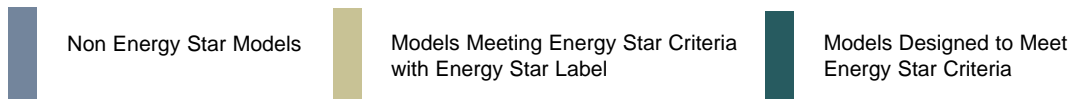
Estimated Energy Consumption in kWh per Year per Set-Top Box Model Produced During the Reporting Period



X = Satellite with HDD

Note: The higher the number the newer the product, e.g 1= old 11= new

The graph above only represents those models actually produced and supplied to the market place during the reporting period. Only 6 of the 8 Energy star labelled products developed by Pace are represented as two of these models had not been produced for supply to the market at the time of reporting.



A combined total of 1,817,363 of the above Set-Top Boxes were produced during the reporting period. Using available production figures and usage data¹, the total energy consumption from those Set-Top Boxes produced is estimated as 287,448,025 kWh/year. This equates to approximately 158 kWhr/year/Set-Top Box and an overall, average hourly consumption rate of 32,814 kWh for the total number of Set-Top Boxes produced during the reporting period.

1. Assumes daily usage of 4 hours on 'typical' operational mode and 20 hours 'stand-by' mode. Assumes each box produced is installed and used for one calendar year and that 'prototype' boxes are not produced for re-sale and typical use by the end-user.

Energy Star

Pace is a partner in the Energy Star Programme established by the United States Environmental Protection Agency, which sets strict performance criteria for Set-Top Boxes. As a partner, Pace is required to comply with Energy Star eligibility criteria and guidelines for the use of the Energy Star logo. These can be seen at <http://www.energystar.gov> and include:

- Details of qualifying products
- Specific energy-efficiency specifications for qualifying Set-Top Boxes
- Methods of measuring power consumption
- Future revisions to energy-efficiency specifications

Of the 36 Set-Top Boxes developed for production during the reporting period, 8 (22%) were Energy Star rated and now carry the Energy Star label (see graph above). Not all of Pace customers request Energy Star performance rated products. Some have network requirements that actually prevent the Set-Top Box from achieving the Energy Star criteria mentioned. Whatever the functional requirements of the Set-Top Box, however, Pace's design audit procedures ensure that energy-efficiency considerations are taken into account during product design, alongside other essential factors such as health and safety, software and network requirements. It is a design objective to ensure that all designs are as efficient as possible, within the constraints of the functional requirements of each product. This is demonstrated in that, although 8 Set-Top Boxes have the Energy Star Label, a further 13 (36%) have been designed that meet the criteria. Thus a total of 21 (58%) of those Set-Top Boxes developed for production during the reporting period met the Energy Star criteria, with 8 (22%) being officially rated under the Energy Star Programme.

By 31/01/03, Pace aims to ensure that all Set-Top Boxes destined for the US market are 100% compliant with Energy Star requirements.

EC Code of Conduct on Energy Efficiency of Digital TV Service Systems

In addition to the US Energy Star programme, Pace is also signatory to the European Commission's Code of Conduct on Energy Efficiency of Digital TV Service Systems. Under this code, Pace is committed to making all reasonable efforts to ensure that its Set-Top Boxes are designed to minimise energy consumption and achieve power consumption targets for new stand-alone products placed on the market after 01/01/03. These and other commitments can be seen at <http://energyefficiency.jrc.cec.eu.int> and include:

- General principles
- Targets for power consumption for stand-alone products
- Development and acceptance of Common Power Management Guidelines
- Co-operation with the EC and Member States in annual reviews of the Code of Conduct
- Ensuring procurement specifications comply with the Code of Conduct

During the reporting period, 3 of the Set-Top Boxes (DTR735 IM ITV DIGITAL, DTR735 PRE-PAID and DTR735 PP ITV DIGITAL) developed by Pace met the targets set out in the Code of Conduct.

It is Pace's aim that at least 50% of Set-Top Boxes developed for supply to the EU market will be compliant with this Code of Conduct by 31/01/03.

Product Make-up

Returning used materials back into the material cycle, rather than disposing of them as waste, is recognised by Pace as the preferred option. With efficient recycling of products and product components, the use of raw materials will be reduced and wastage minimised.

The majority of Set-Top Boxes are constructed of materials that are recyclable, namely:

- Metal (approximately 55%)
- Plastic (approximately 10%)
- Printed Circuit Boards (including components) (approximately 34%)
- Battery (approximately 1%)

Pace considers the recovery and recyclability as part of the Set-Top Box design process. To date, however, it has not developed monitoring systems for accurately calculating the recoverability and recyclability of the components that comprise the Set-Top Box.

Pace is to establish a system of monitoring the weight (%) of its products that are recyclable. This will help with developing its systems to comply with forthcoming European legislation as well as improve the amount of each product that is recovered and/or recycled.

Forthcoming legislation (i.e. the Waste Electronic and Electrical Equipment Directive) will place an onus on producers of electronic and electrical equipment to set up systems for the recovery, recycling and re-use of their product components. It also sets targets for producers to increase the rate of recovery, re-use and recycling of components within each electrical or electronic appliance.

To ensure that Pace is at the forefront of all decisions on the forthcoming legislation, it is an active member of the Industry Council for Electronic Equipment Recycling (ICER), established to assist companies with preparing for EC legislation affecting electronic and electrical equipment.

Product Hazardous Materials

Pace products are tested for their hazardous properties during design. Set-Top Boxes contain few hazardous materials, although one of the main known hazardous components is lead (used in the solder). Lead can be toxic in the environment and is associated with reducing life expectancy in humans, mental retardation and increased susceptibility to infections.

Additional forthcoming legislation on electrical and electronic equipment will prohibit the use of lead and other harmful substances in Set-Top Boxes. This legislation is due to come into effect in 2007. Industry-wide research is being carried out to identify a lead-free solder alternative.

Pace is keeping abreast of such research and is committed to adopting lead-free soldering processes in line with EU legislation.

Product Packaging

Whilst Pace is no longer directly involved in the packing, filling and selling-on of packaging materials, it recognises that it still has an 'indirect' responsibility in the packaging that it designs for its products.

Pace designs packaging for its products and uses design audit procedures to ensure that the packaging it specifies in the design process is recyclable. Pace's Set-Top Boxes are packaged in plastic bags, which are then inserted into cardboard boxes with cardboard inserts. These items are recyclable and clear information on the recommended disposal route is printed on their exterior to encourage recycling by the end-user. Operating manuals supplied with Pace's Set-Top Boxes are printed on paper.

As part of its continual improvement process, Pace aims to ensure that 50% of all its operating manuals are printed on environmentally friendly paper² by December 2002.

Although no longer directly engaged in the manufacturing of Set-Top Boxes, under the Packaging Waste Regulations, Pace still has a recycling and recovery obligation for the year 2002. This is because it is still responsible for the packaging materials handled between January and July 2001.

These obligations are to be met by the purchase of relevant Packaging Recovery Notes (PRNs).

2. 'Environmentally friendly' paper is defined as Total Chlorine Free and sourced from sustainably managed sources.

Potentially Harmful Product Air Emissions

Pace conducts audits of its products during their design to determine whether any potentially harmful air emissions are likely to be generated from the product.

During the reporting period, the design verification process identified no significant sources of air emissions from Set-Top Boxes or their packaging.

Pace continues to routinely check the design of its products for components or substances that may produce air emissions.

SITE ENVIRONMENTAL PERFORMANCE

As well as the impacts associated with the products developed by Pace, the direct environmental impacts are also considered important. This section of the report provides information on the direct environmental impacts of Pace’s activities.

Energy Consumption

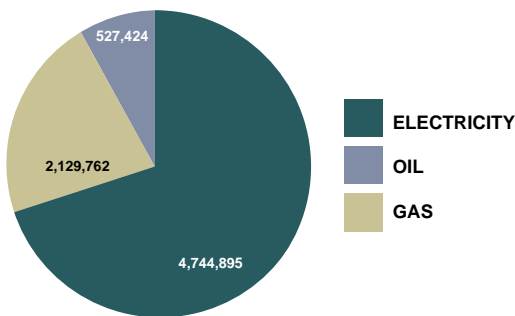
At Pace’s sites in the UK, electricity, gas and oil is used for heating, cooling and lighting, as well for powering electronic hardware (computers, photocopiers, fax machines, televisions, Set-Top Boxes and test equipment). Fuel is also used for the transport of staff and freight.

Pace has collected data on energy consumption³ in order to establish a baseline from which to achieve measurable reductions in energy consumption. The results of this exercise are presented in the graphs below.

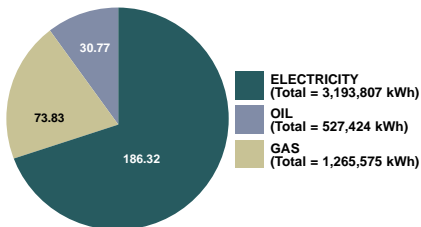
Pace is due to review its existing energy reduction objectives in view of the baseline information gathered during this reporting exercise.

It is planned that energy reduction will be achieved via a combination of improved information-gathering, awareness-raising in the offices, energy surveys and investments in energy-efficiency measures (e.g. improved temperature controls in Saltaire).

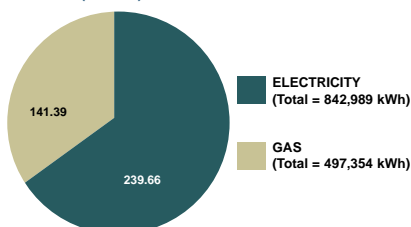
PACE UK ENERGY CONSUMPTION kWh BY DIRECT ENERGY SOURCE



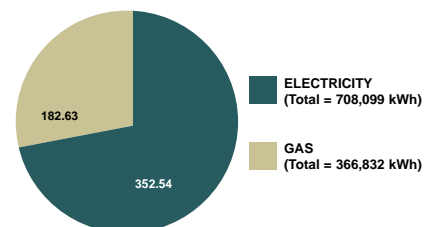
SALTAIRE ENERGY CONSUMPTION (kWh/m²) BY SOURCE



BRACKNELL ENERGY CONSUMPTION PER SITE (kWh/m²) - BY SOURCE



CAMBRIDGE ENERGY CONSUMPTION (kWh/m²) BY SOURCE



3. All electricity consumption figures are based on monthly meter readings at each site. Gas consumption is based on meter readings at Saltaire site only and is 'estimated' for Bracknell and Cambridge premises (using available utility bills). Gas consumption figures for Saltaire site assume approximately 10% is consumed by co-occupants. Oil is consumed at Saltaire only and consumption figures assume approximately 40% of site usage is by co-occupants.

During the reporting period, Pace consumed an estimated total of 7,402,080 kWh of energy at its UK premises. This equates to an annual average of approximately 327 kWh/m² of Treated Floor Area (TFA)⁴ occupied by Pace and 9,626 kWh per employee per year.⁵

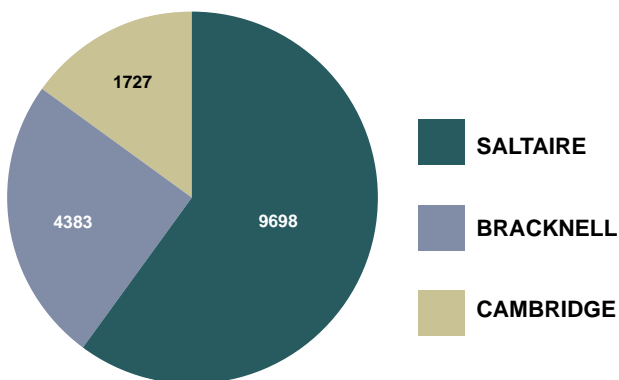
Pace is to review its objectives and targets relating to energy consumption following the establishment of a baseline for this report.

Water

In the UK, water is consumed mainly for hygiene, catering, cleaning and heating/cooling of the buildings.

Very little reliable metered-water data is available for Pace's UK sites, although water consumption figures were estimated using available meter readings from current⁶ and previous years, where available. Pace's estimated water consumption for the reporting period is as shown below:

WATER CONSUMPTION PER SITE (m³)



The estimated levels of water consumption presented above equate to an overall consumption of 20.56m³/employee/year. When compared to the benchmark set by the National Water Demand Centre for water consumption of 15m³/year/person⁷, Pace's consumption is higher.

During the reporting period, water management and conservation surveys were commissioned to identify possible areas for savings where refurbishments were planned. This included urinal controls, tap regulators and reduced-flush cisterns. The findings of this survey have been received by the Company and are being considered for implementation.

4. Treated Floor Area (TFA) is the Gross Floor Area, excluding plant rooms and other areas not heated, e.g. stores, covered car parks and roof spaces. This has been estimated as 17,142m² (Saltaire = 0.85 x Gross Floor Area), 3,517m² (Bracknell = 1.25 x Nett Floor Area (NFA) and 2,009m² (Cambridge = 0.9 x Gross Floor Area). Floor area for Saltaire has reduced during the reporting period and floor area is based upon the average of the three floor areas occupied during the year.

5. Total number of employees (769 as at May 2002) includes all full-time and part-time employees, but excludes temporary employees.

6. Current monthly meter readings were available for Saltaire and it is assumed that 10% is consumed by shared tenants. Bracknell previous available meter readings were on 02/01/01 and 27/12/01, which provided an indication of consumption for the base year 2001/02 of 4,383m³. Cambridge water consumption was estimated by calculating average consumption per employee for Saltaire and Bracknell sites and multiplying by the number of staff on site.

7. National Water Demand Centre suggests water consumption will be approximately 15m³/employee/year.

Pace is to review its objectives and targets relating to water resource consumption following the establishment of a baseline for this report.

Paper

A variety of equipment and consumables are used within Pace's office premises. These include office supplies, stationery, plastic drink cups, electronic equipment and furniture.

During the reporting period, Pace purchased 4505 reams of A4 paper and 160 reams of A3 paper. This equates to 3,033.16 sheets/employee/year or 12.9 sheets/employee/day. When compared with typical paper consumption figures for an office worker of 100 sheets per day⁸, the quantities are lower.

Pace is to review its objectives and targets having established a baseline for the year with a view to achieving a reduction in paper consumption.

Air Emissions

Pace's direct effect on air quality is considered small relative to other direct sources from industry and commerce.

Pace's main direct emissions to air are limited to emissions from gas and oil boilers at its sites and solder fume emissions from its test laboratories at each office and mini-factory (Saltaire). Boiler emissions are considered in the greenhouse gas calculations below. Solder fume contains a number of constituents, one of the most harmful of which is lead. Solder fume is passed through absorbent filters before being released to the internal atmosphere; these remove the lead prior to release.

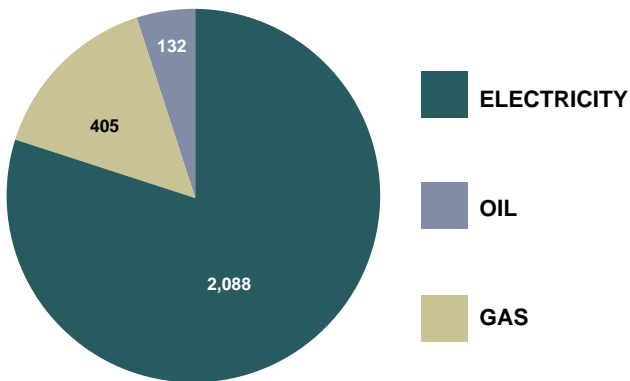
Pace no longer uses fluxes that contain volatile organic compounds (VOCs). These have been replaced with water-soluble VOC-free alternatives.

However, Pace acknowledges that the direct use of energy in the form of electricity, gas and oil generates greenhouse gases either at the point of generation (electricity), or in combustion.

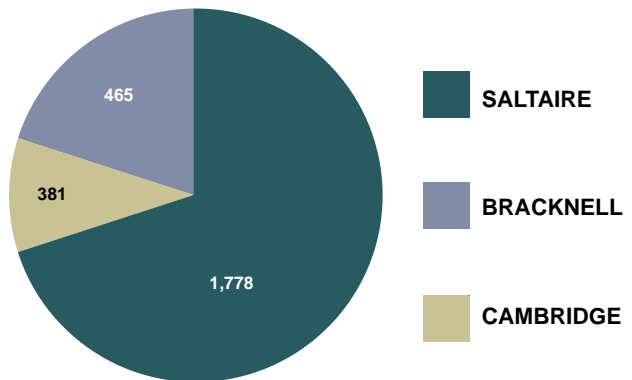
8. Environment Agency, Environmental Best Practice Programme, Green Officiency

For the reporting period, Pace's UK greenhouse gas emissions⁹ by source can be seen below:

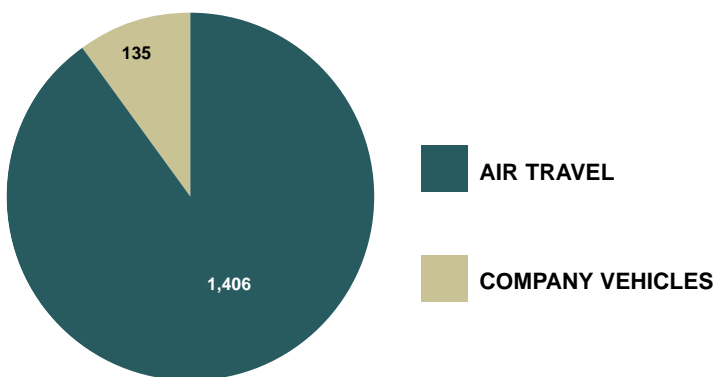
**GREENHOUSE GAS EMISSIONS (Tonnes CO₂ Equivalent)
FROM DIRECT ENERGY SOURCES (All UK Sites)**



**GREENHOUSE GAS EMISSIONS (Tonnes CO₂ Equivalent)
FROM DIRECT ENERGY SOURCES (by sites)**



**TRANSPORT-RELATED GREENHOUSE GAS EMISSIONS (Tonnes CO₂ Equivalent)
FROM AIR TRAVEL & COMPANY VEHICLES**



9. Greenhouse gas emissions have been calculated using conversion factors produced by the Department of Environment, Food and Rural Affairs (DEFRA). For direct consumption of energy, the same assumptions apply as per Footnote No 3.

Pace uses refrigerants in its air-conditioning systems that contain greenhouse gases and ozone-depleting substances. No losses are reported for the period.

Solder fume is monitored from the sources in the mini-factory (Saltaire) (i.e. flow-solder machines and reflow ovens).

Using the figures above, it is possible to estimate that from the sources for which data is available¹⁰, Pace generated a total of 4,166 tonnes of GHG (CO₂ equivalent), or 5.42 tonnes of GHG (CO₂ equivalent) per employee.

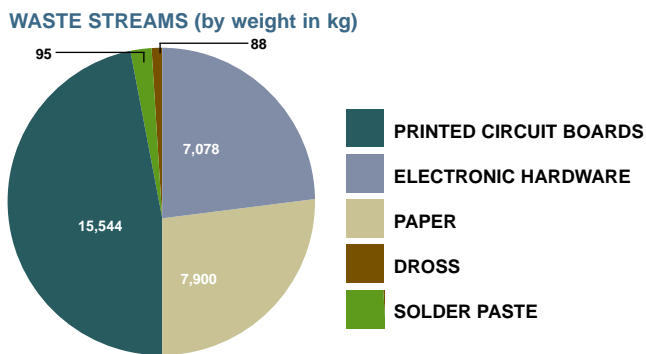
Pace is due to review its objectives and targets following the establishment of baseline data for CO₂ emissions this year with a view to setting reduction targets. These will be achieved in part through the greater use of teleconferencing facilities, purchase/use of fuel-efficient vehicles, encouragement of car-sharing, public transport and other initiatives.

10. Travel-related greenhouse gas emissions exclude: all sub-contractor related freight and passenger mileage; direct rail passenger mileage; freight mileage; and journeys by taxi or hire car.

Waste

During the reporting period Pace produced a variety of waste streams. These included paper, cardboard, toner cartridges, printed circuit boards, steel, dross, personal computers, solder paste, mobile phones and flux thinners.

Due to the shared tenancy and contractual arrangements for waste disposal at Pace's sites, it is only able to report on the following waste streams for Saltaire:



Printed circuit boards, electronic hardware, dross and solder paste generated at the Saltaire site are removed by specialist contractors who recover the recyclable components for reprocessing.

Flux thinners generated at the Saltaire site are removed by specialist contractors who arrange for their reprocessing and use as an alternative fuel in the manufacture of cement.

Cardboard, paper, toner cartridges and mobile phones generated at Saltaire are segregated for recycling and/or re-use.

The remaining waste streams at each of Pace's UK sites are currently disposed of via shared skips at each premises.

These initiatives have generated many ideas and consideration is being given to extending them to its other offices.

Pace is committed to the minimisation of waste, although this is an objective that requires a broad degree of co-operation across all UK business functions and sites. During the reporting period, successful waste recycling initiatives were established at Pace's Saltaire premises as part of the ISO14001 implementation process. These initiatives have generated many ideas and consideration is being given to extending them to its other offices.

There are no breaches of UK legislation to report for the reporting period.

Pace continues to track and plan for changes to its business affected by existing and new legislation.

Supplier Environmental Performance

Since reorganisation in July last year, Pace has developed supplier assessment procedures to evaluate the environmental performance of its suppliers. These request that suppliers provide details of environmental management systems and third-party accreditations as part of the supplier selection process.

By adopting these procedures, Pace aims to influence its suppliers and sub-contractors in environmental management. By the end of January 2003, Pace aims to have 50% of its sub-contractor sites and 25% of all component vendors accredited to ISO14001.

Corporate Initiatives/Memberships

YORKSHIRE WILDLIFE TRUST

In 2001, Pace became a corporate member of Yorkshire Wildlife Trust (YWT), a registered charity established in 1946 to conserve and promote the diversity of Yorkshire wildlife and habitats for the benefit and well-being of both wildlife and people.

Pace aims to promote and contribute to the work of the Yorkshire Wildlife Trust through regular donations and participation in annual fundraising events.

BUSINESS IN THE ENVIRONMENT INDEX

Pace participated in the Yorkshire and Humber 4th Regional Index of Environmental Engagement along with 120 of the region's largest companies. This scheme is administered by Business in the Community and ranks companies in terms of their environmental performance. In the 2002 index, Pace was ranked 54th out of 120 participants. This demonstrates a significant improvement over last year's results when Pace was ranked 64th out of 87 participants.

During 2001/02, independent consultants Scott Wilson Kirkpatrick & Co Ltd were commissioned to carry out a review of Pace Micro Technology's UK activities and prepare its first Environmental Report.

Scope & Objectives

Scott Wilson's responsibility is to review environmental performance information provided by Pace Micro Technology in order to form and express an opinion on its validity as presented in the environmental report.

Basis of Opinion

In respect of the collection and presentation of the environmental performance information, Scott Wilson planned its review work so as to obtain all the information and explanations that were considered necessary in order to provide sufficient evidence to give reasonable assurance that the processes of data collection do not give rise to material misstatement.

Scott Wilson's work included:

- A review of existing environmental management system policies, objectives, targets, procedures and controls.
- Environmental reviews of Pace Micro Technology's UK premises at Saltaire, Bracknell and Cambridge.
- Interviews with staff members of the Company to determine the existence of environmental information, management systems, controls and practices.
- Examination of documentary evidence.
- Discussions with selected companies supplying the Company with products and services.
- Verification of environmental performance data supplied by Pace Micro Technology.

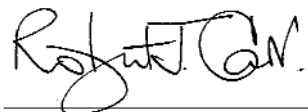
Opinion

Based upon the information provided, we are able to affirm that this report provides a fair and balanced indication of Pace Micro Technology's environmental performance for the period 2001/02.

We have found that the exercise of preparing this report has shown a number of strengths in Pace Micro Technology's performance, but also areas where improvements could be made in performance and in the reporting of performance. It is recognised that the reporting is an evolutionary process and that the range and comparability of data is to improve for future versions.



Guy Mercer - Senior Environmental Consultant (Scott Wilson)



Robert Carr - Associate Director (Scott Wilson)