VTech Holdings Limited

HKSE: 303

Sustainability Report 2015

About this Report

VTech published its second Sustainability Report for the financial year 2014 (FY2014). The purpose of the report was not only to communicate our sustainability strategies, management approaches and performances with our stakeholders, but also comprehensively introduce our ongoing activities for our sustainable development toward the societies and environment in which we operate.

VTech considers sustainability as a direction for our long-term development. In our Sustainability Report 2015, we not only continued to follow the Core option of the Global Reporting Initiative (GRI) Sustainability Reporting G4 Guidelines (G4 Guidelines) and its principles of balance, comparability, accuracy, timeliness, clarity and reliability, but also made reference to the Stock Exchange of Hong Kong Limited (the Stock Exchange) Environmental, Social and Governance (ESG) Reporting Guide (ESG Guide)[1] to define our report content. In order to identify and assess the material concerns of our stakeholders, we have also conducted materiality assessment surveys through a number of stakeholder engagement activities to determine the factors that have material impacts on our sustainable growth, and included them in the summary of our sustainability strategies and targets.

Reporting Period and Scope

The scope of this report includes data and activities from our headquarters in Hong Kong, our three manufacturing facilities in China and overseas sales offices, unless specifically stated otherwise. During the financial year 2015 (FY2015), there were no significant changes in VTech's operation locations, share capital structure, location of suppliers or our supply chain structure.

Reporting period: FY2015 (1 April 2014 to 31 March 2015), as per the financial period of our Annual Report 2015. The Sustainability Report is issued on an annual basis.

Organisation covered: VTech Holdings Limited and its subsidiaries (the Company).

Assurance

This report was subject to VTech's internal audit process and reviewed by the Company's Audit Committee.

Reference Guidelines

GRI G4 Guidelines
Stock Exchange ESG Guide

Full details of the VTech Sustainability Report 2015 are available on www.vtech.com/en/about-vtech/sustainability

1 *Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*

Contents

Chairman's Message

Our sustainability vision is to design, manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating sustainable value for our stakeholders and the communities.

Since its inception in 1976, VTech has grown from a local technology company in Hong Kong into a global leader in electronic learning toys from infancy to preschool[2], the world's largest manufacturer of cordless telephones[3], and a leading electronic manufacturing services provider. During this incredible journey, VTech has successfully developed sustainability strategies for the long-term development of the Company, with a vision to design, manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating sustainable value for our stakeholders and the communities in which we operate.

As a global company and a responsible corporate citizen in our local communities, VTech believes that our determinations and commitments toward sustainability not only serve as the cornerstone for our sustainable growth, but also create new business opportunities and improve the economic performance of the Company. The launch of our well-received eco-friendly products is one of the examples. In addition, our energy and resources management programmes in green manufacturing, which have not only helped us to reduce the electricity consumption and thus carbon emissions to the environment, but also have improved our productivity and cost efficiency.

As our global footprint and market penetration continue to expand, VTech recognises that we have an increasing responsibility to design and produce high quality products with sustainability concepts for our customers, protect the environment from our operations, provide a decent and safe working and living environment for our employees, and achieve international ethical standards across the Company and our global supply chain. In our Sustainability Report 2015, you will notice that our sustainability approaches and activities have generated meaningful benefits for our stakeholders. Some of our major achievements are also highlighted in the Sustainability Report 2015. In addition, you will also find out how our enthusiastic employees serve the local communities through our programmes on "Support People in Need" and "Collaborate with Local Charities", which support social investments and voluntary activities mainly targeting on children education, poverty alleviation and local community outreach.

Our sustainability strategies and efforts continue to focus on five key areas – product responsibility and innovation, environmental protection, workplace quality, sustainable operating practices and community investment. We have also engaged with our stakeholders by conducting materiality assessment surveys to identify and address their material issues and concerns on our sustainable development.

Moving forward, in order to ensure that our continuous improvement programmes and approaches on sustainability could be carried out effectively and consistently throughout the Company and in a sustainable manner, we have established a Sustainability Plan 2020 for the financial years from 2016 (FY2016) to 2020 (FY2020). It has not only identified our short-term goals with activities to be achieved in FY2016, but also defined the actions and programmes to be implemented toward the achievement of our long-term targets in FY2020. We also strive to balance the impacts of economic growth, environmental protection and social responsibility in our strategic business plan, aiming to drive sustainable value for our customers, employees, shareholders, investors, suppliers and the communities.

Allan WONG Chi Yun
Chairman
19 May, 2015

2 *Source: MarketWise Consumer Insights, LLC and NPD Group Retail Tracking Service. Ranking based on 2014 total estimated annual retail sales in the combined toy categories of infant electronic learning and preschool electronic learning.*
3 *Source: MZA Ltd, 2015*

About vtech

VTech is the global leader in electronic learning products from infancy to preschool and the world's largest manufacturer of cordless telephones. It also provides highly sought-after contract manufacturing services. Our product lines include electronic learning products (ELPs), telecommunication (TEL) products, and contract manufacturing services (CMS).

With headquarters in the Hong Kong Special Administrative Region and state-of-the-art manufacturing facilities in China, VTech currently has operations in 11 countries and regions. In FY2015, VTech has 29,502 employees in average, including around 1,500 research and development (R&D) professionals in R&D centres in Canada, Germany, Hong Kong and China. This network allows VTech to stay abreast of the latest technology and market trends throughout the world, while maintaining a highly competitive cost structure.

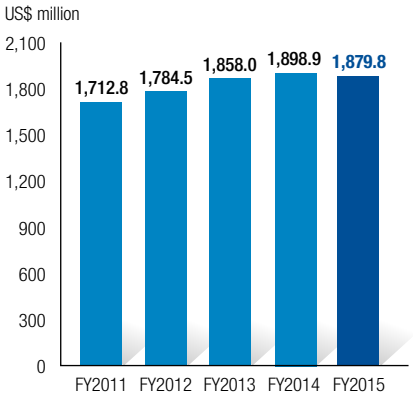
The Group invests significantly in R&D and launches numerous new products each year. VTech sells its products via a strong brand platform supported by an extensive global distribution network of leading traditional and online retailers. VTech's customer profile consists of commercial buyers in our three product lines and direct consumer purchasers through our e-commerce business.

For the year ended 31 March 2015, Group revenue and profit attributable to shareholders of the Company were US$1,879.8 million and US$198.1 million respectively. At 31 March 2015, the Group had working capital and total assets of US$177.2 million and US$920.9 million respectively. The Group's total equity was US$540.8 million and had no borrowings as at 31 March 2015.

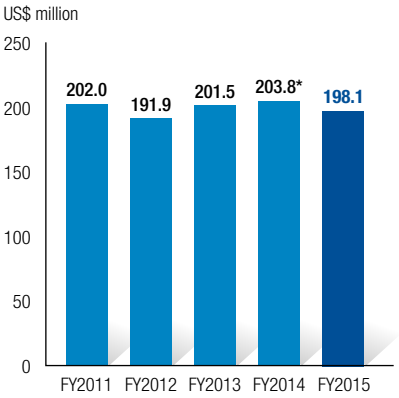
Shares of VTech Holdings Limited are listed on The Stock Exchange (HKSE: 303). At 31 March 2015, the number of issued and fully paid shares of the Company was 251,182,133 shares.

For details of our financial performance, please refer to the financial highlights included in our Annual Report 2015 at http://www.vtech.com/en/investors/reports.

Group Revenue in Last 5 Years



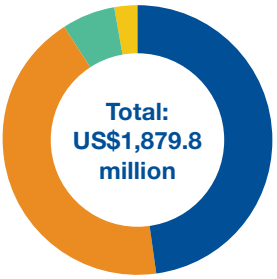
Profit Attributable to Shareholders of the Company in Last 5 Years



* *Restated*

Revenue by Regions

for the year ended 31 March 2015



- **North America 47.8%** US$899.5 million
- **Asia Pacific 6.3%** US$117.6 million
- **Europe 43.2%** US$812.3 million
- **Other Regions 2.7%** US$50.4 million

At VTech, we manage our business in accordance with a number of key external charters. We adhere to and implement policies that are coherent with the 10 UN Global Compact principles[4], which itself is built upon many internationally agreed principles relating to welfare of workers, environmental management and anti-corruption. Since 2012, we have subscribed to the Electronic Industry Citizenship Coalition (EICC) Code of Conduct and the International Council of Toy Industries (ICTI) Code of Business Practices, which are specific to our industries.

To keep abreast with the latest trends and development within our industry, we have participated in a number of trade associations around the world. We primarily engage as members, but where possible we will collaborate on industry projects to help develop the markets and industry standards. Many of our memberships require us to meet a Code of Conduct which provides VTech stakeholders with further peace of mind and confidence.

4 *The UN Global Compact asks companies to abide by its 10 principles, protecting the core values of the UN's human rights, labour standards, environmental and anti-corruption policies. See www.unglobalcompact.org/aboutthegc/Thetenprinciples/index.html for more details*

Corporate Governance and Risk Management

VTech has developed a comprehensive management structure throughout the years. We have continuously improved our company policy and procedures to ensure our corporate governance structure meets with the industry best practice and global trends. To achieve these goals requires both broad ranging and in-depth governance structures and risk management processes.

Corporate Governance

VTech Holdings Limited is incorporated in Bermuda and has its shares listed on the Stock Exchange. The corporate governance rules applicable to the Company are the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

Board of Directors and its Committees

The Board of Directors (the Board) comprises three executive directors of the Company (Directors) and four independent non-executive Directors. The biographical details of Directors can be found in the section "Biographical Details of Directors" on page 38 of the Annual Report 2015. The Board focuses on the formulation of business strategy and policy, and control. Matters reserved for the Board are those affecting the Company's overall strategic policies, finances and shareholders. These include, but are not restricted to, deliberation of business plans, risk management, internal controls, announcement of interim and final results, dividend policy, annual budgets, major corporate activities such as material acquisitions and disposals, and connected transactions.

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management and Sustainability Committee (RMSC) with defined terms of reference which are no less exacting than those set out in the Corporate Governance Code to assist and support the Board in discharging its governance and other responsibilities, particularly on financial reporting and disclosure; internal control and risk management; composition of the Board and remuneration of Directors and senior management.

Audit Committee

- Assist the Board in meeting its responsibilities for financial reporting, risk management, corporate governance functions and evaluation of internal controls and auditing processes

Nomination Committee

- Review the structure, size, and diversity of the Board
- Identify and nominate candidates for appointment to the Board

Remuneration Committee

- Review and recommend all elements of the executive Directors and senior management remunerations to the Board

Risk Management and Sustainability Committee

- Monitor and review the risk management and sustainability strategy of the Group

For details of our corporate governance, please refer to the corporate governance section included in our Annual Report 2015 at http://www.vtech.com/en/investors/reports.

Code of Conduct and Whistleblower Policy

Our Code of Conduct is the cornerstone of our governance and operation. It spells out the guiding principles for our staff behaviour that must meet high standards of integrity and honesty. We have additional codes of conduct for staff in particular risk-related areas to cover conflicts of interest, bribery, accounting standards and internal management. Staff are required to confirm that they have understood the Code of Conduct appropriate to their role and position in the Company on joining and annually thereafter, ensuring the Group operates to the highest standards of business behaviour and ethics in our engagement with customers, business partners, shareholders, employees, and the business community. Due to a constantly changing business environment, we assess our Code of Conduct on a regular basis to ensure that it reflects the current global best practices and meets the expectations of all stakeholders.

VTech operates a Whistleblowing Policy in order to encourage and assist whistleblowers to disclose information relevant to misconduct, malpractices or irregularities through a confidential reporting channel. Any cases are referred to the Chief Compliance Officer (CCO), who will review the complaints and determine the appropriate mode of investigation and any subsequent corrective action. All reported cases are handled by the Company with care and the concerns are investigated in a fair and proper manner. All reports under the Whistleblowing Policy are reviewed by the Group's Audit Committee twice per year in order to ensure proportionate action and identify the need for any further policy development.

Business Integrity Policy and Anti-Corruption

Group policy prohibits VTech Group and its officers, employees and agents from giving or offering to give money or anything of value to government officials, political parties, party officials or candidates for political office in order to influence official acts or decisions of that person or entity, obtain or retain business, or secure any improper advantage. The Company does not make any donations to political parties in any country, but does not restrict employees from individual associations provided that there is no conflict of interest as their role of an employee within VTech. Employees must not purport to represent the Company in any political forum and should not use the Company brand, time or assets to advance the interests of any political party or group.

As a result, VTech's management has an obligation and a responsibility to ensure that employees are familiar with our anti-corruption policy, which is part of our Code of Conduct, and the control procedures in their job areas. Employees receive regular anti-corruption and internal control training to reinforce their awareness and understanding of our Code of Conduct.

Risk Management

Effective risk management is crucial for maintaining our stable daily operation and indicates our ability to respond and adapt to the changing environment. In order to minimise the possible disturbances to our operation during the event of disruptions, it is important to be prepared for emergency and to build resilience. VTech has implemented an organisational structure with formal and clearly defined lines of responsibility and delegation of authority for risk management.

To ensure the effectiveness of risk management, the boards of committee have been divided into two distinct but complementary roles for implementing the risk management policies and objectives of the Group, and monitoring the risk management process. The RMSC, chaired by Dr. Allan WONG Chi Yun with Dr. PANG King Fai, Mr. Andy LEUNG Hon Kwong and Mr. WONG Kai Man, as members – a combination of both executive Directors and independent non-executive Directors, is responsible for putting in place policies, procedures and frameworks for the identification and management of risks. On 12 May 2015, Ms. Shereen TONG Ka Hung, Group Chief Financial Officer, and Mr. CHANG Yu Wai, Company Secretary and Group Chief Compliance Officer, were also appointed as the members of the RMSC. Risks are formally identified and recorded in the risk register for key operations. The risk register is updated regularly and risk exposure and mitigation performance are reviewed bi-annually.

The RMSC held two meetings during the financial year to review the Group's business and sustainability risk management and internal control systems and their effectiveness. The Audit Committee reviewed the overall effectiveness of the Group's system of internal control over financial, operational and compliance issues, risk management process, information systems security and effectiveness of financial reporting and compliance with the Listing Rules, and is satisfied that such systems are effective and adequate.

At management level, department representatives of each key business function maintain a risk register documenting the key risks and the relevant risk response measures. They review their risk registers on a biannual basis to consider if any updates to the risk registers are required based on the events of disruption or incidents occurred. To facilitate the review of the risk register by the RMSC as mentioned above, the Internal Audit Department performs a holistic review of the updated risk registers maintained by each key business function and consolidates all the risk registers into the Group's risk register on a biannual basis.

VTECH APPROACH

VTech's Sustainability Management

At VTech, our RMSC provides vision and strategic direction for our sustainability activities to ensure that we stay on track and in balance with the three sustainability dimensions of economic, environmental and social impacts at all times. The RMSC is also responsible for reviewing our sustainability strategies and improvement activities, assessing how the policies are implemented in achieving the sustainability goals and targets, and monitoring the performance progress on a biannual basis. We also have escalation process in place to ensure that any identified issues are dealt with at the appropriate level of the Company.

Our RMSC has also formed the Sustainability Sub-Committees comprising key employees from the Company's different product lines and relevant departments. Our Sustainability Sub-Committees are responsible for monitoring the progress of our sustainability activities compared with targets in their responsible product lines and functions, evaluating and determining the sustainability investments from economic, environmental and social aspects, and sharing new and significant industry sustainability concerns with the committee members on a biannual basis.

In order to ensure that our sustainability strategies are carried out effectively and consistently throughout the Company, we have organised our sustainability approach into the five key areas across the Company's product lines with the following missions:

Risk Management and Sustainability Committee

Sustainability Sub-Committees

Product Responsibility & Innovation
- Design products for the well-being of people and for the benefits of society
- Design products to ensure that they are of good quality and compliant with the highest safety standards
- Incorporate sustainability concepts into our product design

Environmental Protection
- High Performance Production Chain – maximise our resources efficiency and improve productivity
- Green Manufacturing Practice – minimise the environmental impacts from our operations
- Sustainable Logistic Chain – improve operational efficiency and reduce carbon emissions throughout the transportation process

Workplace Quality
- Enhance our good staff relations through various communication channels and staff activities
- Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech
- Respect the labour and human rights of all our employees with clearly defined human resources management policies
- Provide a supportive, pleasant and healthy environment for our employees

Sustainable Operating Practices
- Business Continuity Management – identify and mitigate our potential operational risks and increase our resilience capability
- Sustainable Supply Chain Management – manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet VTech's Corporate Social Responsibility requirements
- Climate Change Strategy – minimise the carbon emissions from our operations, and work closely with our suppliers and customers through enhancing our environmentally friendly product designs and sustainable operating practice

Community Investment
- Use our expertise and resources to develop community investment programmes focusing on:
  - Supporting people in need
  - Collaborating with local charities
  - Providing training opportunities for young people
  - Nourishing an innovative environment
  - Developing a healthy and green community

Sustainability Progress and Targets

VTech checks and monitors its sustainability progress along the way. We recognise that we have to build on the foundation that we have established and started our sustainability journey since FY2006.

manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating sustainable value for our stakeholders and the communities in which we operate.

VTech Sustainability Progress

In our sustainability journey since FY2006, VTech has successfully developed our sustainability strategies with a vision to design,

FY2006 to FY2011

- Introduced the concept of Corporate Social Responsibility (CSR) and the related activities in our annual report

FY2012

- Established our four core areas on CSR : Environment, Employees, Shareholders and Community

FY2013

- Refined the CSR management structure to a holistic sustainability framework, focusing on :
  1) Product Responsibility & Innovation,
  2) Environmental Protection,
  3) Workplace Quality,
  4) Sustainable Operating Practices, and
  5) Community Investment
- Renamed VTech's Risk Management Committee to Risk Management and Sustainability Committee at the Board of Directors level
- Set up VTech sustainability management sub-committees, comprising key employees from the Company's different product lines and relevant departments

FY2014

- Defined VTech sustainability vision and strategies
- Published our first Sustainability Report following the Core option of GRI G4 Guidelines

FY2015

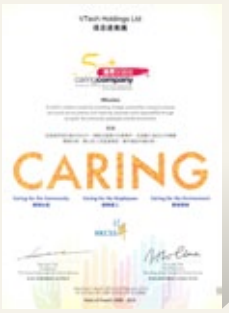
- Set up an internal database to better monitor our sustainability data and targets
- Published our annual sustainability report following the Core option of GRI G4 Guidelines and Stock Exchange ESG Guide
- Developed VTech Sustainability Plan 2020

Awards and Recognitions in FY2015

VTech has made a remarkable progress in FY2014. We are honored that our Sustainability Report 2014 received the "Sustainability Excellence Award" from the Chamber of Hong Kong Listed Companies (CHKLC), and the "Best Corporate Governance Disclosure Award 2014" in the category of Sustainability and Social Responsibility Reporting presented by the Hong Kong Institute of Certified Public Accountants (HKICPA).These prestigious awards are a great recognition of our efforts and achievements on sustainability.

Sustainability Excellence Award by CHKLC[5]

Best Corporate Governance Disclosure Award 2014 – in the category of Sustainability and Social Responsibility Reporting Award by HKICPA[6]



Award as Caring Company for the 7th consecutive year

The 8th most supportive group award in the Standard Chartered Hong Kong Marathon 2015

The 3rd most committed organisation in RunOurCity Streetathon 2015

Oxfam Trailwalker 2014 – Champion in the category of Manufacturing Team

Sower Action 2014 – 2nd runner-up in the category of 42 km Corporation Team

5 *Chamber of Hong Kong Listed Companies*
6 *Hong Kong Institute of Certified Public Accountants*

VTech Sustainability Plan 2020

In order to ensure that our continuous improvement programmes and approaches on sustainability could be carried out effectively and consistently throughout the Company and in a sustainable manner, we have established a Sustainability Plan 2020 for FY2016 to FY2020. It has not only identified our short-term goals with activities to be achieved in FY2016, but also defined the actions and programmes to be implemented toward the achievement of our long-term targets in FY2020.

Strategy Themes		Approaches		Targets for FY2016	Targets for FY2020
Product Responsibility & Innovation	Design for People	Continue to use our technological expertise to design and provide products to enhance the well-being of our customers and benefit the society		Increase the total sales of health and safety products by 5%	Increase the total sales of health and safety products by 20% compared with FY2014
	Design for Excellence	Continue to ensure that all products are compliant with the international quality and safety standards		Zero product recalls, fines or penalties relating to non-compliance with regulations	Zero product recalls, fines or penalties relating to non-compliance with regulations
		Follow the Life Cycle Analysis (LCA) Guideline , aiming to reduce the carbon footprint in each new generation of the products		Undertake LCA analysis for 2 key products in TEL products and ELPs to reduce the carbon footprint throughout the product life cycle	Undertake LCA analysis for 10 key products in TEL products and ELPs to reduce the carbon footprint throughout the product life cycle
Environmental Protection	High Performance Production Chain	Implement more low cost automation projects and further strengthen the operational management to improve the production efficiency and productivity		Increase production output per worker by 4%	Increase production output per worker by 20% compared with FY2014
				Project progress	Project progress
	Green Manufacturing	Energy consumption and carbon emissions	Reduce energy consumption and thus the carbon emissions	Phase out the use of diesel in all canteens of the manufacturing facilities	Reduce Greenhouse Gas (GHG) emission per production output by 20% compared with FY2014
				Gradually upgrade the entire ventilation system and re-layout the air conditioning ducts of the production floors	Reduce the electricity usage in manufacturing facilities per production output by 20% compared with FY2014
				Continue to adopt the hydraulic servo control technology in our existing injection moulding machines	
		Water	Reduce water consumption and improve effluent treatment	Continue to promote water saving campaigns throughout the Company	Reduce total water consumption by 5% compared with FY2014
				Introduce water efficient silk printing process in our factories	

VTECH APPROACH

Strategy Themes		Approaches		Targets for FY2016	Targets for FY2020
Environmental Protection	Green Manufacturing	Materials, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Introduce automation process in the material recycling station of our factories to improve the recycling efficiency	Maintain the recycling rate of the reusable materials at or above 70%
				Set up a system and database to collect and analyse the internal reuse and recycling rate	
				Introduce food waste decomposer in the canteens of our factories to transform the food waste into organic fertiliser	
		Logistics	Reduce the environmental impact from shipment of products	Continue to keep track of the average loading capacity of each container shipment	Maintain the average loading capacity of each container shipment at or above 80%
				Continue to improve the consolidation of shipment volumes and shipping orders with our business partners	Maximise the usage of ocean and rail freight for long distance and inland shipments respectively
Workplace Quality	Communication and Staff Relations	Enhance our good staff relations through various communication channels and staff activities		Encourage open communications at all levels of the Company and facilitate employees to voice their opinions through various communication channels	Maintain employee satisfaction at or above average level based on the employee satisfaction survey
				Continue to provide different types of staff activities for our employees	Maintain average staff turnover rate at or below 12%
	Advancement in Careers	Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech		Upgrade the e-learning platform and increase the number of training courses for the career development of our employees	Maintain average training hours per employee at or above 20 hours
				Review the training needs of the staff and evaluate the content and result of training course on regular basis	
	Respect of Labour and Human Rights	Respect the labour and human rights of all our employees with clearly defined human resources management policies		Continue to update our human resources management policies in accordance with the latest statutory requirements	Increase number of staff with years of service longer than 5 years by 10% compared with FY2014
				Continue to provide training and conduct employee surveys in the areas of labour and human rights	

Strategy Themes		Approaches	Targets for FY2016	Targets for FY2020
Workplace Quality	Environment for Our People	Provide a supportive, pleasant and healthy workplace for our staff, and foster a caring community in our working environment	Add new health and safety training courses and introduce workplace stretching exercise to all workers	Maintain the loss of working hours due to injuries in manufacturing facilities at or below 0.01%
			Conduct ergonomic evaluation on workstation and perform monthly Environment, Health and Safety (EHS) internal audit	Zero work related fatality case
			Continuously upgrade the facilities in the living areas of the factories	Maintain employee satisfaction at or above average level based on the employee satisfaction survey
Sustainable Operating Practices	Business Continuity Management	Mitigate the potential operational risks and increase our resilience capability to resume the operation in an effective and timely basis	Annual risk registry update and assessment	Annual risk registry update and assessment
	Supply Chain Management and Procurement Practice	Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's CSR requirements	Measure suppliers' sustainability performance	Ensure our suppliers meet our CSR standards
			Expand our sustainability audit scope, develop a more comprehensive audit structure and conduct annual audit for all major suppliers	Develop an e-procurement platform to interact with suppliers in a more consistent and eco-friendly manner
	Climate Change Policy	Ensure our business strategies are not only accounted for longer term trajectory of climate change, but also sufficiently flexible to respond to the inevitable changes in the business environment	Disclose our total GHG emissions annually and review VTech's Climate Change Policy with reference to the international and local standards	Disclose our total GHG emissions annually and review VTech's Climate Change Policy with reference to the international and local standards
Community Investment	Support People in Need	Use our expertise and resources to support the communities in which we operate	Arrange more voluntary programmes for the local communities especially in remote areas of the countries	Increase the total number of VTech volunteers to 2,000 and total voluntary hours by 10%
	Collaborate with Local Charities		Encourage more employees to participate in the local charitable events	Collaborate with corporate philanthropies and participate in more local charitable events
	Provide Training Opportunities for Young People		Sponsor local science programmes for young people	Sponsor local science activities for young people and provide science scholarship for local technical institutes
	Nourish an Innovative Environment		Sponsor and support annual industry events to nourish the local science environment	Establish funding for innovative technology research and science studies
	Develop a Healthy and Green Community		Promote healthy eating at VTech canteen	Provide (weekly) healthy menu for employees to choose at VTech canteen
			Promote farming at manufacturing sites and participate in local green activities	Organise VTech green day (in all operation locations)

Stakeholder Engagement

Stakeholder Engagement Approach

Stakeholder management is the process through which we stay connected with our customers, employees, shareholders, investors, suppliers and the wider communities in which we operate. We believe that the approach of stakeholder engagement is integral to the development of our sustainability strategy, and is also a pre-requisite for our long-term sustainable growth.

VTech has an open door policy to encourage suggestions or comments given by our stakeholders through various communication channels. Since FY2014, we have developed a formal annual stakeholder engagement procedure, which helped us identify which sustainability issues are most important to our stakeholders and report our sustainability approach, performance and activities to address their material concerns and priorities. Our purpose is to engage with those who are directly affected, either economically, environmentally or socially, by our operations and to ensure that our sustainability strategies, activities and reporting process would meet and exceed their expectations.

The selection of stakeholder groups is determined by the RMSC in conjunction with the Sustainability Sub-Committees. In FY2015, we have selected a number of representative customers and suppliers from the Company's different product lines, a range of employees from all levels in the Company, our major shareholders and investors, and communities with whom we were actively involved. As part of our annual review process, we also engaged our stakeholders through their preferred communication channels to conduct our materiality assessment surveys.

Our Sustainability Sub-Committees also developed an approach which identified the broad topics that the stakeholder groups are concerned with, and used a materiality matrix to assess the material issues identified by our stakeholders during the engagement process. An issue is classified as 'material' when it substantially affects our long term commercial or operational viability, with material impacts from economic, environmental or social aspects. This matrix combines VTech's approach to identifying and assessing the material concerns of our stakeholders, and our own materiality scoring methodology by following the principles outlined in GRI G4 Guidelines.

A summary of the stakeholder groups, the topics concerned, and the communication channels with frequency are listed in the following table.

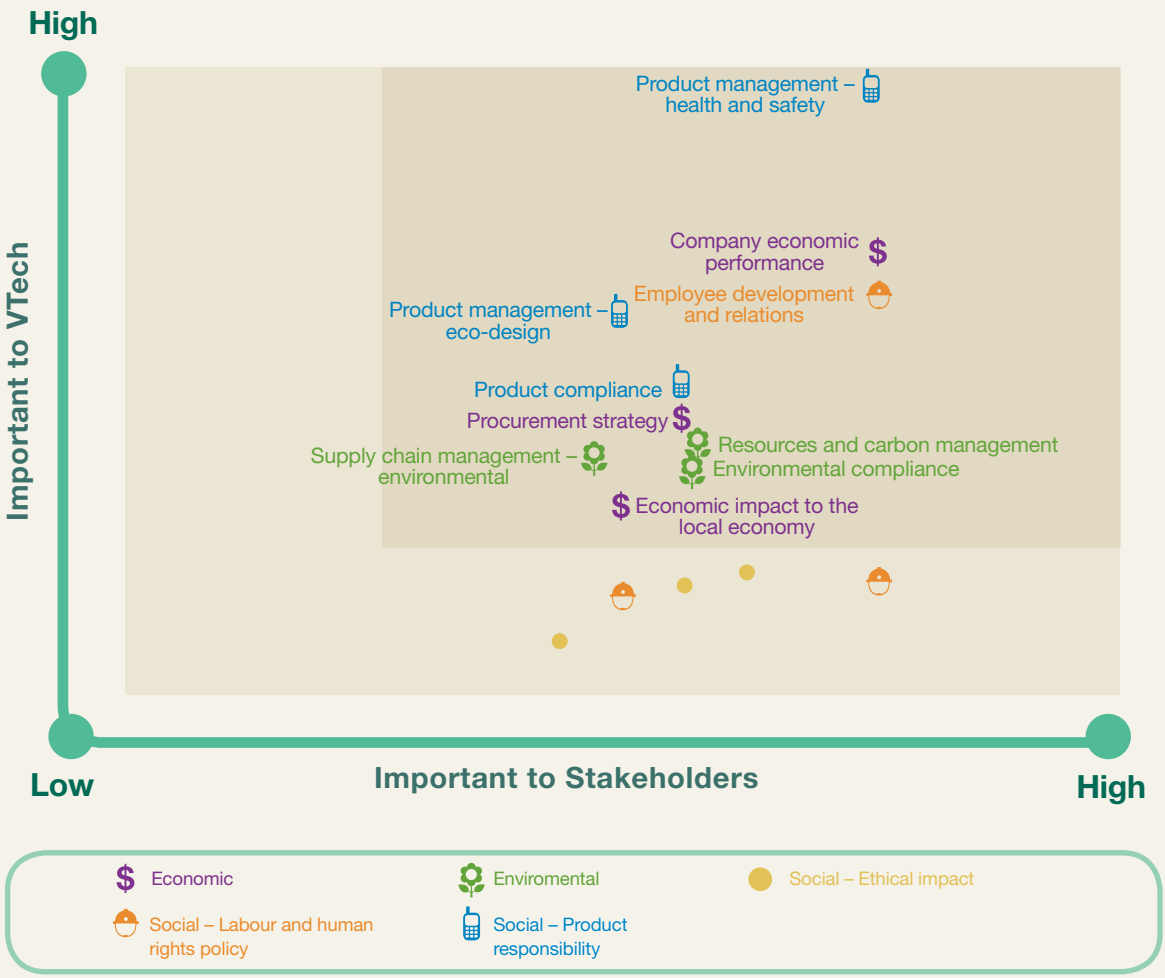
Stakeholders	Topics Concerned	Communication Channels	Frequency per year
 Customers	• Production quality and improvements • Product safety, performance and life cycle • Operation in compliance with applicable law and regulations • Customer support • Financial performance • Sustainability strategies	• Online customer satisfaction surveys • Customer visits or meetings • Industry exhibitions and forums • Product training workshops • On-site visits at VTech's factories • Quarterly business review • Customer service hotline and email	Annually As required* As required* As required* As required* Quarterly On-going
 Employees	• Employees' health and safety • Employee communication and engagement • Working condition and welfare • Career development and training • Business performance • Product safety • Operation in compliance with applicable law and regulations	• Employee engagement surveys • Monthly social events with employees • Newsletter • Performance reviews • Regular management meeting with staff representatives • Career and product training • Occupational health and safety training • Suggestion box, hotline, emails, notice board and briefing sessions	Quarterly Monthly Quarterly Annually On-going On-going On-going On-going
 Shareholders	• Return on investment • Strategic plans • Operation in compliance with applicable law and regulations	• Annual and interim results announcement events • Annual and interim reports • Regular meetings and correspondence • Sustainability report	Bi-annually Bi-annually As required* Annually
 Investors	• Business performance • Strategic plans • Operation in compliance with applicable law and regulations	• Annual and interim reports • Feedback to media enquiries • Media conferences • Regular meetings and correspondence • Sustainability report	Bi-annually As required* As required* On-going Annually
 Suppliers	• Supplier quality performance • Supplier sustainability in business model, quality and production control • VTech's expectations with suppliers • Product quality and safety • Operation in compliance with applicable law and regulations	• Annual business review meeting • Annual Suppliers Day • Key supplier audits	Annually Annually On-going
 Community	• Support to civil society organisations • Local environment • Environmental protection • Local community activities involvement • Operation in compliance with applicable law and regulations	• Informal communication through email and phone calls • Sponsorship • Participation in local community activities and volunteering work	As required* On-going On-going

**VTech may vary the frequency to meet its business need.*

Materiality Assessment

The material sustainability aspects identified by the stakeholders were based on the results of the materiality assessment surveys conducted in FY2015. The results were mapped with the key sustainability aspects assessed by VTech's senior management and illustrated in the following chart.

Chart of Materiality Assessment



All of the aspects shown in the chart are referred to GRI G4 Guidelines. These aspects were considered as material for reporting by VTech on the basis that they have significant impact on and opportunity for environmental and social improvements through our enhancement in operations.

The labelled aspects lie within the shaded area of the Chart are the most important items on our sustainable development identified by both VTech and the stakeholders in the materiality assessment surveys. Besides, in accordance with the requirements of Core option of the GRI G4 Guidelines, we have also covered all the material aspects in our Sustainability Report 2015, including the Key Performance Indexes (KPIs) which are most representative and effective in reflecting our project progress, and our management approach to address each material aspect with related sustainability activities and case studies.

We have also defined the boundaries of each material aspect to determine whether the impact of the item is within or outside of VTech and with a cross reference of VTech's categorised aspects and the GRI G4 aspects in the following table:

Category	VTech Aspect	GRI Aspect	Aspect Boundary	
			Within VTech	Outside of VTech
Economic	Company economic performance	Economic Performance	✓	
	Economic impact to the local economy	Market Presence	✓	
		Indirect Economic Impacts		✓
	Procurement strategy	Procurement Practices	✓	✓
Environmental	Resources and carbon management	Materials	✓	
		Energy	✓	
		Water	✓	
		Emissions	✓	
	Environmental compliance	Compliance	✓	✓
	Supply chain management – environmental	Supplier Environmental Assessment	✓	✓
Social – Labour Practices and Decent Work	Employee development and relations	Occupational Health and Safety	✓	
		Training and Education	✓	
Social – Product Responsibility	Product management – eco-design	Products and Services	✓	
	Product management – health and safety	Customer Health and Safety	✓	
	Product compliance	Product and Service Labelling	✓	
		Marketing Communications	✓	
		Compliance	✓	✓

Product Responsibility & Innovation

VTech strives not only to provide high quality products and comply with the highest international and local quality and safety standards, but also incorporate sustainability concepts into product design in order to enhance the well-being of our customers and benefit the society.

VTech strives not only to provide high quality products and comply with the highest international and local quality and safety standards, but also incorporate sustainability concepts into product design in order to enhance the well-being of our customers and benefit the society. Following our objectives on product development, our management approach focuses on two key management principles – "Design for People" and "Design for Excellence".

Design for People

VTech always considers addressing our customers' needs as our primary responsibility in the stage of our product design. We continuously use our technological expertise to help improve the health and safety of our customers. Our well-received baby monitor series and the newly launched wireless monitoring system, which is a VTech Smart Home device to connect users' home with Ultra-Low-Energy (ULE) and Wi-Fi technologies, are the principal examples. In addition, VTech also uses our global leadership position in electronic learning products to design a lot of ELPs to inspire children's creativity and develop the valuable skills at each stage of their educational development. In order to stay in harmony with the environment, we also embed the eco-design principles into our products and launch many eco-friendly products such as our Digital European Cordless Telecommunication (DECT) cordless phones with eco-labels of Blue Angel and Energy Star, and our wireless monitoring system with ULE standard.

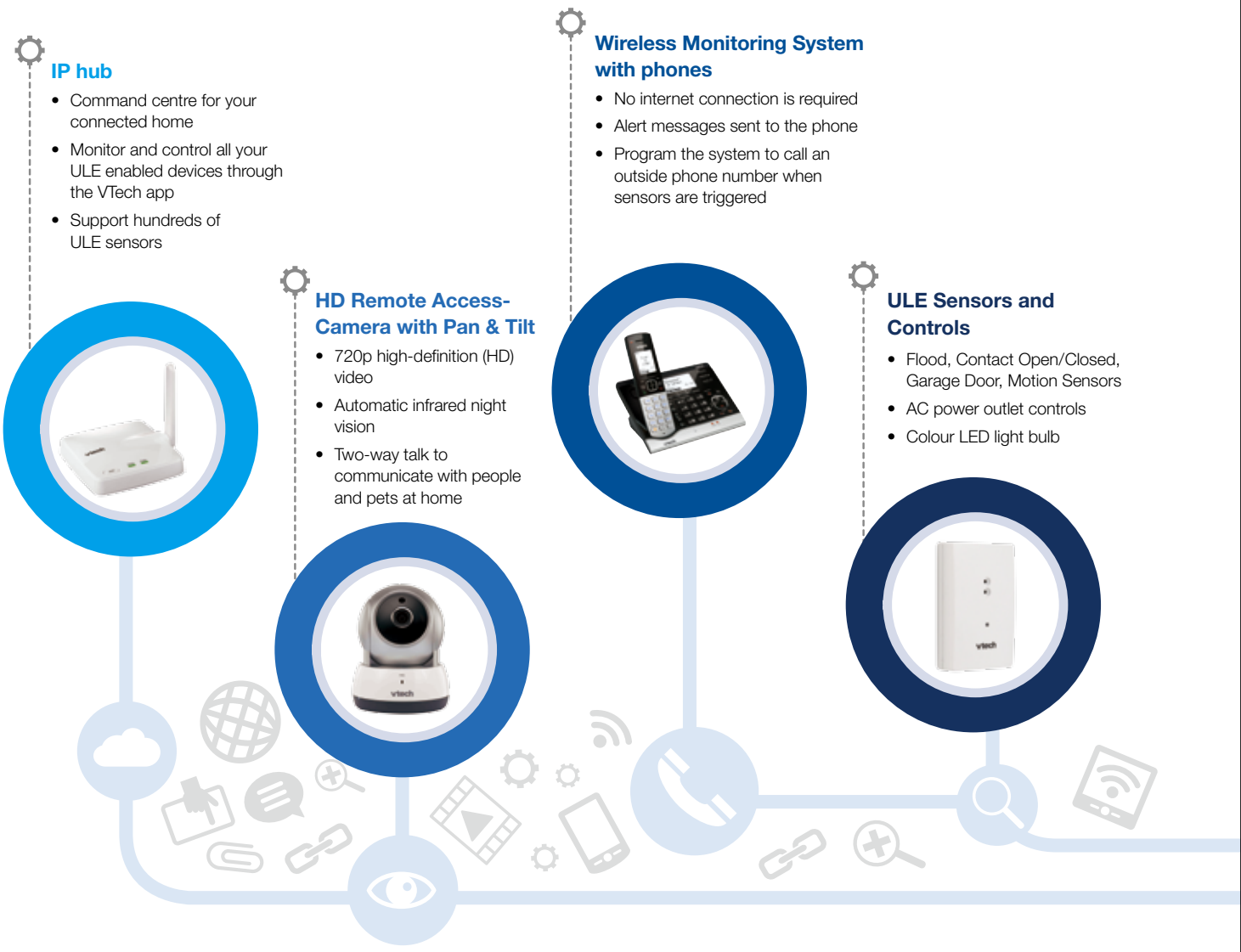
Products for Customers' Health and Safety

With the increasing concerns of our customers about their health and lifestyle, VTech's product design team has stepped up efforts to develop more innovative products to help them to live with ease and safety. We also work closely with different user groups including parents, seniors and children, to design our products in order to address their specific needs for the enhancement of their well-being.

VTech Smart Home Device – A smart way to connect your home with wireless monitoring system

Incorporating ULE and Wi-Fi technologies, VTech has created a whole new experience for home connection, home management, and home monitoring. VTech Smart Home products are easy to install and use. With a stable connection and long range feature, it helps to enhance home safety and energy control. Consumers can customise their home management systems to fit their needs. A simple-to-implement IP hub provides internet connectivity to all VTech ULE sensors

and devices. Consumers can control and monitor the entire system through the VTech app wherever they are. To better control the energy usage at home, by connecting the AC power outlet control to our Smart-Home System, consumers can control all electronic appliances and lighting system using their smart phones.



VTech Baby Monitor Series
VTech Baby Monitor Series is a hassle-free option for parents. With all the necessary safety features, it gives parents the peace of mind they need. When parents are not physically present in the room, the baby monitor helps to keep track of their babies. Understanding that some over-sensitive monitors might pick up every single movement or sound from baby disrupting sleep of parents, our customisable settings allow parents to adjust the volume and light of the monitors to suit their needs. Also, the Wi-Fi friendly features will not affect your home Wi-Fi network system. Applying DECT ULE technology, the baby monitor can be paired with VTech's wireless monitoring systems to fit with family's changing needs.

Safe&Sound® Pan & Tilt Full-Colour Video Baby Monitor

Safe&Sound Pan & Tilt Full-Colour Video Baby Monitor is awarded as the "Product of the Year" by Creative Child magazine, and the "Top Choice Award 2014" by Baby Maternity magazine. The infrared LEDs let parents check on the little one anytime, day and night. The pan, tilt and zoom features allow parents to see their little one up to 270 degrees side-to-side and tilts as many as 124 degrees up and down. The camera also zooms up to 2x. With the temperature and sound indicators, the baby monitor also helps parents to ensure their babies are comfortable without disruption. The pre-set eco mode optimises the power performance, turning off the transmitting power, when it is at idle stage. Including the talk-back intercom, parents can comfort their little one from any room with the built-in intercom on the portable parent unit, which creates a whole new way to interact with their babies.

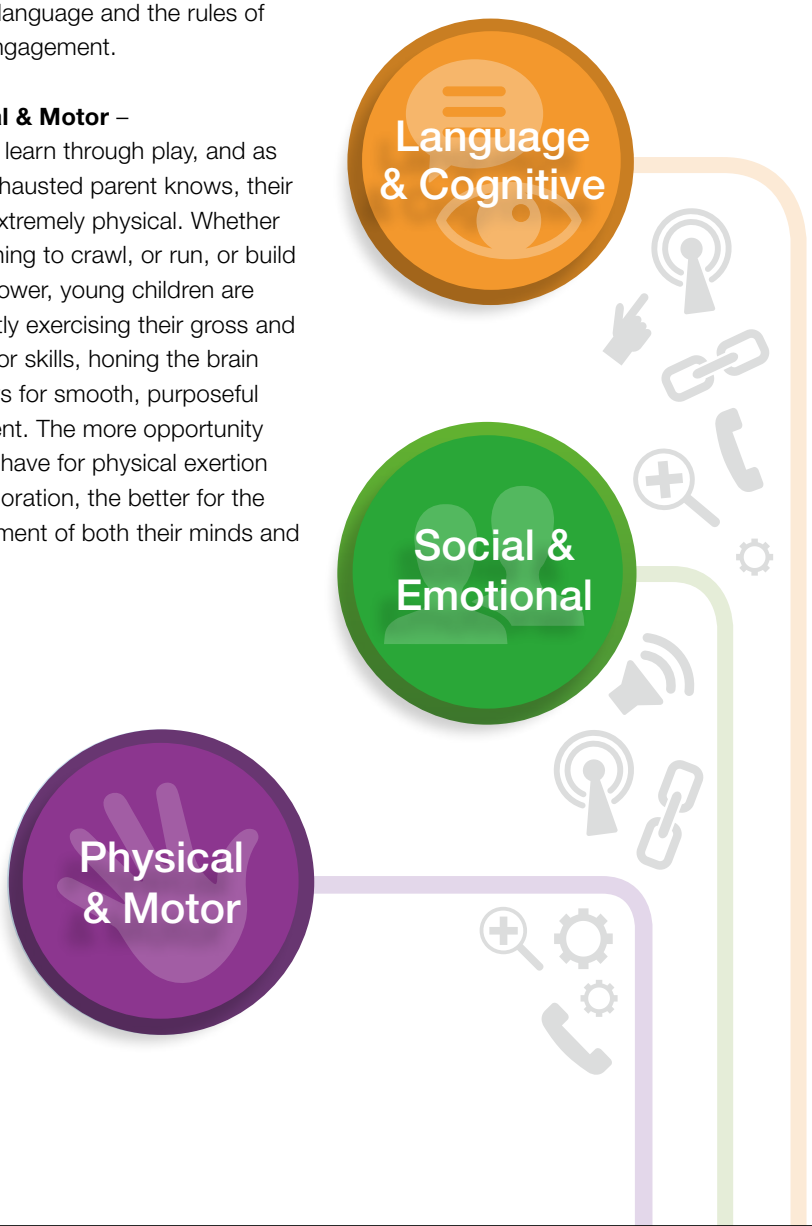
Products for Children's Learning and Development

VTech's ELPs are designed to grow with the children at different stages. Each child grows at a different pace mentally, emotionally and physically. Our ELPs guide children throughout the developmental stages of three key aspects, 1) Language & Cognitive, 2) Social & Emotional, and 3) Physical & Motor.

Language & Cognitive – Language immersion is absolutely a key to children's cognitive and emotional development. Children use words to express themselves, but also to learn about the people and world around them.

Social & Emotional – Relationships are at the core of all human learning. Babies look to their parents' emotions and facial expressions to first learn about the world, and children continue to depend completely on other people to learn language and the rules of social engagement.

Physical & Motor – Children learn through play, and as every exhausted parent knows, their play is extremely physical. Whether it is learning to crawl, or run, or build a brick tower, young children are constantly exercising their gross and fine motor skills, honing the brain pathways for smooth, purposeful movement. The more opportunity children have for physical exertion and exploration, the better for the development of both their minds and bodies.



VTech believes that playing is important for children to learn and develop. After consulting with our educational expert panel, we have developed a wide range of electronic learning toys that are fun to play with and expose children to many important learning opportunities.

At the early stage of development, growing brains need high-quality stimulation. Toy cars and tracks are great playthings because they engage children in imaginative play while developing fine motor skills, mechanical sense and spatial reasoning. According to our early brain development expert, Dr. Lise Eliot, the VTech's Go!Go! Smart Wheels® and Go!Go! Smart Animals™ playsets take the basic play patterns and enhance them with several important educational features, providing lots of fun opportunities for young children to play creatively and flex their mental muscles. Especially in the era of tablets and smart phones, toddlers and preschoolers need to get their hands on real, three-dimensional playthings to learn about concepts like weight, texture and force. By adding voices and SmartPoint® electronic features, these playsets combine the best of both learning opportunities – active play and verbal interaction – to promote the strengthening of brain connections involved in movement, language, emotions, creativity, problem-solving and other skills.

The Perfect Playsets for your kids – Go!Go! Smart Family
The Go!Go! Smart Family collection stimulates the imagination and encourages creativity with colourful, interactive playsets. Each playset includes a variety of tracks that easily snap together and connect to other Go!Go! Smart Animals and Go!Go! Smart Wheels to create an entire world of Go!Go! Smart Family. Children can drive SmartPoint vehicles or animals over SmartPoint locations found on the playsets and watch the vehicles or animals respond with phrases, music and lights while teaching cause and effect, first words, letters, etc. Children can also get to build the track, manipulating individual track pieces into varying configurations, like putting together a jigsaw puzzle. Then they get to pull, push, haul, dump, tow, fly and more using the various vehicles. Cars can go up, down and around the interesting track—allowing complex, three-dimensional movements that teach physical principles far better than all the two-dimensional screens games. All of these movements and fine motor practice help teach children about gravity, momentum, friction and other physical principles in a fun and engaging way.

The best outdoor companion for your kids – Kidizoom® Action Cam
VTech has developed its first Kidizoom Action Cam, which allows children taking indoor or outdoor photos and videos in a more creative and enjoyable manner. It can go anywhere and do anything children can do with two included mounts so they can attach it to a bike, skateboard and more. It also comes with waterproof case so they can take videos and pictures up to six feet underwater. The Action Cam can take regular videos and photos in addition to stop-motion videos and time-lapse photos. The children can also explore their creativity with fun effects, frames and photo filters. They can download their photos and videos to a computer using the included micro-USB cable and share them with family and friends. They can also play three exciting learning games.

Apart from meeting all the quality, environmental and safety measures, the light and durable design of this Action Cam can extend the product life cycle with its rechargeable battery. Additionally, with the expandable memory feature, children will not miss their precious moments while growing up.

VTECH SUSTAINABILITY ACTIVITIES

Eco-Friendly Products

Our technical team has thought out of the box to extend the lifecycle of our products. Compatibility is one of the key principles for all VTech products. By integrating the ULE DECT technology in our products, a standardised consumer-friendly technology that has significantly longer range and is less complex to install in comparison to other technologies, it makes our products become more interchangeable and greatly expands the coverage of the wireless communication and monitoring system. By adding the ULE sensors, IP hubs and Wi-Fi cameras to the baby monitor, it extends the functionality of baby monitor to a Smart Home device with the wireless monitoring system.

VTech also continues to embed the eco-design principles into our products. We have launched a series of DECT cordless phones with the Blue Angel eco-label, certifying that those models meet the German standards of low radiation. As for our DECT cordless phones with Energy Star eco-label, the switching power supplies also have less power consumption compared with the conventional models.

To ensure that our consumers are well informed of their choices of purchase, all the related product specifications and information are clearly shown on the gift box and on our corporate product website.

Design for Excellence

VTech products comply with the highest international and local environmental and safety standards. All our products also meet the specific standards and requirements on material usage, energy consumption and disposal method in the respective markets. A list of the environmental and safety standards for our products is shown on page 51.

Design for Quality

VTech is committed to designing and manufacturing products that meet the highest international and local health and safety standards. The details of our product environmental and safety standards are listed on page 51.
All VTech products follow robust specifications on banned and restricted substances. Our products, including TEL products and ELPs, sold in the US and Europe are RoHS2 (Restriction of Hazardous Substances) compliant, and our products sold in Europe comply fully with REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals). VTech has implemented a stringent quality control system, from incoming materials to final products assessment, to ensure that all materials used in our products are compliant with both the international and local standards and requirements.

VTech Quality Control System

Upholding the highest quality standards of our products, VTech's manufacturing facilities for ELPs, TEL products and CMS, are all certified with ISO 9001. VTech has implemented a comprehensive quality management system to set up quality assurance policies and procedures, and define the organisational structure and responsibilities to review the quality of our products on a regular basis. Our quality control system includes the incoming materials inspection, in-process quality audit, finished goods quality assessment, and after-sales quality management to ensure that all our products meet the required specifications and are free from defects in both materials and workmanship at the time of delivery.

Incoming Materials
- New Component Evaluation
- Supplier Quality Audit
- Incoming Materials Inspection
- RoHS2 & REACH Control

Manufacturing Process
- In-Process Quality Audit
- Out-Going Quality Control
- RoHS2 & REACH Control

Finished Products
- Product Reliability (Product Testing)
- Hardware Evaluation
- Software Evaluation
- Human Factor Evaluation

After-Sales Quality Management
- Call Centre
- Warranty Service

All VTech products are also fully covered by our warranty. Quality and safety related issues raised by our consumers from different channels such as call centres, customer response and feedback via social networking sites, etc. are followed up seriously and on a timely manner. All reported cases are reviewed, evaluated and investigated by our quality and safety assurance team to identify any potential areas of risk and to take immediate corrective or preventive actions. We also work proactively with our customers, certified laboratories and professional consultants to obtain advance information on the latest standards in each specific country.

VTech Quality Laboratories

To improve the quality, durability and performance of our products, we have set up our in-house product testing laboratories (labs) at the manufacturing sites of our three product lines. All our products must go through reliability tests during different design stages. The comprehensive tests provide data for our engineers to improve the quality and reliability during the stages of production, transportation, storage and product usage. The reliability lab of TEL products is designed based on the international requirements and standards, and our UL Safety Lab is the first telecommunication manufacturing facility to comply with UL 60950 in Guangdong, and our in-house physical and chemical laboratories of ELPs is a China National Accreditation Service (CNAS) certified laboratory for ASTM F963 & EN71-1 (specific test items) standards since 2011 and complies with the ISO 17025 standards. Equipped with advanced testing instruments, our in-house chemical laboratory is also able to test specific chemicals such as heavy metals and phthalates. Samples of our VTech products are also sent to independent safety testing labs before they are brought to market to ensure that they meet the highest levels of international and local quality and safety standards.

TEL Products Test Labs

Compliance Lab

- Signal Performance
- Alerting
- Transmission Characteristics
- Environmental Considerations
- Caller Identity (CID) Test

Reliability Lab

- Salt Fog Test/Autoclave Test
- Carton Vibration Test/Carton Drop Test/Carton Stacking Test
- Unpacked Drop Test
- Waterproof Test/Surface Temperature/Battery Life
- ESD Test/Energy Star/CEC
- Charge-contact life/Keypad Life/Coil Cord Life
- Silkscreen & Painting Abrasion Test

UL Safety Lab

- Stress Relief Test
- Drop Test
- Impact Test
- Over-voltage Test
- Hi-pot Test
- Humidity Test
- Steady Force Test
- Acoustic Test

EMC GTEM chamber

ELPs Test Labs

Reliability Lab

- Wire Bending Test
- Keyboard Life Test
- Component Life Test
- Storage Test
- Operating Temperature
- ESD Test
- Transportation Test – Vibration Test
- Transportation Test – Carton Box Drop Test
- Sound Test
- Tension Test
- Torque Test
- Impact Test
- Compression Test

Chemical Lab

- Pb, Hg, Cr & Cd on Electronics Components
- Heavy metals (soluble & total contents) on Surface Coatings and Substrates
- Phthalates & Organostannic Compounds Test on Surface Coatings and Substrates
- Chromium III & VI Analysis on Surface Coatings and Substrates

Gas Chromatography – mass spectrometry

CMS Test Lab

Reliability Lab

- Temperature Humidity Environmental Stress Test
- Vibration Test
- Salt Spray Corrosion Test
- Connector Insertion Cycling Test
- Abrasion Test
- Switch On-Off Cycling Test
- XRF Spectrum Analysis
- Melt Flow Index Analysis
- Automated 2D Dimension Measurement
- Height Measurement
- Optical Microscopy Analysis
- RCL Measurement
- IV Curve Analysis
- Signal Analysis
- Quartz Oscillator Test

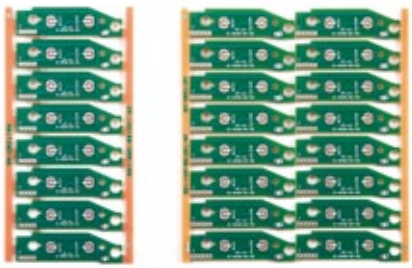
Chemical Lab

Design for Environment

VTech's products are designed to minimise our environmental impacts throughout the whole product life cycle from cradle to grave. We follow the LCA principle at different stages of the production chain. Our designers and engineers are required to go through the LCA checklist to ensure that we choose the most eco-friendly materials and use the minimum resources during each manufacturing process. For example, all the materials used for our ELPs and TEL products are compliant with the RoHS2 and REACH standards. At the design stage of our products, we have incorporated the LCA principles into our design guideline including the choice of eco-friendly materials, energy and resources consumption in production, packaging design, use of the products and disposal method. We have initiated our "Every Component Counts" programmes and "Compact Design" principles since 2008 which have resulted in significant reductions in material and component usage in our products.

In recent years, we continue to adopt the principles of "Compact Design" in our packaging design to reduce the size of the packaging and the weight of the materials used for all VTech products. We also carefully select the environmentally friendly packaging materials and ensure that all of them are 100% recyclable. For example, we use FDA-approved aqueous coatings, which are fast-dying, water-based and protective coatings for the packaging of our TEL products sold in the US market. For our ELPs, the packing materials are made of 100% recyclable cardboard. We have also largely replaced PVC (polyvinyl chloride) with PET (polyethylene terephthalate) in our packaging as PVC contains chemical additives and heavy metal content which produces toxic substances during the recycling and incineration process. We also use paper in other parts of packaging, such as using paper DVD cases to avoid the use of plastic clamshells, and introducing corrugated cardboard boxes, which are made with naturally renewable materials, to our product packaging.

We have also produced significantly less waste during the manufacturing process. Through redesigning and adjusting our surface mount machinery, we have reduced the size of the PCB rim by 20-80% depending on the product models. After implementing the PCB rim reduction programme, we significantly reduced the PCB rim usage per TEL products production output by 13%. We have also improved the PCB design for our 57 TEL products models through our "Every Component Counts" programme. That means significantly less PCB materials have been purchased, transported, and ultimately sent for disposal compared with the previous years.

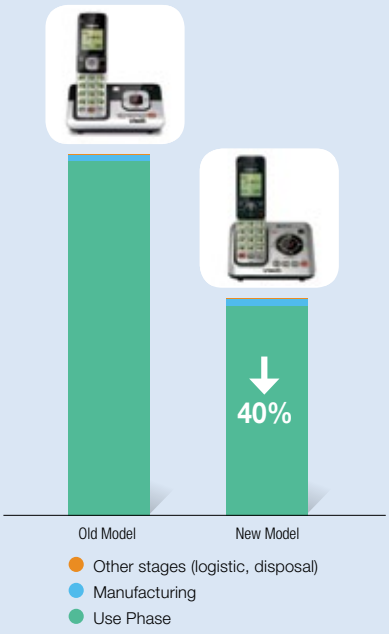


Before **After**

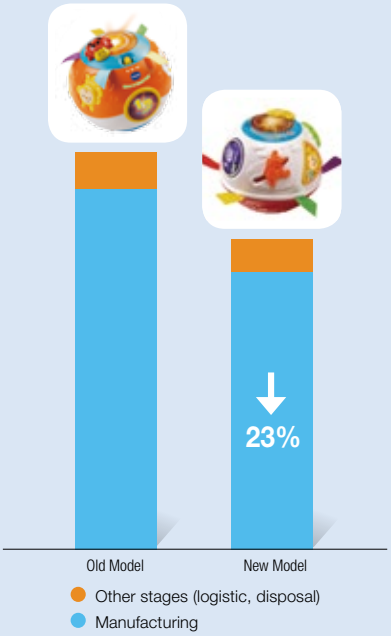
Redesign of PCB rim

The eco-design principles continue from the manufacturing phase of the production life cycle to the product usage at the customers' home. Every year we conduct LCA for our key products to compare the carbon footprint of the new model with the old one to ensure that the carbon footprint of our new version is continuously reduced. By implementing the new energy efficient technology and with continuous reduction in materials consumption and component count, the carbon footprints of the new models, CS6829 and 151500, have reduced 40% and 23% respectively compared with the old generation.

VTech Product Carbon Footprint Comparison of model CS6629 vs CS6829



VTech Product Carbon Footprint Comparison of model 061320 vs 151500



Environmental Protection

VTech has developed a high performance production chain to maximise our resources efficiency and improve the productivity while maintaining a green manufacturing and logistic practice. We also have policies in place to ensure that our operations are compliant with all the relevant environmental, legal and statutory requirements.

VTech strives to operate its manufacturing processes and facilities in a manner that minimises the impacts to the environment, and ensure that our operations are compliant with all the relevant environmental, legal and statutory requirements. We have developed a high performance production chain to maximise our resources efficiency and improve the productivity while maintaining a green manufacturing practice. We also adopt a green logistic management approach and use the most environmentally friendly transportation modes for the delivery of our incoming materials from suppliers and outgoing products to our customers.

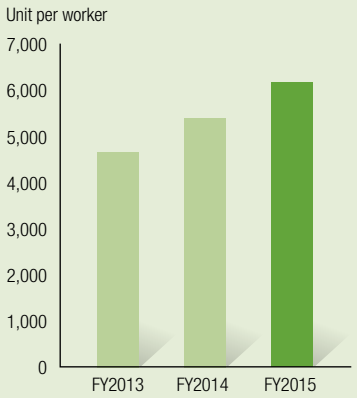
Sustainable Manufacturing Process

In order to ensure that our manufacturing operations are always following the best practices of the industry, we have developed a sustainable manufacturing process which includes the programmes on achieving a high performance production chain, and also established a green manufacturing practice across the manufacturing facilities of all our three product lines.

High Performance Production Chain

VTech's continuous improvement in the manufacturing process is driven by two key principles – "produce for quality" and "produce for efficiency". Without compromising quality in our production, we have implemented the process of low cost automation and adopted new manufacturing management methods, such as lean manufacturing and small cell production, to maximise our resources efficiency and improve the productivity, while minimising the wastes and improving product quality throughout the manufacturing process. In FY2015, production output per worker increased by 13.5%.

Production Output per worker



Lean Manufacturing

Our manufacturing team has implemented the principle of lean manufacturing to improve our production efficiency. The idea of lean manufacturing is to add value at each production stage while reducing the handling time in each process and increasing the flexibility for production. It shortens the through-put time and minimises the idle time during the process.

VTECH SUSTAINABILITY ACTIVITIES

In order to ensure a smooth manufacturing flow to meet our production needs while our production equipments and resources are utilised in an efficient manner, all our new product models have to go through the Production Preparation Process (3Ps) to plan ahead on how they could be most efficiently produced in the manufacturing processes. Our studies suggested that the 3Ps programme helped us to eliminate approximately 80% of wastes before a product or process had actually commenced.

High Performance Production Chain

Low Cost Automation

VTech has dedicated its efforts to incorporate Low Cost Automation into the production chain. By introducing our in-house-developed simple, mechanical, and electrical devices in the manufacturing process, we have significantly improved our productivity and efficiency. Low Cost Automation also requires minimal training for the operators, and greatly reduces the demand on workers with repetitive and simple motions in the assembly lines.

Low Cost Automation in VTech

Our automation team has introduced a wide range of Low Cost Automation projects at different production stages.

Green Manufacturing

VTech has continuously worked with different government bodies to minimise the environmental impact of our production facilities. Our TEL products manufacturing site was awarded the “Hong Kong – Guangdong Clean Production Partners” under the scheme jointly launched by the Hong Kong Productivity Council and the Guangdong Provincial Government in 2012. It was also recognised as the “Clean Production Enterprise in Guangdong Province” by the Guangdong Provincial Government and “Dongguan Environmentally Friendly Enterprise” by the Dongguan, Guangdong Province Environmental Protection Bureau in China. In addition, the manufacturing sites of our TEL products and CMS are certified with the ISO 14001 standard for environmental management, demonstrating that we are committed to continuous improvement on environmental protection.

We have also incorporated the 3Rs (Reduce, Reuse, and Recycle) principle into our manufacturing process, and established energy and resources management system to better utilise the resources in our manufacturing process, aiming to reduce the energy and water consumption, minimise the waste production and improve the reuse rate of resources.

VTech Environmental Policy

The key environmental impacts from VTech's operations relate to energy and water consumption, waste production and logistics. We are committed to minimising the environmental impacts from our operations with the following principles:

- Comply with all relevant environmental, legal and other statutory requirements
- Maintain an Environmental Management System in line with the requirements of ISO 14001
- Quantify and monitor the significant environmental impacts of our activities, products and services and set specific targets for improvement where appropriate, and review these annually
- Integrate environmental objectives into our business decisions in a cost effective manner
- Require all staff to address environmental responsibilities within normal operating procedures
- Enhance awareness of environmental and resource efficiency issues amongst our customers, staff and stakeholders through all projects and programmes in the respective areas

To achieve this, VTech has teams comprising individuals from different product lines and departments across the organisation. Our policy is reviewed annually to ensure that it is relevant and up to date.

Energy and Resources Management

In order to facilitate effective resources management at the operational level, we have set up a Resource Efficiency and Conservation Team (RECT) at each manufacturing site to monitor the energy saving progress against our pre-determined targets through the implementation of our resources saving projects. The RECT includes our production floor managers, equipment technicians, and internal energy analysts, focusing on four key areas in our resources management – 1) Plan and monitor the resources saving programmes, 2) Improve the energy efficiency in production chain, 3) Enhance the production efficiency of machinery, and 4) Improve the reuse and recycling rates of resources.

Plan and Monitor the Resources Saving Programmes

- Develop Energy and Resources Saving Projects
- Maintain the Energy and Resources Monitoring System
- Perform Energy and Resources Usage Analysis

Improve Energy Efficiency in Production Chain

- Manufacturing Resource Planning
- Low energy production process

Enhance Production Efficiency of Machinery

- Assess the energy efficiency and utilisation rate of the machineries
- Continuously upgrade low efficiency machines

Improve the Reuse and Recycling Rates of Resources

- Promote internal reuse of materials
- Continuously improve the waste management programme

Energy Monitoring System

In FY2015, all of our factories have implemented the real-time energy monitoring system to measure the energy waste and to manage and monitor the energy consumption patterns on our production floors. The real-time data helps us to plan for more detailed energy saving projects with measuring targets, keep track of the energy usage and patterns on a daily basis, and optimise the use of energy in different production processes.

As part of our energy management measures, the RECT has introduced the small zone lighting control system, which means that one or more lamps are turned on and off by a single controller on the production floors. All lightings are also grouped into different small zones so that floor managers can control the appropriate level of lighting in each area. In

Small zone lighting system

addition to the lighting control system, the team has also installed the timer controllers to switch off the ventilation and air conditioning systems automatically during production break times.

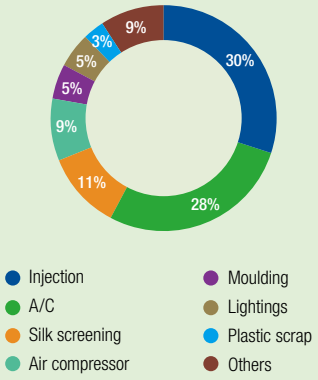
Energy Patrol Team

The RECT has also set up energy patrol team to monitor energy waste on the production floors and in other manufacturing areas. The patrol team conducts weekly patrols to identify any cases of energy waste. The result of the energy patrol is added as part of the Environment, Health, and Safety (EHS) rewarding scheme so that all demerit points recorded by the energy patrol team will affect the monthly EHS assessment, and the monthly demerit summary report is also sent to the management of the factory operations and all RECT members. The responsible persons of the production area also have to prepare a corrective action plan to the RECT. If the floor manager and the responsible persons of the production area have failed to improve any identified issues within three months, they have to attend three full-days EHS workshop and follow up the issues with assistance from the RECT energy experts.

Energy Saving Programmes in Manufacturing Process

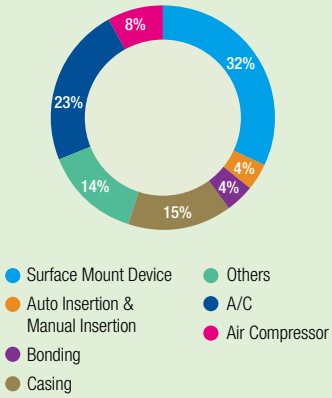
As VTech manufacturing facilities mainly consist of assembly and plastic injection plants, electricity is the major energy resource in our production process, of which operating air conditioning system (A/C) and injection were the major processes with higher electricity usage in FY2015 as shown in the following charts.

Energy Profile for Plastic Injection Plant



** the energy profile is the average of energy usage in FY2015*

Energy Profile for Assembly Plant



** the energy profile is the average of energy usage in FY2015*

Improvement in Air Conditioning System

Our RECT team has made a lot of efforts to improve the energy efficiency of the air conditioning system while maintaining the comfort level on the production floors. As the first stage of upgrading air conditioning and ventilation system, the team had first connected air conditioning systems among buildings for optimising the A/C units during winter time in FY2015. To further improve the indoor air quality and air flow within the production floors, the team is going to gradually upgrade the entire ventilation system and redesign the layout of the air conditioning ducts of the production floors in FY2016, which will further improve the air circulation on the production floors.

Energy Saving Project in Plastic Injection

Plastic injection is an energy intensive process. Improving the energy efficiency of the injection moulding machines can result in remarkable energy reduction. By adopting the hydraulic servo control technology in our existing injection moulding machines, we have reduced energy usage by 40-60% depending on the product models. The hydraulic drives take up about 48% of the machines' total energy consumption. The conventional fixed-speed motor pumps oil continuously without measuring the actual needs of the process causing unnecessary oil leakage and energy waste. The variable speed motor, however, could change the pump speed according to the system demand. Besides, it could also stop the pump during any break times in the moulding process which greatly reduces the energy consumption and leakage. Currently, we have upgraded 10% of our total injection moulding machines in FY2015 which has reduced 20% of

Injection moulding machine with hydraulic servo control

electricity used at the plastic injection facility compared with FY2014.

Energy Recycling in Burn-in Process

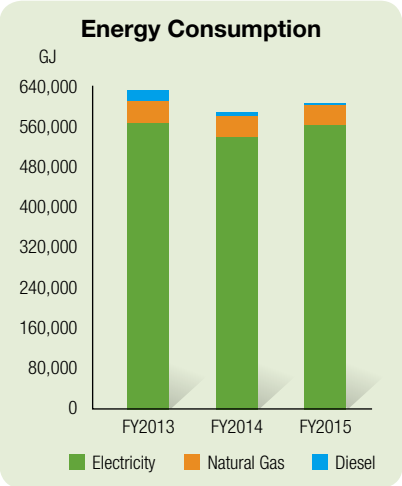
"Burn-in" process is a stress test on the electronic components of our products during the quality assurance stage in our manufacturing process. As this specific process requires intensive energy consumption, our RECT has introduced an energy recycling system in the burn-in process so that a large amount of excessive energy can be retrieved and reused during the process, which has helped us to reduce 75% of the in-process energy after installing the system.

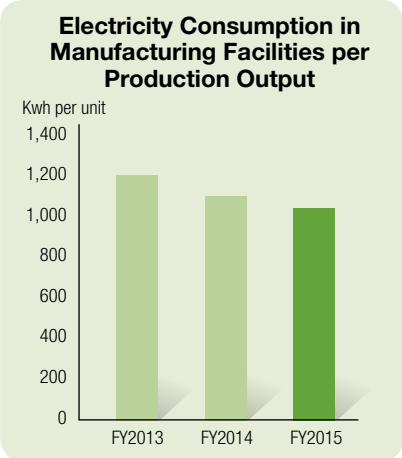
Energy recycling electronic load

Energy Consumption

In FY2015, the total energy consumption increased by 3.0% which was mainly attributable to the increase in production output. With our continuous efforts on improving the energy efficiency in our production chain, the electricity consumption per production output in our manufacturing facilities reduced by 5.4% compared with FY2014.

On the other hand, our continuous improvement programmes in the living areas, including the upgrade of the air conditioning systems at the dormitories and canteens, increased the total electricity usage in the non-manufacturing areas of our factories in FY2015 compared with the previous year. We will continue to promote resources conservation programmes in the living areas of our factories, but without compromising the provision of a comfortable and pleasant living environment for our employees.

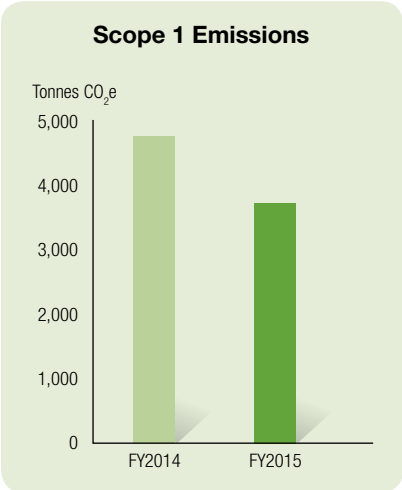


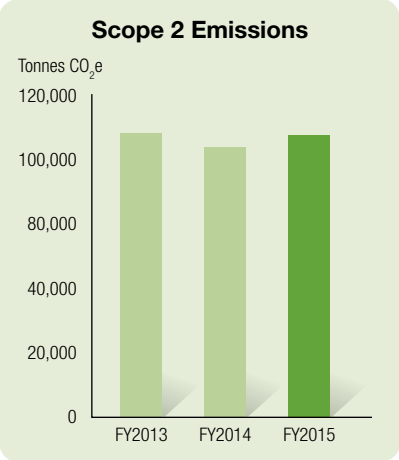


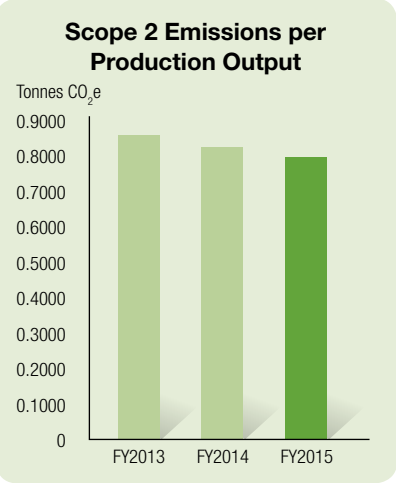
Carbon Emissions

The operation of VTech results in both direct (Scope 1) and indirect (Scope 2) emissions from the use of energy. Our energy conservation programmes and activities are driven by our desire to reduce the energy consumption and thus the carbon emissions. As illustrated in the following charts, as direct emissions (Scope 1) only account for less than 5% of our total carbon emissions in the manufacturing sites, the dominance of electricity (Scope 2) is more noticeable in our operations. This is why most of our energy saving activities are focused on reducing electricity consumption.

In FY2015, our total Scope 1 and Scope 2 emissions were 108,757 tonnes CO_2e. Due to the gradual phase-out in the use of diesel at the canteens of our manufacturing sites, our total diesel usage had decreased by 47.8% which resulted in a reduction of Scope 1 emissions by 21.8% compared with FY2014. We had also managed to reduce Scope 2 emissions per production output by 3.6% and natural gas usage by 5.8%. For the coming year, VTech will continue to replace the diesel with natural gas at the manufacturing sites, and only maintain a small amount of diesel usage for our back up electricity generators.

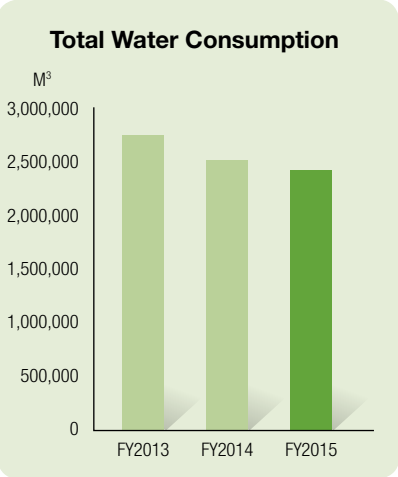






Water

Clean water is a valuable resource which VTech is committed to conserving. We only use water supplied from municipal sources and do not have any on-site wells or boreholes. During FY2015, we have managed to decrease our total water consumption by 3.5%.



Materials, Waste and Recycling

To ensure that we operate our factories with maximum resources efficiency, we not only continue to keep track of the amount of materials we purchased, monitor the amount of waste we produced, but also monitor the rates of internal reuse and recycling of the materials. At our major manufacturing sites, we have recycling centres where our staff collect and compact cardboard, plastics and metals to optimise the recycling rate. Our recycling rate increased from 66% in FY2014 to 70% in FY2015.

We realise that reducing and reusing are the preferred options for enhancing the circular economy. VTech has taken initiatives to eliminate the usage of non-reusable packaging materials during the manufacturing stage. In recent years, we have started to replace disposable cardboard boxes and dividers with reusable plastic boxes and plastic dividers for internal materials packaging. We also coordinate with suppliers to increase the use of reusable packaging. In the coming year, we will continue to review our internal packages collecting procedure to further improve the internal reuse rate.

Reusable Plastic box

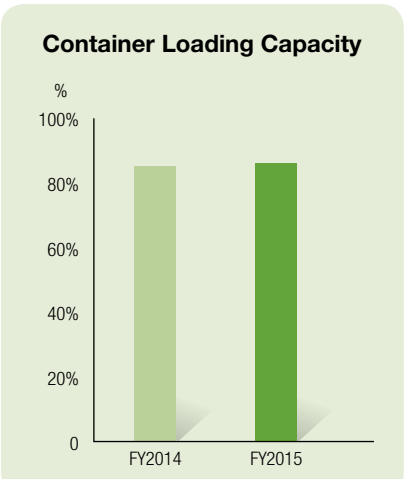
Plastic bag recycling machine

Sustainable Logistic Chain

As most of our products are shipped to the major markets in North America and Europe, it is crucial for us to manage our shipping orders in an energy efficient manner so as to reduce the transportation costs and minimise the associated environmental impacts. We also work closely with our suppliers and customers to consolidate and combine the shipping orders for the incoming materials and outgoing products respectively in order to reduce the frequency of shipments. For our Continental European operations, our logistic hub in Netherlands which is managed by our major logistic service provider also helps us to consolidate shipping volume and increase the filling rate of each truck for the delivery of goods within Europe.

As for the transportation mode, sea shipment is always our primary option for long distance transportation compared to the air freight. For the inland goods delivery, we are also increasing the use of rail freight as it is the most cost efficient mode of transport with less environmental impacts compared with shipment by truck.

Our logistics team has also introduced the use of cargo measuring software (CargoWiz) to optimise the loading capacity of each container. In FY2015, we managed to achieve an average of 87% of the loading capacity for each container shipment.



Workplace Quality

VTech aims to provide a supportive, pleasant and healthy workplace for our staff, and to foster a caring community in our working environment. We care for our employees and recognise that having good staff relations and a motivated workforce play a vital role in the Company's efficient operations.

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To ensure that our facilities operate in accordance with the highest international standards on social responsibility, health and safety, all VTech manufacturing facilities are certified with the international Occupational Health and Safety Management Systems (OHSAS 18001), with TEL products and CMS also certified with international standards of Social Accountability (SA 8000), and ELPs with ICTI CARE (Caring, Awareness, Responsible, Ethical) process certification. All of these certifications demonstrate external verification of our compliance with local laws and high quality working conditions.

Our human resources management policy builds on our four key values – "**C**ommunication and Staff Relations", "**A**dvancement in Careers","**R**espect of Labour and Human Rights", and "**E**nvironment for Our People" (CARE).

Communication and Staff Relations

To ensure the effectiveness of our workplace management system, we have cross functional teams and committees at different manufacturing sites, involving staff representatives from staff association, human resources managers, CSR managers and other committee members from each product line to meet regularly and determine goals and targets, discuss new projects, and review project progress on workplace and employees related issues based on the feedbacks from our people.

Communication and Staff Relations

- Enhance our good staff relations through various communication channels and staff activities

Advancement in Careers

- Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech

Respect of Labour and Human Rights

- Respect the labour and human rights of all our employees with clearly defined human resources management policies

Environment for Our People

- Provide a supportive, pleasant and healthy environment for our employees

VTECH SUSTAINABILITY ACTIVITIES

Staff Communication
We promote open communications at all levels of the Company and encourage employees to voice their opinions through various communication channels. These include suggestion boxes, websites, staff-caring hotline, internal newsletters and communication meetings. Employee engagement surveys and meetings are also conducted in our manufacturing facilities on a regular basis to receive feedback from our employees. All the information, opinions and suggestions gathered from the employees are handled and followed up by our employee relations team.

Staff Relations
Other than traditional communication channels, VTech believes that our relationship with the staff could be further strengthened through their participations in the leisure and sport activities. We have established VTech Staff Association, including members from our volunteering teams of the Company's different product lines, to create a social gathering platform and organise various staff activities for our staff.

In order to promote a healthy lifestyle for our employees, we encourage our people to participate in different sport activities such as Standard Chartered Hong Kong Marathon, RunOurCity Streetathon, and Dragon Boat Races. In FY2015, we were awarded the 8th most supportive company in Standard Chartered Hong Kong Marathon and the 3rd most committed organisation in RunOurCity Streetathon.

Staff activities and sport events

VTech Dragon Boat Team

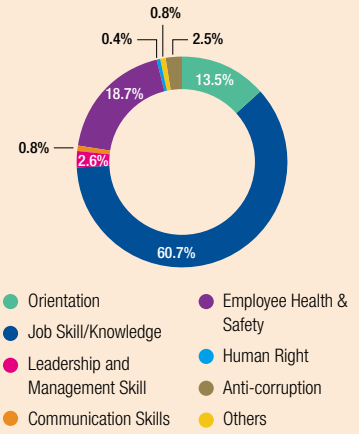
Participating in Dragon Boat competition has been a long tradition in VTech's history and our Dragon Boat team also joined the Hong Kong International Dragon Boat Race in 2014. Dragon Boat sport requires a team of more than twenty members paddling in pairs to move the boat towards the same direction, representing VTech's team spirit among the members of the team.

Advancement in Careers

VTech recognises that a capable and motivated workforce is integral to our success. We actively promote continuous learning initiatives and provide different kinds of training programmes for our employees, encouraging them to develop and advance their careers in our Company.

At VTech, we have Training & Development (T&D) team under the human resources department aiming to deliver a viable, need-based, and forward-looking training and development programme in meeting VTech's business needs while enhancing individuals' knowledge and skills. The training which VTech provides includes general training courses such as business skills and knowledge, effective communication skills, foreign language and leadership courses. Outdoor team building activities and off-site management workshops are also arranged for the employees on specific topics. Subsidised external professional courses are also available for staff where the development needs match the requirements of the Company.

FY2015 Training Hours by Type



Average Training Hours by Grade

For our employees in the manufacturing facilities, we have provided a wide range of job-relevant courses on a variety of topics ranging from manufacturing management to technical and computer skills. We have also introduced the succession plan in our manufacturing sites to identify employees, who demonstrate the aptitude and capabilities for future leadership roles within the Company. They then attend specific management courses and are assigned to various departments and teams for their career development.

Training programmes

e-Learning Platform

VTech has launched our self-developed e-Learning platform which can be accessed at all our manufacturing sites and global office. Staff can attend various e-programmes at everywhere and anytime.

The list of e-Programmes includes:

1) e-Introduction Programme for New Members
2) e-Learning Programme on '5-S'
3) e-Creative Problem Solving Programme
4) e-Effective Meeting Skills
5) e-Assertive Communication Programme
6) e-Programme on "Effective Project Management"
7) e-Performance Appraisal Training
8) e-Pinyin Putonghua Programme

Respect of Labour and Human Rights

VTech is committed to respecting the labour and human rights of all our employees through the following principles, which are clearly stated in our human resources management policies:

Freely Chosen Employment – We do not use forced or prison labour. We ensure that the terms of employment are voluntary. Our employees work at VTech of their own free will and are free to leave the Company upon reasonable notice under the terms of their labour contracts. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment, unless required by applicable law.

No Child Labour – We comply with all appropriate local and international regulations in relation to the restrictions on the employment of child labour.

Benefits and Wages – We ensure that the compensation and benefits for our employees comply with or exceed the minimum legal requirements of the country where employees are employed. We do not make deductions from wages as a disciplinary measure.

Overtime Policy – Overtime is voluntary and employees are compensated for overtime in accordance with local laws.

Equal Opportunity and No Discrimination Policy – We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non-job related factors. Remuneration is determined with reference to performance, qualifications and experience.

Harassment and Abuse – We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees.

We have procedures in place to ensure that our policies are properly implemented throughout the Company. These include training, conducting employee interviews and surveys, on-site visits and audits on a regular basis. Any issues or enquiries raised by our employees through different communication channels will be handled and investigated by the Company with care and in a confidential manner.

In addition to respecting the labour and human rights of all our employees, we also embrace an equal and supportive working environment for our staff. In VTech, 99.9% of our staff is employed by VTech with full-time employment contracts. We also support local employment. 98% of our senior management staff is hired from the local area of the sites of operation in the respective countries. We also conduct annual performance appraisals for all employees to assess their performance and communicate the results with them. The appraisal is used as a reference for rewarding our staff accordingly.

We provide a wide range of benefits for our staff in line with their terms of employment including the following:

1) Annual Leave
2) Sick Leave
3) Medical Scheme
4) Retirement Scheme
5) Staff Purchase Discount
6) Training Subsidies

To celebrate and show our appreciation of the contribution of our staff, every year employees who have completed five years of service are presented with long service awards. Awards will also be made for each subsequent five year period of service. Over 4,400 members of staff have been at VTech for more than five years. In recognising the performance of the employees, VTech also presents a “Distinguished Staff Award” to outstanding staff and teams every year.

Long service award

Distinguished team award

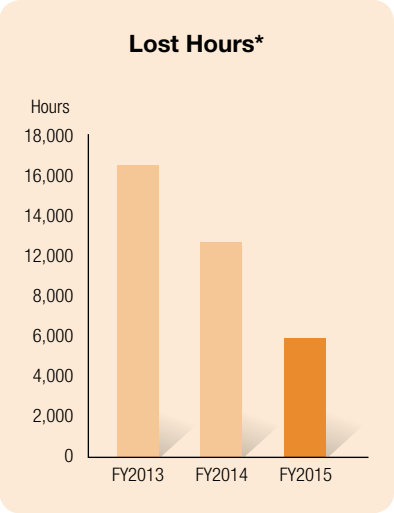
Environment for Our People

We always put workplace safety as our number one priority. We are committed to providing employees with a healthy and safe working environment. Our goal is to instill robust safety measures at every level of the Company and to ensure the physical well-being of employees through the implementation of our "Health and Safety" programme. All VTech manufacturing facilities comply with national and international health and safety standards as evidenced by our certification to OHSAS 18001.

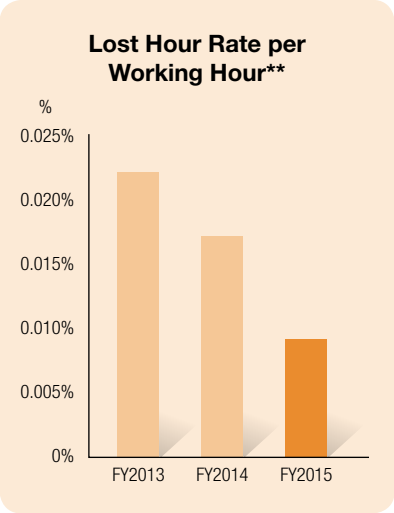
We have set up the EHS team, comprising a group of qualified safety officers and engineers to conduct weekly health and safety audit, carry out safety training programmes and monitor the health and safety of operation processes at each production site. Every week, the EHS team issues a report which identifies any significant violations found. The responsible person of the area has to take immediate action to eliminate the health and safety hazard, and report back to EHS on the action taken. The safety committee, involving all department managers, meets every quarter to review the progress of the improvement projects and safety issues.

To ensure that we have a safe working environment in our manufacturing facilities, all our employees are required to attend regular safety training courses and specific safety training workshops on chemical usage, machinery safety, work safety for high risk position, etc. Fire drills are carried out at both production areas and living areas every quarter to ensure everyone is familiar with the practice and the evacuation route to leave the building in the quickest and safest way. The EHS team has also recruited volunteers from each production floor to form the Emergency Response Team (ERT). The members of the ERT receive specific training on fire equipment usage and emergency control.

Through the extensive efforts of the EHS team, we are pleased to report that the results of our activities have reduced the loss of working hours and lost hour rate per working hour by approximately 45.3% and 49.6%, respectively between FY2014 and FY2015, and we did not have any work related fatality case.



* *Lost Hours is the total working hours that workers cannot attend work due to injuries in manufacturing operations*



** *Lost Hour Rate Per Working Hours was calculated as Total Number of Lost Hours/Total Hours Worked*

Embracing the well-being of our employees is important for VTech and we continuously promote a healthy lifestyle for our staff. As mentioned previously, we arrange a wide range of sport activities and training for employees regularly. The canteen service at our manufacturing sites are committed to providing nutritious meals for all employees, ensuring that there are sufficient fruits and vegetables as well as sources of protein. To maintain the high quality food safety standards of all the food ingredients, our food quality assurance team is dedicated to testing and checking the quality of incoming raw materials, food preparation process, and inspecting the cooked meals (finished products) in our canteens.

VTECH SUSTAINABILITY ACTIVITIES

Food Quality Control Process

Raw Materials Testing

- Selected raw materials are inspected with various tests
- Qualified raw materials are sent to canteen for preparation
- Testing results are posted at the canteen's notice board

Food Preparation Process Control

- Internal food preparation guidance
- Food preparer follows the hygiene standards
- Daily hygiene inspection in the work station
- Weekly canteen hygiene inspection

Finished Products Inspection

- All finished dishes sample will be kept for 48 hours for future inspection
- Random finished products inspection

Continuous Improvement in Living Areas

The majority of employees in our China manufacturing facilities are from different provinces of the country. We recognise that to make them feel at home, and have a sense of belonging while they are living in our dormitories are very important for our people. As part of our continuous improvement programme for the living environment, we have continuously upgraded the dormitories, canteens and recreational facilities in FY2015.

Living environment and recreational facilities

Sustainable Operating Practices

VTech has policies and systems in the areas of Business Continuity Management, Supply Chain Management and Climate Change Strategy to ensure that we have a sustainable operating practice throughout the Company.

VTech has three core policies and systems to ensure that we have a sustainable operating practice throughout the Company. We have "Business Continuity Management" programme to identify and mitigate our potential operational risks, and increase our resilience capability to resume our operations in an effective and timely manner. For the supply chain management which is crucial for our sustainable operations, we have a well established "Supply Chain Management System" and a good procurement practice in place to monitor the quality of our suppliers as well as their environmental and ethical performance in accordance with VTech's CSR requirements.

As an environmentally conscious and sustainable company, VTech also recognises that climate change could create uncertainties in our business development. We have developed "Climate Change Strategy" to assess how climate change could affect our business operations, and minimise the potential impacts on our sustainable growth. As part of our environmental management approach, our carbon reduction programmes also help us to manage our carbon emissions in the supply chain and our daily operations.

Business Continuity Management

Business Continuity Management (BCM) is important for ensuring that we always have a smooth business operation. Our BCM programme not only helps us to identify and mitigate our potential operational risks, but also increases our resilience capability to resume our operations in an effective and timely manner. VTech's RMSC has developed an internal risk management structure at both the management and operational levels, which clearly defined the roles and responsibilities in managing the potential risks in the respective areas, and set up procedures for the execution of our Business Continuity Plan (BCP) in the event of disruptions. At each of our key business functions, the management team who is responsible for BCM, consisting of the senior management at the operational level of the relevant departments, is given the responsibility for developing and executing the BCP to ensure the continuous operation of the critical and essential functions of the Company in the event of emergency or business interruption.

We have adopted a four-step BCM framework to identify the events that could affect our operation, assess the identified risks, establish measures and controls to manage the impacts with recovery actions, and review the BCP for continuous improvement on a regular basis.

BCM framework of VTech

Step 1: Identification of Potential Event of Disruption

Step 2: Assessment of Identified Risks

Step 3: Establish Measures and Controls

Step 4: Monitor and Review the Effectiveness of BCP

Step 1: Identification of Potential Event of Disruption

The management teams responsible for BCM of each key business function conduct a thorough risk evaluation to review the potential external and internal event of disruption of the key aspects on economic, natural environment, political, infrastructure, personnel, process, and technology at each stage of the key business operations.

Step 2: Assessment of Identified Risks

After identifying the potential event of disruption, the management team responsible for BCM will go through a detailed evaluation to determine our resilience level of each identified event by considering its risk level. We have developed a risk assessment matrix to determine the risk level by assessing the likelihood of occurrence (probability) and the significance of the impact to our operation (severity) of each identified event. Other special factors, where relevant, such as the affected area of the production chain in our plant facilities will also be considered. Based on the evaluation result of the risk assessment, the responsible management team will determine how the possible risks could be mitigated, and identify the potential opportunities for further improvement.

Step 3: Establish Measures and Controls

After studying the background of the higher risk events of disruption, the management team responsible for BCM identifies the root cause of each event so as to establish measures to manage the impact brought by the occurrence of the events of disruption to an acceptable level. In addition, the recovery action plan and procedures are formulated for resuming the operations in emergency scenarios within an acceptable time frame.

Step 4: Monitor and Review the Effectiveness of BCP

To ensure the effectiveness of the BCP, each business function conducts BCP drill tests on a regular basis. The management team responsible for BCM and the department representatives also review the results of the regular internal audit and external audit on the BCP and identify if there are any new events of disruption which are not covered by the current BCP. We will update the BCP after analysing all the findings to address any additional potential risks with preventive actions and recovery plan for our continuous improvement.

Supply Chain Management

A well established Supply Chain Management System and a good procurement practice are crucial for our sustainable operations. VTech has a Supply Chain Management System in place to monitor the quality of our suppliers as well as their environmental and ethical performance. We are committed to managing our supply chain in a socially and environmentally responsible manner and sourcing from approved suppliers who meet VTech's CSR requirements.

VTech's major suppliers in the supply chain include the manufacturers of PCBs and other electronic components, of which 94% are located in China.

Logistic providers form the bulk of the latter part of the supply chain. We recognise that extreme events can delay the supply of materials and given the nature of some of the major activities, may also pose social and environmental risks. In order to mitigate the risks to VTech and its customers, we have a Supply Chain Management System in place to monitor the suppliers quality as well as their sustainability performance to eliminate the potential disruptions that might hinder the effectiveness of our supply chain.

VTech aims to develop and secure long-term relationships with its suppliers and contractors based on mutual trust. Procurement of supplies and services is conducted using fair and objective criteria in an ethical manner so as to ensure the quality of the finished product. The decision to use particular services or purchase particular goods are based upon price, quality, delivery capacity, reputation for service and integrity, social and environmental responsibility of the suppliers.

We work closely with our approved suppliers, and encourage them to follow our key CSR Initiatives, based on the requirements of EICC, International Labour Organisation Conventions on Labour Standards, ISO 14001, and OHSAS 18001. We have extended the topics covered in our regular audit to further improve the energy efficiency of our suppliers base. Our suppliers are required to sign the agreement on Conflict Minerals to ensure all metals used in the manufacture process of VTech's products do not originate from the Conflict Region.

Supplier Relationship

VTech hosts Supplier Day every year to enhance the communications with our suppliers. We strive to maintain a good relationship with our suppliers and establish the VTech CSR initiatives in our supply chain to ensure that our suppliers recognise our procurement practices and requirements. We also provide training to suppliers on our continuous improvement programmes to facilitate their understanding of our standards and requirements.

VTech's CSR Requirements for Suppliers

Labour

- Freely Chosen Employment
- Child Labour Avoidance & Protection of Young Workers
- Working Hours
- Wages and Benefits
- Humane Treatment
- Non-Discrimination
- Decent Working and Living Environment

Environment

- Environmental Permits and Reporting
- Pollution Prevention and Resources Reduction
- Hazardous Substances
- Waste water and Solid Waste
- Energy Efficient Manufacturing Process

Ethical Standards

- Business Integrity
- Anti-Corruption
- Code of Conduct
- Disclosure of Information
- Procurement Practice

Health and Safety

- Occupational Safety
- Emergency Preparedness
- Occupational Injury and Illness
- Industrial Hygiene
- Physically Demanding Work
- Machinery Safety

Prior to placing any orders to a supplier, we engage with them in order to understand any risks they may pose to VTech and request them to follow our supplier CSR agreement. This is reviewed by our procurement team and each supplier is given a risk category rating. All new suppliers need to go through a comprehensive supplier audit to ensure they meet VTech's CSR and quality standards. For critical safety-related components and materials, we will conduct examinations at early stage of our manufacturing process to identify any non-compliance issues and implement corrective actions in a timely manner.

Following the audit process, if there are any areas of non-compliance identified in the supplier's factories, the supplier is required to propose corrective actions with an implementation schedule in order to eliminate the identified deficiencies. Our teams follow up on the corrective actions to ensure that the areas have been improved and managed accordingly. We also provide training to suppliers on continuous improvement processes to facilitate their implementation of any corrective actions. In FY2015, we audited 271 suppliers. A small number of these were removed as approved suppliers due to their failures to meet VTech's required standards and no suppliers were removed due to negative environmental impacts. In FY2016, we will be working closely with our suppliers to further improve the manufacturing energy efficiency and social aspect of our upstream supplier chain. Through sharing our experience with suppliers, we believe that we can further reduce the carbon footprint of the components used in our products, and help our suppliers to improve their social and working conditions.

Climate Change Strategy

As an environmentally conscious and sustainable company, VTech recognises that climate change could create uncertainties in our business development, and we have to develop a strategy to minimise the potential impacts on our sustainable growth. As part of our environmental management approach, we are dedicated to managing our GHG emissions and minimising the energy consumption arising from our daily operations. We also work closely with our suppliers and customers to reduce the carbon emissions through enhancing our environmentally friendly product designs and sustainable operating practices.

To plan for a more comprehensive Climate Change Strategy, we need to assess how climate change could affect our business and make informed decisions accordingly. This helps us to prepare for downside risks, maximise upside opportunities, and ensure our business strategies are not only accounted for longer term trajectory of climate change, but also sufficiently flexible to respond to the inevitable changes in the business environment. VTech continuously reviews our approach on climate change to enhance our resilience in response to the associated risks and opportunities.

VTech recognises the potential adverse effects of climate change on our operations. We have developed carbon reduction programmes internally and externally, contributing to the low-carbon economy. We manage our carbon emissions in our supply chain and operations, and also work with our customers and the communities in which we operate.

VTech Carbon Management Approach

Supply Chain
- Work closely with our suppliers and require them to follow our CSR requirements
- Share our energy efficiency programmes with our suppliers and help them to reduce the environmental impacts from operations

Operations
- Disclose the total GHG emissions including Scope 1 and 2 emissions
- Strive to reduce our GHG emission per production output
- Report our GHG information and progress in our Sustainability Report
- Review and update our climate change policies and projects annually

Customers
- Share GHG information with customers
- Optimise the energy efficiency in the use of our products
- Measure and reduce the carbon footprint of our key products in each generation

Communities
- Support local climate change policy of our sites of operation
- Update our Climate Change Strategy and carbon reduction programmes with reference to the international and local climate mitigation targets, plans, and adaptation initiatives

Community Investment

VTech uses its expertise and resources to support the communities in which it operates, focusing on supporting people in need, collaborating with local charities, providing training opportunities for young people, nourishing an innovative environment and developing a healthy and green community.

As a responsible corporate citizen, VTech uses its expertise and resources to support the communities in which it operates in a variety of ways. In order to better manage our resources to support the targeted groups in the communities, VTech has developed the following programmes focusing on five key areas for our community investment In FY2015.

Support People in Need

Provide helping hands for people in need

Collaborate with Local Charities

Support local charitable events and the general corporate philanthropy

Provide Training Opportunities for Young People

Attract the best talents to VTech and provide training opportunities for young people

Nourish an Innovative Environment

Sponsor and support the breakthroughs in communications and technologies

Develop a Healthy and Green Community

Foster a healthy and green living environment in the community

Support People in Need

There is always a time when we cannot do it all alone. VTech believes that a helping hand and a little gesture are important to support others to go through hard times. Since the establishment of VTech voluntary team in different manufacturing sites and global offices, the team regularly participates in various voluntary events, creating a strong social network and providing assistance and supports for different local organisations. Currently we have over 1,200 regular volunteers globally. We encourage our employees to participate in volunteering events, which could provide an opportunity to connect them outside the workplace, and inspire team-building experiences whilst contributing to the communities.

VTech has been awarded the "Caring Company" by The Hong Kong Council of Social Service for the seventh consecutive year in recognition of our continuous contribution to the Hong Kong community. Our Chinese voluntary team was also awarded the best voluntary team of the town of Liaobu, Dongguan, China in 2014. VTech provides great support for the voluntary teams and encourages our staff and their families to participate in various voluntary activities.

The China and Hong Kong voluntary teams frequently participate in various types of voluntary services including visiting elderly homes and children hospitals, and supporting crowd control at community events. Our Canadian staff provided volunteering services in the Vancouver Aquarium for the education programmes. In FY2015, VTech volunteers contributed over 16,738 hours in volunteering community activities.

Visiting Schools in China Remote Areas

This year is the third year that our Chinese voluntary team visits schools in China remote areas. In FY2015, our voluntary team visited three schools in Guangxi. Before the visit, the team organised various fundraising activities at the manufacturing sites. As a support to the team, VTech donated 280 sets of electronic learning products to the schools and sponsored the transportation for the visit.

Collaborate with Local Charities

VTech works with many local charities for the charitable events and supports the general corporate philanthropy. We also contact the local charities including Community Chest, Hong Kong Society for the Aged (Sage) and Hong Kong Children and Youth Service to understand and support their charitable events and activities every year.

In FY2015, VTech has supported and made donations to Sower Action, Oxfam Trailwalker, Hong Chi Association, and Community Chest in supporting the children development in China and Hong Kong. We also donated to Hong Kong Anti-Cancer Society to support local health care development, and we have sponsored the Hong Kong Paralympic Committee & Sports Association for Physically Disabled (HKPC&SAPD) and RunOurCity Foundation to support the local sport development programmes. We continuously support various charitable organisations and activities around the world. We have made charitable and other donations about US$ 227,000 in the FY2015.

In addition to supporting the volunteering events, VTech also encourages and sponsors our staff to participate in the sport activities organised by the local charities.

Oxfam Trailwalker 2014

Oxfam Trailwalker is one of the largest fundraising sport events in Hong Kong, which supports Oxfam's various poverty alleviation and emergency relief projects in Africa and Asia, including Hong Kong and mainland China. VTech has participated in this event for more than two consecutive years. The race requires team of four to complete the 100km MacLehose Trail within a 48-hour time limit.

In FY2015, our Oxfam Trailwalker team was the champion in the category of Manufacturing Team and our Sowers Action team won the 2nd runner-up in the category 42 km Corporation Team. We were also ranked the 8th in the most supportive group award of the Standard Chartered Hong Kong Marathon 2015, and the 3rd most committed organisation of the RunOurCity Streetathon 2015.

Provide Training Opportunities for Young People

VTech recognises that attracting the best talents is important for the sustainable growth of the Company. We regularly recruit interns from local universities and organise various exchange activities with schools. We believe that employing young people helps us to find the most sought-after student talent to work with us in the future, who can bring new perspectives and fresh ideas to VTech. We also understand that job opportunity is valuable for all young people, which helps them to gain working experience, develop job skills, make connections with peer groups, and assess their interests and abilities. Hiring interns does not only help students to gain practical working experience, but also enhance the local workforce as a whole. VTech will continuously support local youth employment programme in the local communities in which we operate.

VTech's Training Programme

VTech's interships:

"After about 8 months internship in VTech, I am impressed with the way people are working in the office and the mechanism of a real manufacture company. My major is engineering and I still remember that in my first year my professor told me that engineers changed the world. Yes, we do. But how can we change the world by ourselves? In the past years in the university, I spent most of my time with "numbers" and "formulas". Through the internship in VTech, however, I realise that communication between colleagues is much more important. This 8 months internship has changed my future career that I would like to do something else rather than a pure engineer." – Eric Li

"The 1 year internship programme allows me to experience a real workplace. During this internship programme, the work experience helps me prepare for my future career. I had chances to work on different nature of work and I learned the way to work more efficiently. Apart from that, I also had the chance to work with colleagues with different cultural background at Dongguan office. The 1 year internship is a very precious work experience to me. It helps me to discover my future career path." – Nelson Poon

VTech's Training Workshop for University Students:

VTech arranged training workshop for the students of Shanghai Lixin University of Commerce to share the information on International Accounting Standards and listing regulations.

Nourish an Innovative Environment

In order to nourish an innovative environment and stay ahead of the latest trends and developments in the industry, VTech has supported various technology forums and participated in a number of trade associations around the world. We primarily engage as members and collaborate with the others on the industry projects to help develop the industry and technology standards.

In FY2015, VTech sponsored the 2015 Institute of Electrical and Electronics Engineers (IEEE) International Symposium on Information to support the breakthroughs in communications and information technologies. To support the development of ULE technology, VTech is also one of the strategic members of ULE Alliance to drive the agenda of the ULE development progress with the ULE Alliance management board committee.

Develop a Healthy and Green Community

VTech is a keen supporter for developing a healthy and green community. We not only dedicate our efforts to minimise the environmental impacts of our operations, but also participate in different community events to encourage and promote a healthy and green lifestyle. In FY2015, VTech joined the "Greening for the Chest" programme organised by Community Chest of Hong Kong, which is an educational fund raising programme to encourage schools and organisations to clean and plant at designated locations, building a greener and cleaner environment for the community. We also encourage our employees to bring their children to join the event in order to promote green living to the younger generations.

"Greening for the Chest" programme

In promoting green living at VTech, we have developed a VTech organic farm at our TEL products manufacturing site, and we are going to practise urban farming at the living areas of our factories.

VTech organic farm

To support a sustainable banqueting culture, our annual dinner in FY2015 joined the Green LUCK Banquet of Green Monday to follow the three principles – no waste, no shark fin and one vegetarian dish, and all the excess food items at banquet were redistributed to people in need. All VTech social gatherings will continuously follow these three principles, embedding healthy and green eating in all VTech parties and gathering events.

FY2015 Targets and Progress Updates

Aspects		Approaches	Targets for FY2015	FY2015 Progress Updates
 Product Responsibility & Innovation	**Customer health and safety**	VTech ensures that its products meet the highest safety standards and contribute to the protection of our customers	Zero product recalls, fines or penalties relating to non-compliance with regulations	In FY2015, we had no case on product recalls, fines or penalties relating to non-compliance with regulations.
			Increase sales by 2% for health and safety related products to customers	In FY2015, the sales of our health and safety related products increased by 46.5% compared with FY2014.
			Develop innovative concepts which enhance the health and safety of the customers	We have incorporated more health and safety features to our TEL products, such as voice booster and big button.
	Product design	Incorporate sustainability concepts into product design to reduce carbon footprint and resources used	Undertake Life Cycle Analysis (LCA) for 2 key products to reduce the carbon footprint throughout the product life cycle	In FY2015, we completed the LCA for the phone models CS6829 and CS6629 and reduced the carbon footprint by 40%. We also completed the LCA for toy models 151500 and 61320 and reduced the carbon footprint by 23%.
 Environmental Protection	**Energy**	Reduce the energy used in our manufacturing and living facilities	Reduce electricity consumption (kwh) per sales by 4% against FY2014	In FY2015, the total electricity consumption (kwh) per sales increased by 5.4% compared with FY2014. It was mainly attributable to our continuous improvement programmes in the living areas of the factories, including the upgrade of the air-conditioning systems at the dormitories and canteens. Our electricity consumption per production output in the manufacturing facilities, however, had successfully reduced by 5.4% compared with FY2014 due to our continuous efforts on improving the energy efficiency.
			Phase-out the use of diesel in all static appliances	In FY2015, our total diesel usage had decreased by 47.8% which resulted in a reduction of Scope 1 carbon emissions by 21.8% compared with FY2014. We will continue to replace diesel with natural gas at the manufacturing sites.
	Carbon emissions	Reduce GHG emission	Reduce GHG emissions by 2% against FY2014	Our GHG emissions increased by 3.2% compared with FY2014. It was mainly attributable to our continuous improvement programmes in the living areas of the factories, including the upgrade of the air-conditioning systems at the dormitories and canteens. Our GHG emissions per production output, however, had successfully reduced by 3.6% due to our continuous efforts on improving the energy efficiency.
			Undertake feasibility study for solar photovoltaics at one manufacturing site	Our Resource Efficiency and Conservation Team undertook a study on solar photovoltaics (PV) at manufacturing facility. Due to the area constraint at the rooftop of the production buildings, the PV panels cannot be installed on the rooftop. The team is now working with local PV suppliers to seek for alternatives.
			Collect data for refrigerant gas releases to complete Scope 1 reporting	We had started to collect the refrigerant usage of all manufacturing sites in FY2015.

Aspects		Approaches	Targets for FY2015	FY2015 Progress Updates
 Environmental Protection	**Water consumption and effluent treatment**	Reduce water usage and effluent through filtering water in our processes, and install water efficient hardware	Reduce water consumption per headcount by 2% against FY2014	Due to the improvement on our water facilities and provision of hot water supply in the dormitory, our water consumption per employee increased by 1.2% compared with FY2014. We will continue to promote water saving campaigns at the living areas of our manufacturing facilities. Our total water consumption, however, decreased by 3.5% compared with FY2014 due to our continuous efforts on water conservation in the manufacturing facilities.
			Examine opportunities for rainwater harvesting	Due to the hot and humid climate at the southern part of China, it was studied and concluded that the maintenance cost for the rainwater harvesting system is too high that it is not feasible for VTech's manufacturing facilities.
	Waste and recycling	Recycle material to minimise waste and conserve resources	Increase recycle rate of non-hazardous waste to 75%	We have recycling centres where our staff collect and compact cardboard, plastics and metals to optimise the recycling rate. Our recycling rate increased from 66% in FY2014 to 70% in FY2015.
	Logistics	Reduce the environmental impact of product transport	Develop a carbon reporting methodology for transport to better reflect improvements	We are developing the transportation database to measure the carbon emissions of our logistic chain. The system structure will be ready by the end of FY2016.
			Increase the loading capacity of each shipment to 80%	We successfully maintained the loading capacity of each container shipment at an average of 86.4% in FY2015.
			Increase by 10% for usage rate of 40" High Cube containers against FY2014	Our 40" High Cube container usage had reduced by 11.2% compared with FY2014 which was mainly due to lack of high cube container supply from forwarders for North America shipments in peak season.
 Workplace Quality	**Training and development**	All staff receive suitable training and are able to develop a career path within VTech	Increase the average training hours per employee by 10% against FY2014	The average training hours per employee increased by 17.6% compared with FY2014 which was mainly due to the increase of compulsory health and safety training for all new workers.
			Increase the total number of participants in VTech College at the manufacturing sites by 10%	The number of participants in VTech College increased by 2.2% compared with FY2014 due to the consolidation of the training programmes. Our training hours per participant, however, increased by 11.4% compared with FY2014.
			Upgrade training facilities	The training room in Hong Kong head office had been renovated in FY2015. As for the training facilities in our manufacturing facilities, we had also upgraded the computers, projectors and microphone systems to improve the training environment.

VTECH SUSTAINABILITY PERFORMANCE

Aspects		Approaches	Targets for FY2015	FY2015 Progress Updates
Workplace Quality	**Staff welfare and employee communication**	Increase staff's sense of well-being and belonging, improve performance and retention rate	Improve overall employee satisfaction results in employee satisfaction survey by 5%	The employee satisfaction survey results remained stable throughout the 3 quarters in FY2015. We will continuously keep track of the feedbacks from our employees to improve their satisfaction level on our living and working environment.
			Increase participation in staff welfare activities by 10%	The number of staff activities had successfully increased by 24.4% compared with FY2014.
			Decrease average staff turnover rate by 5%	The average staff turnover rate of workers decreased by 3.4% compared with FY2014.
	Occupational health and safety	Provide a safe working environment for employees	Monthly health and safety audit	Health and safety audit is conducted monthly at all manufacturing sites.
			Reduce loss of working hours rate by 10% against FY2014	The loss of working hours due to injuries in manufacturing operations reduced by 45.3% compared with FY2014.
			Increase compulsory health and safety training for all new workers in the manufacturing sites by 3 hours	The compulsory health and safety training has been added as part of the orientation session for all new employees.
			No work-related fatality case	Workplace safety is our number one priority. We had no work related fatality case in FY2015.
	Anti-corruption	We emphasis business integrity and have zero tolerance for corruption	Increase training hours on anti-corruption by 10% against FY2014	We had organised more anti-corruption training sessions at different sites in FY2015 and our training hours on anti-corruption also increased by 31.6%.
			Best in the class of business ethics, with zero non-compliance with laws and regulations	To uphold the best in class business ethics, we continue to strictly follow the local laws and regulations. There was no non-compliance case with laws and regulations.
Sustainable Operating Practices	**Supply Chain Management**	Improve the long-term performances of the Company and operation procedure, and maintain a good business practices	Provide CSR agreements to all active suppliers for engagement	We have sent CSR agreements to all active suppliers annually. The result is also closely followed up by our purchasing team.
			Expand on-site quality and CSR audit scope to include energy efficiency and carbon reduction	We have included the energy efficiency and carbon reduction assessment items in our audit checklist.
Community Investment	**Social investment**	Support local communities development	Increase volunteer hours by 10%	We have recruited more volunteers from our China manufacturing sites in FY2015 and our total volunteer hours also increased by 5 times compared with FY2014.

Company Performance and Data

Items	G4 Indicator	FY2014	FY2015
Portion of senior management hired from local community[9]	G4-EC6	98%	98%
Proportion of spending on local suppliers at significant location of operation	G4-EC9	89%	94%
Material used by weight or volume (Tonnes)	G4-EN1	79.3	86.1
Energy use[1] (GJ)	G4-EN3	587,365	605,227
Energy from Diesel[1] (GJ)	G4-EN3	7,218	3,768
Energy from Natural Gas[1] (GJ)	G4-EN3	41,583	39,180
Energy from Electricity[1] (GJ)	G4-EN3	538,564	562,279
Electricity used (Kwh)	G4-EN3	149,601,160	156,188,568
Water comsumption[2] (meter cube)	G4-EN8	2,503,745	2,415,255
CO_2 emission Scope 1[3] (tonne of CO_2e)	G4-EN15	4,750	3,714
CO_2 emission Scope 2[3] (tonne of CO_2e)	G4-EN16	100,613	105,043
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	G4-EN29	0	0
Injury[4] cases	G4-LA6	113	115
Lost Hours[5]	G4-LA6	11,885	6,501
Injury rate per employee[6]	G4-LA6	0.004	0.004
Injury rate per employee[6] – male	G4-LA6	0.005	0.005
Injury rate per employee[6] – female	G4-LA6	0.002	0.003
Absentee rate[7] (%) – overall	G4-LA6	0.4%	0.3%
Absentee rate[7] (%) – male	G4-LA6	0.3%	0.2%
Absentee rate[7] (%) – female	G4-LA6	0.5%	0.4%
Average training hours per employee	G4-LA9	19.3	22.7
Average training hours per employee – male	G4-LA9	19.3	22.5
Average training hours per employee – female	G4-LA9	19.3	23.1
Average training hours per employee –management[8] staff	G4-LA9	8.1	8.4
Average training hours per employee – professional/engineer	G4-LA9	6.7	9.7
Average training hours per employee – staff & workers	G4-LA9	21.2	24.9
Incidents of non-compliance with regulations on health and safety impact on products that result in a significant fine, penalty or warning	G4-PR2	0	0
Incidents of non-compliance with regulations on product and service information and labelling that result in a significant fine, penalty or warning	G4-PR4	0	0
Sales of banned products	G4-PR6	0	0
Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	G4-PR9	0	0

Note:
1. Energy value for fuels are obtained from GRI G3 Guide
2. Water consumption data includes water usage data and staff count from 3 manufacturing facilities in China and 9 offices in China and overseas
3. GHG Conversion factors are obtained from WRI (http://www.wri.org/publication/getting-every-ton-emissions-right) and cover CO_2, CH_4 and NO_x Greenhouse gases.
4. Injury – number of cases. Injury types accounted for include: Vehicle accident, Falling object injury, Machines entanglement, Cutting injury, Falling from heights, Collapse Injury, Burnt injury, Chemical injury, Collision injury, Electric shock
5. Lost Hours – total working hours that workers cannot attend work due to injuries in manufacturing operations
6. Injury rate per employee – The frequency of injuries relative to the number of employees
7. Absentee rate – days employees away from work over total hours scheduled to be worked
8. Management staff – staff with grade above supervisor level
9. Local Community – the location of operation sites

VTECH SUSTAINABILITY PERFORMANCE

Items	G4 Indicator	FY2014	FY2015
Number of countries where VTech operates	G4-6	11	11
Total number of operations	G4-9	18	20
Revenue	G4-9	US$1,898.9 million	US$1,879.8 million
Total debt	G4-9	Nil	Nil
Total equity	G4-9	US$562.4 million	US$540.8 million
Average number of employees – Total	G4-9	30,949	29,502
Average number of employees – Male	G4-10	18,590	18,702
Average number of employees – Female	G4-10	12,359	10,800
Average number of employees – Asia Pacific – Male	G4-10	18,374	18,474
Average number of employees – Asia Pacific – Female	G4-10	12,165	10,610
Average number of employees – North America – Male	G4-10	133	141
Average number of employees – North America – Female	G4-10	97	97
Average number of employees – Europe – Male	G4-10	83	87
Average number of employees – Europe – Female	G4-10	97	93

VTech's Memberships	Type
British Toy & Hobby Association	C
French Toy Association	C
German Toy Association	M
Spanish Toy Association	M
Toy Industry Association – United States	M
Toy Industry Association – Shenzhen, China	M
Hong Kong Toy Council (Group 19) in Federation of Hong Kong Industries	M
DECT Forum	S
Ecovadis	M
SD Card Association	M
ULE Alliance	S
Wi-Fi Alliance	M
Hong Kong Opto-Mechatronics Industries Association	M
IPC Association Connecting Electronics Industries	M
Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co., Ltd.	M
Zigbee Alliance	M
The Chinese Manufacturers Association of Hong Kong	M
The Hong Kong General Chamber of Commerce	M
M = regular member C = committee member S = strategic participation	

Report Content Indexes – GRI G4 Index and Stock Exchange ESG Guide Index

This report was prepared in accordance with the Core requirements of GRI G4 Guidelines and Stock Exchange ESG Guide. The General Standard Disclosures, material Specific Standard Disclosures, and Stock Exchange ESG Guide reference are presented below with either linkage to the reported section(s) or direct answer.

GRI G4 Content Index

General Standard Disclosures		
	General Standard Disclosures	**Location and Notes**
	Strategy and Analysis	
G4-1	Statement from the most senior decision – maker of the organisation	Page 2
	Organisational Profile	
G4-3	Name of the organisation	About this report
G4-4	Primary brands, products and services	Page 3
G4-5	Location of organisation's headquarters	About this report
G4-6	Number of countries where the organisation operates	Page 3
G4-7	Nature of ownership and legal form	Page 3
G4-8	Markets served	Page 3
G4-9	Scale of the organisation	Page 3
G4-10	Number of employees	Page 3
G4-11	Percentage of employees covered by collective bargaining agreements	Employees covered by collective bargaining agreement is managed and monitored at local level. VTech considers this percentage on consolidated level is not relevant.
G4-12	Organisation's supply chain	Page 35
G4-13	Significant changes during the reporting period regarding size, structure, ownership or organisation's supply chain	About this report
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Page 24
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Page 3
G4-16	Memberships in associations and/or national/international advocacy organisations	Company Performance and Data
	Identified Material Aspects and Boundary	
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	VTech Major Subsidiaries
G4-18	Process for defining report content and the aspect boundaries	Page 14
G4-19	Material aspects identified in the process for defining report content	Page 14
G4-20	Aspect boundary within the organisation for each material aspect	Page 14
G4-21	Aspect boundary outside the organisation for each material aspect	Page 14
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	About this report
G4-23	Significant changes from previous reporting periods in the scope and boundary	About this report
	Stakeholder Engagement	
G4-24	List of stakeholder groups engaged by the organisation	Page 12
G4-25	Basis for identification and selection of stakeholders with whom to engage	Page 12
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Page 12
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Page 12
	Report Profile	
G4-28	Reporting period	About this report
G4-29	Date of most recent previous report	About this report
G4-30	Reporting cycle	About this report
G4-31	Contact point for questions regarding the report or its contents	About this report

VTECH SUSTAINABILITY PERFORMANCE

General Standard Disclosures		
General Standard Disclosures		**Location and Notes**
G4-32	GRI Content Index , the 'in accordance' option the organisation has chosen and the reference to the External Assurance Report if any	Page 47
G4-33	Policy and current practice with regard to seeking external assurance for the report	About this report
Governance		
G4-34	Governance structure of the organisation	Page 4
Ethics and Integrity		
G4-56	Organisation's values, principles, standards and norms of behaviour	Page 5

Specific Standard Disclosures			
Material Aspects	**DMA and Indicators**		**Location and Notes**
Economic			
Economic Performance	DMA		Page 3
	G4-EC1	Direct value generated and distributed	Page 3
Market Presence	G4-EC6	Proportion of senior management hired from the local community at significant location of operation	Company Performance and Data
Procurement Practice	G4-EC9	Proportion of spending on local suppliers at significant location of operation	Page 37
Environmental			
Materials	G4-EN1	Materials used by weight or volume	Company Performance and Data
Energy	DMA		Page 25
	G4-EN3	Energy consumption with the organisation	Page 27
	G4-EN5	Energy intensity	Page 27
Water	G4-EN8	Total water withdrawal by source	Page 28
Emissions	DMA		Page 27
	G4-EN15	Direct Greenhouse Gas (GHG) emissions (Scope 1)[1]	Page 27
	G4-EN16	Indirect Greenhouse Gas (GHG) emissions (Scope 2)[2]	Page 27
	G4-EN18	Greenhouse Gas (GHG) emission intensity	Page 27
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Page 20
Compliance (Environmental)	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Company Performance and Data
Supplier Environmental Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Page 37
Social – Labour Practice and Decent work			
Occupation health and safety	DMA		Page 33
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities by region and gender	Page 33, Company Performance and Data
Training and education	G4-LA9	Average hours of training per year per employee by gender and by employee category	Page 31, Company Performance and Data
Social – Product Responsibilities			
Customer health and safety	DMA		Page 16
	G4-PR2	Total number of incidents of non-compliance with regulations on health and safety impacts of products and services during their life cycle, by type of outcomes	Company Performance and Data
Product and service labelling	DMA		Page 20
	G4-PR4	Total number of incidents of non-compliance with regulations concerning product and service information and labelling, by type of outcomes	Company Performance and Data
Marketing communications	G4-PR6	Sales of banned products	Company Performance and Data
Compliance (Product responsibilities)	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Company Performance and Data

1 *Direct (Scope 1) – GHG emissions come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organisation.*
2 *Indirect (Scope 2) – GHG emissions result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation.*

Stock Exchange ESG Guide Content Index

Aspects	Disclosure		Location and Notes
A. Workplace Quality			
A1. Working Conditios	General Disclosure	Information on: (a) the policies; and (b) Compliance and material non-compliance with relevant standards, rules and other benefits and welfare.	Page 29, Page 32
	KPI A1.1	Total workforce by employment type, age group and geographical region.	Company Performance and Data
	KPI A1.2	Employee turnover rate by age group and geographical region.	Page 44
A2. Health and Safety	General Disclosure	Information on: (a) the policies; and (b) Compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Page 33
	KPI A2.1	Number and rate of work-related fatalities.	Company Performance and Data
	KPI A2.2	Lost days due to work injury.	Company Performance and Data
	KPI A2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 33
A3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Page 31
	KPI A3.1	The percentage of employees trained by employee category (e.g. senior management, middle management, etc.).	Page 31
	KPI A3.2	The average training hours completed per employee by employee category.	Company Performance and Data
A4. Labour Standards	General Disclosure	Information on: (a) the policies; and (b) Compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Page 32
	KPI A4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 32
	KPI A4.2	Description of steps taken to eliminate such practices when discovered.	Page 32
B. Environmental Protection			
B1. Emission	General Disclosure	Information on: (a) the policies; and (b) Compliance and material non-compliance with relevant standards rules and, etc. Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Page 23, Page 38
	KPI B1.1	The types of emissions and respective emissions data.	Company Performance and Data
	KPI B1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Company Performance and Data
	KPI B1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 28
	KPI B1.5	Description of measures to mitigate emissions and results achieved.	Page 27, Page 38
	KPI B1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 28

VTECH SUSTAINABILITY PERFORMANCE

Aspects	Disclosure		Location and Notes
B2. Use of Resources	General Disclosure	Policies on efficient use of resources including energy, water and other raw materials. Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Page 23
	KPI B2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kwh in '000s) and intensity (e.g. per unit of production volume, per facility).	Company Performance and Data
	KPI B2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	Company Performance and Data
	KPI B2.3	Description of energy use efficiency initiatives and results achieved.	Page 24 – Page 27
	KPI B2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 28
	KPI B2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	29.6 tonnes
B3. The Environment and Natural Resources	General Disclosure	Policies on minimising the operation's significant impact on the environment and natural resources.	Page 23
	KPI B3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 23
C. Operating Practices			
C1. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of supply chain.	Page 37
	KPI C1.1	Number of suppliers by geographical region.	94% suppliers are local suppliers
	KPI C1.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 37
C2. Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 16
	KPI C2.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Zero case
	KPI C2.2	Number of products and service related complaints received and how they are dealt with.	Page 16 – Page 22
	KPI C2.4	Description of quality assurance process and recall procedures.	Page 20 – Page 21
C3. Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) Compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Page 4
	KPI C3.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Zero case
	KPI C3.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Page 4
D. Community Involvement			
D1. Community Investment	General Disclosure	Policies on community engagement to understand the community's needs in where it operates and ensure its activities takes into consideration of communities' interests.	Page 39
	KPI D1.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 39
	KPI D1.2	Resources contributed (e.g. money or time) to the focus area.	Page 39

Environmental and Safety Standards

TEL Products

Environmental Standards of TEL Products	
RoHS2	Restrictions of Hazardous Substances
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Waste Electrical and Electronic Equipment
Energy Star® eco-label	Certified Energy Saving Products
Blue Angel eco-label	German standards of low-radiation and energy efficiency with benefits to the environment
Safety Standards of TEL Products	
UL60950	Safety standards for US Market
EN60950	Safety standards for European countries
CCC	China Compulsory Certification
UL	Underwriters Laboratories
ETL	Electrical Testing Laboratories

ELPs

Environmental Standards of ELPs	
RoHS2	Restrictions of Hazardous Substances
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Waste Electrical and Electronic Equipment
Safety Standards of ELPs	
CCC	China Compulsory Certification
ASTM-F963-11	Standard Consumer Safety Specification for Toy Safety
CPSIA	Consumer Product Safety Improvement Act
EN71	European Safety Standard for Toys
ISO 8124	Safety of Toys
CSA	Canadian Standards Association

CMS

Environmental Standards of CMS Products	
RoHS2	Restrictions of Hazardous Substances
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
Energy Star® eco-label	Certified Energy Saving Products
Safety Standards of CMS Products	
CCC	China Compulsory Certification
CE	Conformance European
CQC	China Quality Certification
CSA	Canadian Standards Association
ETL	Electrical Testing Laboratories
GS	German Safety
KC	Korea Certification
UL	Underwriters Laboratories
NEMKO	Norges Elektriske Materiellkontroll
PSE/JQA	Product Safety of Electrical Appliance & Materials from Japan Quality Assurance Organization
MET	Maryland Electrical Testing
TUV Rheinland	Technischer Überwachungs-Verein Rheinland

Certifications in Manufacturing Facilities

TEL Products	
ISO 9001/TL 9000	Quality Management Systems
ISO 14001	Environmental Management Systems
ICTI CARE	International Council of Toy Industries (ICTI) Caring, Awareness, Responsible, Ethical (CARE) Process
OHSAS 18001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability
	Work Safety Standardisation
ELPs	
GSV	Global Security Verification
ISO 9001	Quality Management Systems
ISO 17025	Laboratory Accreditation Certificate by China
ICTI CARE	International Council of Toy Industries (ICTI) Caring, Awareness, Responsible, Ethical (CARE) Process
OHSAS 18001	Occupational Health and Safety Management Systems
	Work Safety Standardisation
CMS	
ISO 9001	Quality Management Systems
ISO 13485	Medical Devices Quality Management Systems
ISO 14001	Environmental Management Systems
ISO/TS 16949	Automotive Quality and Management Systems
OHSAS 18001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability
	Work Safety Standardisation

VTech Major Subsidiaries

Hong Kong

VTech Telecommunications Limited

VTech Electronics Limited

VTech Communications Limited

Perseus Investments Limited

Valentia Investment Limited

VTech Finance Limited

People's Republic of China

VTech (Dongguan) Telecommunications Limited

VTech (Dongguan) Electronics Limited

VTech (Dongguan) Communications Limited

VTech (Dongguan) Plastic Products Co., Ltd.

VTech (Dongguan) Electronics Industrial Co., Ltd.

VTech (Qingyuan) Plastic & Electronics Co., Ltd.

VTech Electronics Industrial (Shenzhen) Co., Ltd.

VTech Telecommunications (Shenzhen) Limited

Australia

VTech Telecommunications (Australia) Pty Limited

VTech Electronics (Australia) Pty Limited

Canada

VTech Technologies Canada Ltd.

France

VTech Electronics Europe S.A.S.

Germany

VTech Electronics Europe GmbH

VTech IAD GmbH

Netherlands

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Spain

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United Kingdom

VTech Electronics Europe Plc

United States

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