

VTech Holdings Limited

HKSE: 303

vtech

Sustainability Report 2019



About this Report

VTech published its first Sustainability Report for the financial year 2013. 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 towards the societies and environment in which we operate.

VTech considers sustainability as a direction for our long-term development. This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and its principles of balance, comparability, accuracy, timeliness, clarity and reliability. We have 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 manufacturing facilities in China and overseas sales offices, unless specifically stated otherwise. There were no significant changes in VTech's operation locations, share capital structure, or our supply chain structure.

Reporting period: FY2019 (1 April 2018 to 31 March 2019), as per the financial period of our Annual Report 2019. The Sustainability Report is issued on an annual basis.

Organisation covered: VTech Holdings Ltd 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 Standards
Stock Exchange ESG Guide

Full details of the VTech Sustainability Report 2019 are available on <https://www.vtech.com/en/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



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VTech Major Subsidiaries

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. ”

The financial year 2019 saw both achievements and challenges for VTech. The Group's TEL products business has been facing keen competition in the telephony industry and restructuring of the organization is underway in order to turn around the business. Our ELP business was able to deliver sales growth in the financial year even

though one of our major customers, Toys“R”Us, went bankrupt in the US last year. Our CMS business has completed a strategic acquisition of the manufacturing facility from Pioneer Corporation in Malaysia, which enables VTech to expand its manufacturing footprint outside China.



Despite the different challenges that we are confronting, VTech recognizes that our dedicated sustainability efforts in the past years have facilitated us to be more responsive to the ever-changing market environment. With our determination to incorporate sustainability concepts into our product design, we are able to continually develop and supply high quality and innovative products for the well-being of our customers and the society. For example, in addition to our environmentally friendly cordless phones with Blue Angel and Energy Star eco-labels, we have also developed the well-received LeapBuilders® and Myla the Magical Unicorn™ to inspire children's creativity through fun and smart play. Our VTech CMS also produced a smart temperature control device, which enables users to connect and control their home heating units through their mobile phone for energy saving.

With our continuous dedications and commitments in preserving the natural environment, we have also achieved notable reduction in electricity consumption and thus lower carbon emission to the environment, with CO₂ emission per production output in our assembly factories and plastic plants reduced by 23.6% and 26.2% respectively compared with FY2014. Our electricity charges per production output were also substantially lower than the previous years, which also benefited the profitability of the company. As part of our long-term sustainability initiatives starting from FY2015, reducing Volatile Organic Compounds ("VOC") emissions is our focus throughout the financial year. These include the use of waterborne paint to replace solvent-based paint for our TEL products, and the adoption of plastic overmolding technology to

reduce the VOCs emission during the manufacturing process. We have also started using renewable energy by installing solar panels on the rooftop of the dormitory in our manufacturing site.

VTech also recognizes the hard work and contribution of our people towards the sustainable development of the company. We are committed to providing a pleasant, supportive and healthy workplace for our employees to work and grow with the company. With our continuous efforts to foster sustainability as a corporate culture throughout the company, our average training hours per employee was higher than last year by 30.4%, and the number of staff with years of services longer than 5 years also increased by 8% compared with FY2018.

As a responsible corporate citizen, VTech also demands the same level of sustainability commitment from our supply chain partners. All our approved suppliers need to follow VTech's sustainability requirements in the areas of employment conditions, workplace quality, environmental protection and ethical standards. These measures also facilitate VTech to have a sustainable supply chain for the materials delivery. As for the communities in which we operate, VTech also leverages its expertise and resources to support the societies globally. These include our continuous participations in various donation events and charitable activities, expansion of the VTech's scholarship scheme with more local universities, and provision of different kinds of internship and mentoring programmes for the young generation.

As we are in the sixth year of publishing the VTech's annual Sustainability

Report, I am pleased to report that with our persistent commitments in sustainability development, VTech continues to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with score at AA- rating, and is also included in the FTSE4Good Global Index. We have also achieved a rating of AA in the Morgan Stanley Capital International (MSCI) ESG Rating. In recognition of our continuous contributions to the Hong Kong community, we have received the "Sustainability Excellence Award" from the Chamber of Hong Kong Listed Companies, the "Industry Cares Company" awarded by Federation of Hong Kong Industries, and the "Caring Company" awarded by The Hong Kong Council of Social Service for the eleventh consecutive year.

Our first 5-year Sustainability Plan will be completed in the next financial year 2020. While we are developing the next 5-year sustainability initiatives and targets towards FY2025, we would also like to express our appreciation to all the stakeholders who have partnered with us to go through our sustainability journey. VTech will continue to make every effort to incorporate sustainability aspects into our business strategies and activities. 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 stakeholders and the communities.



Allan WONG Chi Yun

Chairman
20 May, 2019

About vtech

VTech is the global leader in electronic learning toys from infancy through toddler and preschool² 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 14 countries and regions. In FY2019, VTech has approximately 26,000 employees, including around 1,600 research and development (R&D) professionals in R&D centres in the

United States, Canada, Germany, Hong Kong, Taiwan 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.

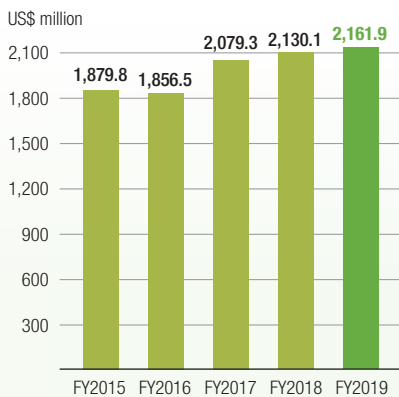
For the year ended 31 March 2019, Group revenue and profit attributable

to shareholders of the Company were US\$2,161.9 million and US\$171.3 million respectively. At 31 March 2019, the Group had working capital and total assets of US\$222.8 million and US\$1,086.9 million respectively. The Group's total equity was US\$607 million as at 31 March 2019.

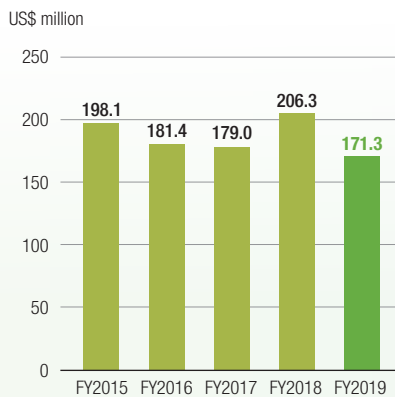
Shares of VTech Holdings Limited are listed on The Stock Exchange (HKSE: 303). At 31 March 2019, the number of issued and fully paid shares of the Company was 251,572,133 shares.

For details of our financial performance, please refer to the financial highlights included in our Annual Report 2019 at: <https://www.vtech.com/en/investors/financial-reports/>

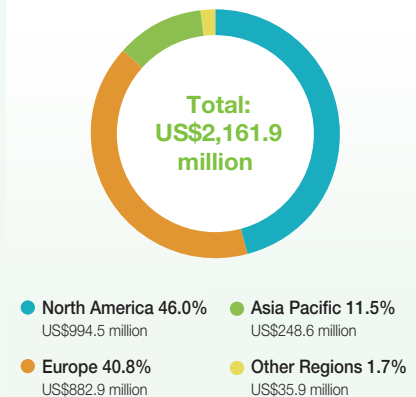
Group Revenue in Last 5 Years



Profit Attributable to Shareholders of the Company in Last 5 Years



Revenue by Regions for the year ended 31 March 2019



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 10 UN Global Compact principles³, 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 of 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.

² Source: NPD Multi-Country Database Retail Tracking Service for projected US dollar sales in the US, Canada, France, Germany, the UK and Spain in the categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2018 MarketWise Consumer Insights LLC, Global Market Share Estimates. Ranking based on total retail sales in the combined toy categories of Early Electronic Learning, Toddler Figures/Playsets & Accessories, Preschool Electronic Learning, Electronic Entertainment (excluding Tablets) and Walkers for the 12 months ended December 2018.

³ 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 <https://www.unglobalcompact.org/what-is-gc/mission/principles> 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 applicable laws and regulations, 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.

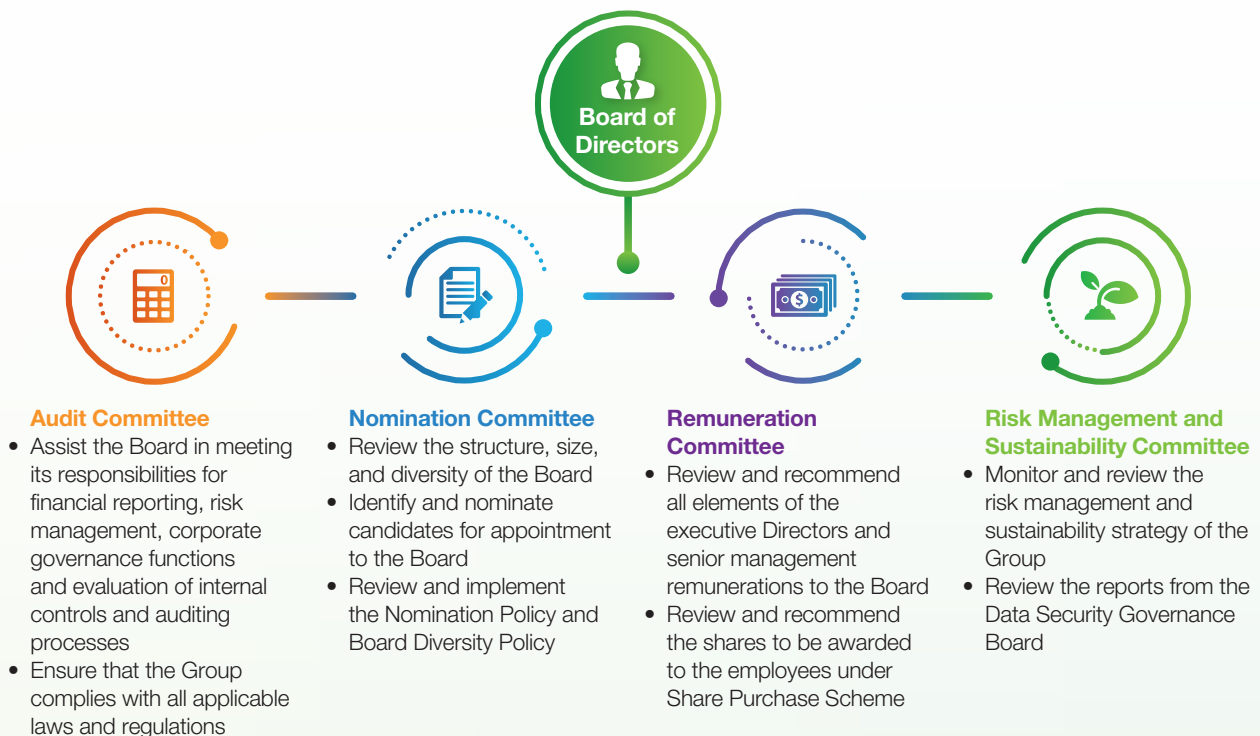
Board of Directors and its Committees

The Board of Directors (the Board) comprises three executive directors of the Company (Directors) and four independent non-executive Directors. Their names and brief biographies can be found in the section “Biographical Details of Directors” on page 40 of the Annual Report 2019. 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 transaction.

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, internal control, and corporate governance functions; composition of the Board and remuneration of Directors and senior management; risk management and sustainability strategy.

Overview of the Responsibilities of the Board of Committees



For details of our corporate governance, please refer to the corporate governance section included in our Annual Report 2019 at <https://www.vtech.com/en/investors/financial-reports/>.



VTECH APPROACH



Code of Conduct and Whistleblowing 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 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 provide annual confirmation of compliance in writing. Staff are required to strictly follow the Code of Conduct 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 from time to time 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 Group Chief Compliance Officer, 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 on a biannual basis 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 to their role as a member of the association with role as 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. There are also established procedures for financial planning, capital expenditure, treasury transactions, information and reporting systems, and monitoring the Group's businesses and their performance.

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 and Dr. PANG King Fai, Mr. Andy LEUNG Hon Kwong, Mr. WONG Kai Man, Ms. Shereen TONG Ka Hung and Mr. CHANG Yu Wai, as members – a combination of executive Directors, independent non-executive Directors and senior management, is responsible for putting in place policies, procedures and frameworks for the identification and management of risks. 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 biannually.

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.



Privacy and Information Security

In FY2016, The Data Security Governance Board was established with defined terms of reference reporting to the Risk Management and Sustainability Committee. The Data Security Governance Board is chaired by Group Chief Executive Officer and comprises the Group President, CMS Chief Executive Officer, TEL President, Group Chief Financial Officer, Company Secretary and Group Chief Compliance Officer, and Group Chief Information Officer. It is responsible for decision-making, implementation, enforcement, oversight, compliance and periodic review of the Data Security Policy.

In order to gain trust from our stakeholder, the security of their personal information is important to us. VTech acknowledges the importance in handling the personal information carefully. We have policies in place to monitor how the personal information of our stakeholders is collected, used and managed. The personal information is usually collected from our online shop; authorised dealer or agents and media channels for enquiries and complaints whenever necessary to provide services to the stakeholders. VTech will not sell the personal information to third party.

VTech understands stakeholders use their personal information for different purpose while surfing the internet. Therefore, it is important for us to handle this information with care and in accordance with the industry best practice. To protect this information from any unauthorised access, accidental loss and destruction, VTech adopts appropriate security measures in the transfer and storage of the personal data and only processes corresponding information when necessary.

Protection of Intellectual Property Right

VTech is devoted to protecting its own intellectual property rights, whilst respecting the intellectual property rights of others as well. VTech has proper policy and protocol in place to protect its intellectual property rights including, but not limited to its patents, designs, technologies, trademarks, trade secrets, copyrights, computer programmes, inventions, product information, video and sound recordings. Without our permission, third party cannot own or display any related intellectual properties. The Company will take legal actions and seek for judgment for any violations of its intellectual property rights or misuse of its intellectual properties.

Investor Communications

All of the Group's investor communications are governed by a Shareholders Communication Policy. The Policy sets out procedures for providing shareholders and investors with equal and timely access to accurate information about VTech.

Global Tax Policy

VTech is committed to full compliance with all statutory obligations, full disclosure to relevant tax authorities, and to act in a way which upholds its reputation as a responsible corporate citizen. The Group's tax affairs are managed in a way which takes into account the Group's wider corporate reputation in line with VTech's overall high standards of governance.

Each group company has the responsibility to understand and comply with tax laws and regulations applicable to its business, with support from the external tax advisors. We have implemented a series of processes and controls to identify, manage and report tax risk appropriately. These include regular updates from Finance teams; documented review processes and regular training for staff involved in tax return preparation and review.



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 an 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 Involvement

- 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 constantly reviews and monitors its sustainability progress along the business development. We recognise that we have to build on the foundation that we have established and started our sustainability journey since FY2006.

VTech Sustainability Progress

During our sustainability journey since FY2006, VTech has successfully developed our sustainability strategies 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.



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 Involvement
- 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

FY2016

- Closely monitor our sustainability progress and work along with the VTech Sustainability Plan 2020
- Set new targets within our sustainability framework to make further improvements for our sustainability development and enhance the VTech Sustainability Plan 2020

FY2017

- Completed the acquisition of LeapFrog, Snom and fixed assets of Kenny Precision Products (Shenzhen) Company Limited
- Integrated and aligned sustainability strategies and management systems to the newly acquired businesses

FY2018

- Continue to incorporate sustainability aspects into our business strategies and activities to achieve our short term and long-term sustainability targets in FY2020

FY2019

- Completed the acquisition of Pioneer Corporation's manufacturing facility in Malaysia
- Received a rating of AA in the MSCI ESG Ratings assessment
- Continue to monitor our sustainability progress and implement relative measures according to VTech Sustainability Plan 2020

VTECH APPROACH

Awards and Recognitions in FY2019

With our dedicated sustainability resources and efforts, VTech continues to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with the score of AA-rating and is included in FTSE4Good Global Index⁴ in FY2019. We have also received a rating of AA in the MSCI ESG Ratings assessment⁵. Our Sustainability Report 2018 received

the “Sustainability Excellence Award” from the Chamber of Hong Kong Listed Companies. We have also been awarded the Merit award in Best ESG Report (Mid Cap), Excellence in GRI Report, and Excellence in Environmental Disclosure in Hong Kong ESG Reporting Award 2018. Additionally, we have been awarded the Caring Company by The Hong

Kong Council of Social Service for the eleventh consecutive year and the Industry Cares Company for three consecutive years and Outstanding Caring Awards (Enterprise Group) by Federation of Hong Kong Industries in recognition of our continuous contribution to the Hong Kong community through various charitable activities.



Hang Seng Corporate Sustainability Index Series Member 2018-2019

Hang Seng Corporate Sustainability Benchmark Index



FTSE4Good

FTSE4Good Global Index



MSCI ESG Ratings



Sustainability Excellence Award by the Chamber of Hong Kong Listed Companies



The Merit award in Best ESG Report (Mid Cap), Excellence in GRI Report, and Excellence in Environmental Disclosure in Hong Kong ESG Reporting Award 2018



Award as Industry Cares Company for three consecutive years by Federation of Hong Kong Industries



Outstanding Caring Awards (Enterprise Group) by Federation of Hong Kong Industries



Award as Breast Feeding Support by Family Council



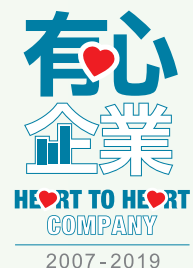
Golden Brilliant Participation Award in Sowers Action Challenging 12 Hours Charity Marathon 2018



Award as Caring Company for the 11th Consecutive Year



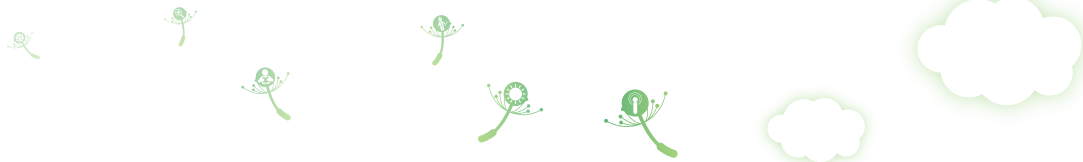
Award as Family Friendly Employer by Family Council



Award as Heart to Heart Company by Hong Kong Federation of Youth Group



⁴ FTSE4Good Index is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

⁵ The use by VTech Holdings Limited of any MSCI ESG Research LLC data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of VTech by MSCI or any of its affiliates. MSCI services and data are the property of MSCI or its information providers. MSCI and MSCI ESG Research names and logos are trademarks or service marks of MSCI or its affiliates.





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 which covers FY2016 to FY2020.

Strategy Themes	Approaches		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 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	
		Follow the Life Cycle Analysis (LCA) Guideline, aiming to reduce the carbon footprint in each new generation of the products	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 20% compared with FY2014 Project Progress	
	Green Manufacturing	Energy Consumption and Carbon Emissions	Reduce energy consumption and thus the carbon emissions	Reduce GHG emission per production output by 20% compared with FY2014
			Reduce the electricity usage in manufacturing facilities per production output by 20% compared with FY2014	
		Water	Reduce water consumption and improve effluent treatment	Reduce total water consumption by 5% compared with FY2014
		Materials, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Maintain the recycling rate of the reusable materials at or above 70%
	Logistics	Reduce the environmental impact from shipment of products	Maintain the average loading capacity of each container shipment at or above 80% Maximise the usage of ocean and rail freight for long distance and inland shipments respectively	

VTECH APPROACH

Strategy Themes	Approaches	Targets for FY2020
 <p>Workplace Quality</p>	Communication and Staff Relations	<p>Enhance our good staff relations through various communication channels and staff activities</p> <p>Maintain employee satisfaction at or above average level based on the employee satisfaction survey</p> <p>Maintain average staff turnover rate at or below 12%</p>
	Advancement in Careers	<p>Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech</p> <p>Maintain average training hours per employee at or above 20 hours</p>
	Respect of Labour and Human Rights	<p>Respect the labour and human rights of all our employees with clearly defined human resources management policies</p> <p>Increase number of staff with years of service longer than 5 years by 10% compared with FY2014</p>
	Environment for Our People	<p>Provide a supportive, pleasant and healthy workplace for our staff, and foster a caring community in our working environment</p> <p>Maintain the loss of working hours due to injuries in manufacturing facilities at or below 0.01%</p> <p>Zero work related fatality case</p> <p>Maintain employee satisfaction at or above average level based on the employee satisfaction survey</p>
 <p>Sustainable Operating Practices</p>	Business Continuity Management	<p>Mitigate the potential operational risks and increase our resilience capability to resume the operation in an effective and timely basis</p> <p>Annual risk registry update and assessment</p>
	Supply Chain Management and Procurement Practice	<p>Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's CSR requirements</p> <p>Ensure our suppliers meet our CSR standards</p> <p>Develop an e-procurement platform to interact with suppliers in a more consistent and eco-friendly manner</p>
	Climate Change Policy	<p>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</p> <p>Disclose our total GHG emissions annually and review VTech's Climate Change Policy with reference to the international and local standards</p>



Strategy Themes	Approaches	Targets for FY2020
 Community Involvement	Support People in Need	Use our expertise and resources to support the communities in which we operate
	Collaborate with Local Charities	
	Provide Training Opportunities for Young People	
	Nourish an Innovative Environment	
	Develop a Healthy and Green Community	
		Increase the total number of VTech volunteers to 2,000 and total voluntary hours by 10% compared with FY2014
		Collaborate with corporate philanthropies and participate in more local charitable events
		Sponsor local science activities for young people and provide science scholarship for local technical institutes
		Establish funding for innovative technology research and science studies
		Provide healthy menu for employees to choose at VTech canteen
		Organise VTech green day (in all operation locations)



Stakeholder Engagement

Stakeholder Engagement Approach

Stakeholder engagement 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 helps 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 or exceed their expectations.

The selection of stakeholder groups is determined by the RMSC in conjunction with the Sustainability Sub-Committees. In FY2019, 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 have also developed an approach which identifies the broad topics that the stakeholder groups are concerned with, and used a materiality matrix to assess the material topics identified by our stakeholders during the engagement process. A topic is classified as material when it substantially affects our long-term commercial or operational viability, with material impacts on economic, environmental or social topics. 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 the GRI Standards.





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	<ul style="list-style-type: none"> • Production quality and improvements • Product safety, performance and life cycle • Operation in compliance with applicable law and regulations • Customer support • Financial performance • Sustainability strategies 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Employees' health and safety • Employee communication and engagement • Working conditions and welfare • Career development and training • Business performance • Product safety • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Return on investment • Strategic plans • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • Annual and interim results announcement events • Annual and interim reports • Regular meetings and correspondence • Sustainability report 	Biannually Biannually As required* Annually
 Investors	<ul style="list-style-type: none"> • Business performance • Strategic plans • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • Annual and interim reports • Feedback to media enquiries • Media conferences • Regular meetings and correspondence • Sustainability report 	Biannually As required* As required* On-going Annually
 Suppliers	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Annual business review meeting • Annual Suppliers Day • Key supplier audits 	Annually Annually On-going
 Community	<ul style="list-style-type: none"> • Support to civil society organisations • Local environment • Environmental protection • Local community activities involvement • Operation in compliance with applicable law and regulations 	<ul style="list-style-type: none"> • 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.

VTECH APPROACH

Materiality Assessment

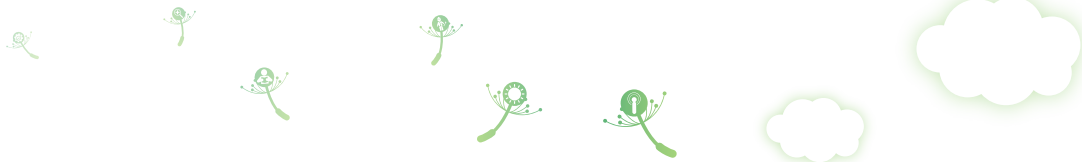
The material sustainability topics identified by the stakeholders were based on the results of the materiality assessment surveys conducted in FY2019. The results were mapped with the key sustainability topics assessed by VTech's senior management and illustrated in the following chart.

Chart of Materiality Assessment



All of the topics shown in the chart are referred to the GRI Standards. These topics 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 topics that 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. According to our survey results, 1 out of 46 topics was identified as the most important to our stakeholders and VTech, which is Economic Performance. This assessment could help us prioritise our corresponding sustainability activities and programmes to address their needs, as well as monitor our sustainability progress.



Besides, in accordance with the requirements of Core option of the GRI Standards, we have also covered all the material topics in our Sustainability Report 2019, 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 topic with related sustainability activities and case studies.

We have also defined the impacts and boundaries of each material topic in the following table:

Category	Material Topic	Impacts and Boundaries					
		Customers	Employee	Shareholders	Investors	Suppliers	Community
 Economic	Economic Performance	✓	✓	✓	✓	✓	
	Market Presence	✓		✓	✓		✓
	Procurement Practices					✓	
 Environmental	Materials		✓	✓	✓	✓	
	Energy	✓	✓	✓	✓	✓	✓
	Water	✓	✓	✓	✓		✓
	Emissions	✓	✓	✓	✓	✓	✓
	Environmental Compliance	✓	✓	✓	✓	✓	✓
	Supplier Environmental Assessment	✓		✓	✓	✓	✓
 Social – Labour and Human Right Policy	Occupational Health and Safety	✓	✓	✓	✓	✓	✓
	Training and Education		✓	✓	✓		✓
 Social – Product Responsibility	Customer Health and Safety	✓	✓	✓	✓		✓
	Marketing and Labeling	✓	✓	✓	✓	✓	✓
 Social – Community Impact	Socioeconomic Compliance	✓		✓	✓	✓	✓

VTECH SUSTAINABILITY ACTIVITIES

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.

Highlights

- VTech Amplified Big-Button Phone Series was launched during the year
- LeapBuilders®, Myla the Magical Unicorn™ and RockIt Twist™ were introduced for children's learning and development
- Snom D717 (Voice over Internet Protocol phone) was launched with a light sensor installed
- VTech CMS produced a smart temperature control device



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. Our management approach continues to focus on two key management principles – “Design for People” and “Design for Excellence”.

Design for People

Addressing our customers' needs is our primary responsibility in the stage of product design. We continuously

use our technological expertise to help improve the health and safety of our customers, which is our number one objective. We have developed a series of baby monitors that help parents take care of their babies. Meanwhile, VTech continues to use its global leadership position in electronic learning products to develop high-quality and innovative educational products that inspire children's creativity through fun and smart play. In order to stay in harmony with the environment, we also incorporate the eco-design principles into our products and launch many eco-friendly products.

Products for Customers' Health and Safety

With increasing global awareness of people's health and lifestyle, VTech's product design team has applied innovative designs and functionality elements in developing products that could help customers live with ease and safety. We also work closely with different target customers including parents, seniors and children to design our products in order to address their needs for the enhancement of their well-being.

VTech Amplified Big-Button Phone Series

Our Amplified Big-Button Phone series is designed for day-to-day communication while incorporating safety and assistance features into design. This year, we launched the new Amplified Big-Button Phone featuring with smart call blocker, extra-loud ringers and high bright visual ring indicators. The new Amplified Big-Button Phone is compatible with other accessories, including audio doorbell, wearable home SOS pendant, extension ringer and more. The new series provides a safety and convenient way for user to stay connected and independent at home.



Products for Children's Learning and Development

VTech believes that each child has his unique pace of learning mentally, emotionally and physically. Our ELPs are specially designed to grow with the children through these various stages of learning. Our ELPs guide children throughout the development stages

of three key aspects (1) Language & Cognitive (2) Social & Emotional, and (3) Physical & Motor. We recognise that playing is important for children to learn and develop. Young children could learn how to communicate easily through playing creatively with toys, games and anything they can get hold of. It is a very important channel to develop their language skills and

express their feelings. Through creative play, children will also learn to recognise and empathise other people's feeling, to appreciate and respect other people. After consulting our educational expert panel, we have developed a wide range of electronic learning toys that are fun to play with and provide children with many important learning opportunities.

LeapBuilders®

LeapBuilders® is an interactive building sets designed for children aged 12 months and above to learn about first numbers, animals and food. Toddlers can follow the simple instructions to construct a delightful home with more than 60 easy-to-hold pieces including two play people, or use their creativity to create anything they can imagine using regular and movable blocks. The interactive smart star unit allows toddlers to learn names and phrases. For even more fun learning excitement, the toddler can press the colourful question, music and number buttons to learn numbers and shapes.



Myla the Magical Unicorn™

Myla the Magical Unicorn™ is perfect for kids, providing loads of fun. The beauty toy set features a magic make-up brush and palette, and a microphone for a fun sing-along session. Kids can be Myla's stylist by choosing any colour from the interactive make-up palette and brush on her eyes, wings or horn and they will magically turn the colour selected. When kids touch Myla's back, she tells the lucky colour and a prediction for the day.

RockIt Twist™

Reinventing educational gaming for kids ages 4-8, RockIt Twist™ features rotatable, four-sided play with buttons, a spinner, slider and switch; light-up controls; multiple games; digital pets; songs and music, providing children with a new and unique play experience. The RockIt Twist™ comes with 12 preloaded games that will teach kids in a variety of ways. From Math, literacy, problem-solving, science, to creativity, children will be able to learn just about any skill while having fun at the same time. For additional excitement, there will also be 6 game packs featuring topics such as baking, animals, dinosaurs, and more available.



Eco-Friendly Products

VTech products comply with the international and local environmental regulations and we have embedded the eco-design principles into our products. We continue to launch cordless phones with the Blue Angel eco-label, certifying that those models meet the German standards of low radiation. We have also implemented the level VI power

supply with Energy Star eco-label in our US cordless phone products.

To ensure that our consumers are well informed of their choices of purchases, all related product specifications and information are clearly labelled on the gift boxes and could also be easily accessed through our social media channels, which assures the quality

and environmental performance of our products.

VTech launched Snom D717 which has a sensor installed. It is able to automatically adjust the backlight intensity, depending on the ambient lighting and thus the energy consumption is reduced.



VTECH SUSTAINABILITY ACTIVITIES

In FY2019, VTech CMS produced a smart temperature control device for its customer, which enables users to connect and control their home heating units with their mobile phone. It also supports indoor presence detection to notify users to turn down heating when no one is at home.

Together with the open window detection and notification function, the device helps users to save cost and energy.



Smart Temperature Control Device

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 environmental and safety standards for our products is shown on page 55.

Design for Quality

VTech is committed to designing and manufacturing products that meet the highest international and local health and safety standards. 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). We have implemented a stringent quality control system, from all materials, components, machines and equipment, operational techniques and methods to the final products assessment, to ensure that the use of all materials and manufacturing processes are compliant with both international and local standards and requirements.

VTech Quality Control System

Upholding the highest quality standards of our products, all VTech's manufacturing facilities for TEL products, ELPs and CMS are certified with ISO9001. VTech has implemented a comprehensive quality management system framework to set up quality assurance policies and procedures to address the product quality and reliability on a regular basis, as well as improve the work efficiency. By going through the incoming materials inspection, we could ensure all selected parts and components comply with required specifications, international and local standards before production, whereas the in-process quality audit could constantly improve our manufacturing process, production efficiency and consistency. Our outgoing quality assessment

helps to verify the reliability and compatibility of our products, ensuring that our products meet the required specification and are free from defects at the time of delivery. We also build trust with our customers and ensure our products meet their expectations through our after-sales management.

All VTech products are fully covered by our warranty. We have set up different communication channels, such as call centres and social networking platform that can be accessed around the world, where customers can raise their concerns directly to us. We also work proactively on all reported cases in a timely manner by carrying out reviews, evaluations and investigations, followed by immediate corrective or preventive actions to satisfy our customers' preferences.

As product safety is always our number one priority, VTech will continue to strengthen our quality assurance and management programmes throughout the whole product life cycle from the early stage of product design, to the after-sales services and warranties to ensure that our products are free from defects 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
- Outgoing 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

VTech Quality Laboratories

To improve the quality, durability and performance of our products, we have set up our in-house product quality and reliability validation laboratories (labs) at the manufacturing sites of our 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 throughout the intended product life cycle under a wide range of use conditions. Ongoing

reliability test is also conducted during the mass production stage on a sampling basis to detect any anomalies or changes that may occur in the design, supply chain or production process that adversely change field reliability performance of our products. 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. Our in-house physical and chemical laboratory 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 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
- Acoustic 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
- Steady Force Test

Environment Test Lab

- High Low Temperature Test
- High Low Storage Test
- Humidity Test
- Thermal Shock Test
- Temperature Cycle Test



Temperature Cycle Test

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
- Polycyclic Aromatic Hydrocarbons (PAHs) Test on Surface Coatings and Substrates



Polycyclic Aromatic Hydrocarbons (PAHs) Test on Surface Coatings and Substrates

CMS Test Labs

Measurement & Reliability Lab

- Temperature Humidity Environmental Stress Test
- Vibration Test
- Salt Spray Corrosion Test
- Abrasion Test
- Switch On-Off Cycling Test
- XRF Spectrum Analysis
- Melt Flow Index Analysis
- Automated 3D Dimension Measurement
- Height Measurement
- Optical Microscopy Analysis
- RCL Measurement
- IV Curve Analysis
- Signal Analysis
- Quartz Oscillator Test
- Color Spectrum Analysis
- X-Ray Imaging Analysis
- Wire Load Swing Test
- Speaker Test



Vibration Test

VTECH SUSTAINABILITY ACTIVITIES

Design for Environment

VTech's products are designed to minimise our environmental impacts throughout the whole product life cycle from cradle to grave. With the compliance of RoHS2 and REACH standards, we aim to use minimum permitted hazardous substances and chemicals in all ELPs and TEL products. We also follow the LCA principle from the beginning of the product design to different stages of production chain. Our designers and engineers are required to follow the requirements on the LCA checklist to select a more eco-friendly product and packaging materials, reduce the use of materials and energy, maximise the use of reusable items and avoid disposing of recyclable materials to landfill during the product development stage. We initiated our "Every Component Counts" programme and "Compact Design" principles since 2008 and we have made continuous improvements in the reductions of materials and components usage in our products.

Through our "Every Component Counts" programme, our designers and engineers also make suitable adjustments for components and material reductions. In recent years, we have continued to embed the principle of "Compact Design" in our packaging design, choosing more

environmentally friendly packaging materials and reducing the weight of materials used for all VTech products. We have also used 100% recyclable cardboard as the packaging materials for all ELPs.

We continue to incorporate eco-design principles from the manufacturing phase of the production life cycle to the product usage in the end user's home. Every year we conduct LCA practice for our key products to compare the carbon footprint between the old and new models, and ensure that there is continuous reduction in carbon footprint of the new model. By embedding the eco-design principles and with continuous reduction in plastic materials and components usage, the carbon footprints of the following two new ELP and TEL models have reduced 35% and 12% respectively compared with the old generation.

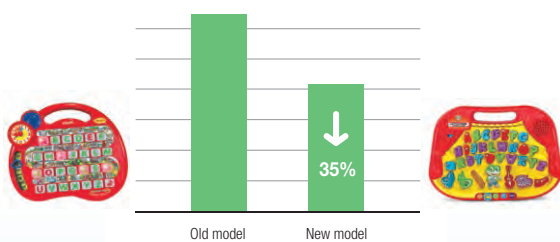
As a responsible corporate citizen, we strive to reduce VOCs emission, which may have negative impact on the environment. In FY2017, we successfully launched our first TEL product that uses waterborne paint. In FY2018 and FY2019, we have further extended the application of waterborne paint in most of our TEL products produced. The application of waterborne paint has greatly reduced emission of VOCs into the atmosphere during manufacturing process and improved air quality.

We have also adopted plastic overmolding technology. It is a multiple injection molding process where multiple-coloured plastic components are being produced in a multiple molding cycle. With this overmolding solution, the paint spraying process can be minimised and hence VOCs emission is reduced.

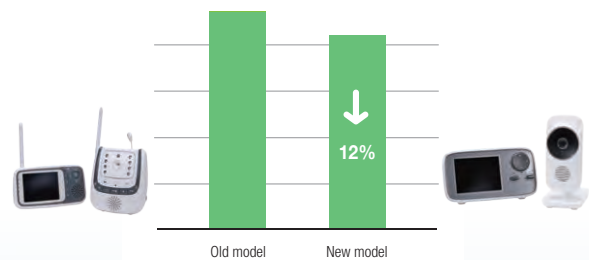


Plastic Overmolding Technology

VTech Product Carbon Footprint Comparison of ELPs



VTech Product Carbon Footprint Comparison of TEL Products



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.

Highlights

- CO₂ emission per production output in our assembly factories and plastic plants decreased by 23.6% and 26.2% respectively compared with FY2014
- Electricity consumption per production output in our assembly factories and plastic plants decreased by 16.9% and 28.3% respectively compared with FY2014
- Total water consumption and total water consumption per production output for assembly and plastic factories decreased by 37.7% and 46.3% respectively compared with FY2014



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.

As an environmentally conscious company, 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. By implementing the high performance production chain, we have improved our resources efficiency and productivity while maintaining our green manufacturing practice. Through the adoption of the green logistic management approach, and choosing the most eco-friendly transportation mode for delivering our incoming materials from suppliers and outgoing products to our customers,

we have also further reduced our GHG emissions.

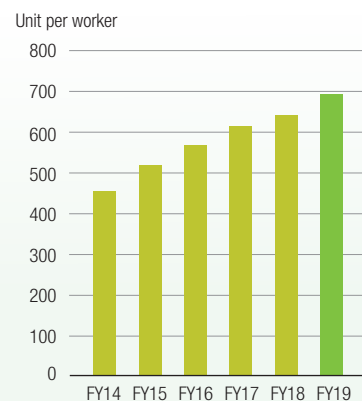
Sustainable Manufacturing Process

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

Two key principles – “produce for quality” and “produce for efficiency” are the main drivers for our manufacturing process improvement. In FY2019, our production output per worker in assembly factories increased by

Production Output per Worker in Assembly Factory



8.6% year over year. We have been implementing the low cost automation and lean manufacturing management to maximise our resources efficiency and improve our productivity without compromising the quality of our product, while aiming to reduce the potential environmental impacts throughout the manufacturing process.

VTECH SUSTAINABILITY ACTIVITIES

Lean Manufacturing

In order to further improve our production efficiency and flexibility, our manufacturing team has been

implementing our lean manufacturing principles. 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.

Automatic Assembly Line – Modular Automation

In FY2019, we have designed and built an intelligent modular automatic device so that each segment of the production process is more manageable and flexible for customised products.

Modular automation improves the capability and speed of product changes and overall competitiveness as customised product adaptations can be rapidly and flexibly carried out by exchanging individual modules.



Smart Warehouse

CMS's new smart warehouse was put into service in June 2018, improving the overall stocking and efficiency in material picking. After scanning the barcode on both material packaging and storage box, the storage box will then automatically move into store location assigned by Warehouse Management System (WMS). Once the material kitting instruction from SAP system is received, WMS will locate all corresponding storage boxes in warehouse and automatically instruct the robotic machine to extract all boxes from store location one by one.

The smart warehouse not only significantly reduces the manpower required for inventory management, but also eliminates the possibility of sending incorrect material to the production line, enhancing the accuracy of inventory record and speeding up data entry process.

Low Cost Automation

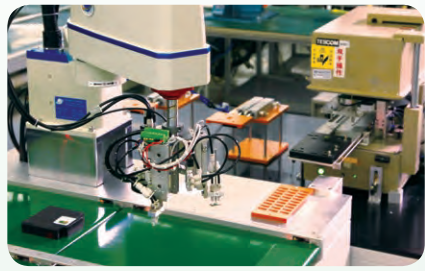
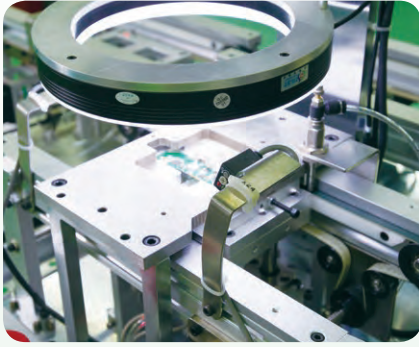
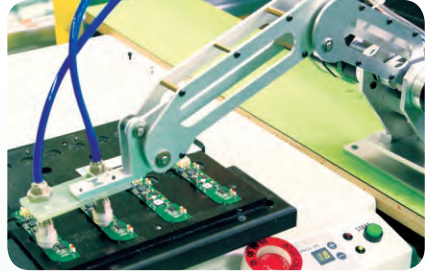
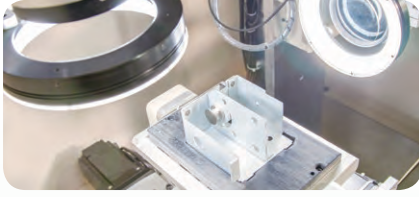
VTech has dedicated its efforts to incorporate Low Cost Automation into the production chain. In order to fulfil the market demand, we have started to introduce our in-house-developed mechanical and electrical devices that are "fit for use" in FY2015. These devices have improved our production

efficiency and consistency, as well as enhanced the flexibility of the manufacturing process. These include automatic solder dispensers, glue dispensers, screw fastening machines, auto box folding machines, robotic arm for assembly and automatic locator for positioning the components. They not only create less labour intensive

working environment, but also make significant improvements in the quality of our products. In FY2019, we continued to phase out the traditional machineries and increase the application scale of these in-house-developed devices to further optimise the manufacturing process.



Low Cost Automation



Robotic Arms

In FY2019, we have widely applied the robotic arm technology to automate the process of assembly, inspection and testing, so as to reduce employee's work intensity and achieve further quality improvement. Meanwhile, we extensively applied Multi-Axis platform to some common workstation, such as coating, screwing, soldering, etc. All these automatic workstations are set up in-line to increase efficiency.

Automatic Optical Inspection

VTech designed an Automatic Optical Inspection (AOI) equipment, which is widely used for in-line Printed Circuit Board (PCB) assembly quality inspection. A customised AOI was also developed and used in one of the VTech manufacturing facilities for in-line and outgoing cosmetic and dimension inspection.

Ultrasonic String Cutting Machine

There is risk of fire hazard associated with using alcohol burner to cut nylon and fiber strings found in our products which we strive to minimise. In June 2018, we have developed an Ultrasonic

String Cutting Machine which replaces the use of alcohol burner and manual shaping. The machine increases efficiency while eliminating waste and fire hazard.

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 Cleaner Production Excellent Partners" by the Hong Kong Productivity Council and Guangdong Provincial Government in recognition of our positive contribution to improving the air quality and local environment. 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. Moreover, our VOCs purification system has been recognised as "Demonstration Project" under the Cleaner Production Partnership Programme of Hong Kong Productivity Council. All our

existing manufacturing sites of our TEL products, ELPs and CMS are certified with the ISO 14001 standard for environmental management, demonstrating that we are committed to continuous improvement on environmental protection. The Dongguan Economy & Information Technology Bureau launched an energy programme to encourage corporate and manufacturers to take the initiative of managing the energy consumptions. Our TEL products manufacturing site has also taken part in this programme since FY2015, along with the implementation of our energy saving and management projects. In return, our TEL production site was rewarded with credit for participation in this programme.

We have 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 generation and improve the reuse rate of resources.

VTECH SUSTAINABILITY ACTIVITIES

VTEch Environmental Policy

The key environmental impacts from VTech's operations relate to energy and water consumption, waste generation and logistics. We are committed to minimising the potential 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, suppliers, staff and stakeholders through improvement projects and programmes in the respective areas

In order to meet the above requirement in a sustainable manner, VTech has functional teams comprising individuals from different product lines and departments across the organisation. Our environmental policy is reviewed annually to ensure that it is relevant and up to date.

Energy and Resources Management

Our Resource Efficiency and Conservation Team (RECT) at each manufacturing site has been making

significant achievements in monitoring the energy saving progress through the implementation of our resources saving projects. The RECT includes our production floor managers, equipment

technicians and internal energy analysts. They ensure our resources are well utilised at the operational level by focusing on the following areas:

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 Recycle Rates of Resources

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

Energy Monitoring System

As part of our energy management measures, we continue to use the real-time monitoring system and small zone lighting & timer system to control, measure and monitor the energy consumption patterns on our production floors. By collecting the daily real-time data, we could then plan for a more detailed energy saving projects, as well as optimise our energy resources through different manufacturing processes.

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. Therefore, the majority of our energy saving projects focus on reducing our electricity consumption.

Magnetic Bearing Chillers

In FY2019, we replaced 3 units of old screw chillers with new magnetic bearing chillers at our manufacturing sites. The old screw chiller is a product from the past as it uses interlocking rotating helical rotors to compress

the refrigerant in its compressor. In contrast, the magnetic bearing chiller is a centrifugal chiller that uses a rotating impeller which is levitated in a magnetic field to compress the refrigerant in its compressor. A great deal of energy can be reduced by using the new magnetic bearing chiller.



Magnetic Bearing Chillers



Solar Technology at Dormitory

Application of Solar Technology at Dormitory

As part of our commitment to combat climate change and reduce carbon emission, we have taken our first step on switching to renewable energy. 240 pieces of solar panels were installed on rooftop of a dormitory, converting sunlight into electricity for the residents.

Energy Patrol Team

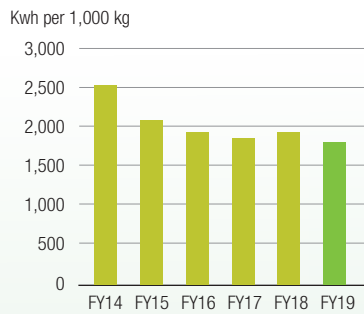
The RECT has also set up the energy patrol team which conducts weekly patrols throughout our manufacturing and dormitories areas, to identify any cases of energy waste. The result of the energy patrol is added as part of the Environment, Health and Safety (EHS) rewarding scheme so that all merit and demerit points recorded by the energy patrol team will affect the monthly EHS assessment. A monthly summary report will then be sent to the factory operations management and relevant RECT members. Corrective action plan will also be prepared by RECT to address the identified weakness areas with EHS training workshops provided to the relevant employees for improvement.

This approach continues to make a significant contribution in our energy saving programmes. It not only prevents the excessive energy consumption, but also raises the awareness of preserving our valuable resources through employee engagement.

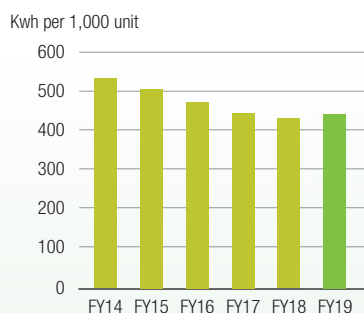
Energy Consumption

In FY2019, VTech's total electricity consumption per production output decreased by 1.1% compared with FY2018.

Electricity Used per Production Output (Manufacturing Facilities of Plastic Plants)



Electricity Used per Production Output (Manufacturing Facilities of Assembly Factories)



With our continuous efforts on improving the production efficiency in our manufacturing sites, our total energy consumption per production output in plastic factories decreased by 6.4% compared with FY2018. As a result of production of more high-energy consuming products compared with FY2018, the electricity consumption per production output in assembly factories in FY2019, however, increased by 2.8% as compared to a reduction of 16.9% against FY2014. Moreover, our energy patrolling and energy saving programmes have made a significant contribution in the energy reduction. We will continue to promote resources conservation programmes in the living and working areas of our factories, without compromising the provision of a comfortable and pleasant living environment for our employees.

Carbon Emissions

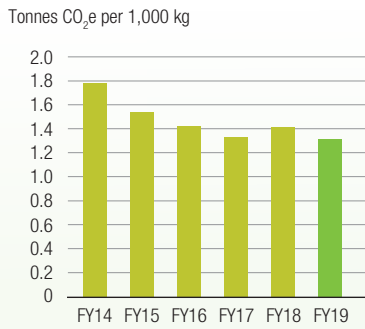
The use of energy is the major contributor of both direct (Scope 1) and indirect (Scope 2) emissions in VTech. With the target of minimising the environmental impacts, our energy conservation programmes and activities have made a notable reduction in the energy consumption and thus the carbon emissions. Direct emissions (Scope 1) only account for 1.5% of our total carbon emissions in the manufacturing sites while the dominance of electricity (Scope 2) for carbon emission is more noticeable in our operations. As a result, most of our energy saving activities are focused on reducing electricity consumption.

VTech's GHG objectives and targets are set and tracked relative to a base year of FY2014. In FY2019, our total Scope 1 and Scope 2 emissions were 106,864 tonnes of CO₂e with emission per production output decreased by 2.0% against FY2018. We have completed replacing the diesel with natural gas at the canteens of our manufacturing sites. Compared with FY2018, we had managed to reduce total Scope 1 and Scope 2 emissions per production output in our assembly

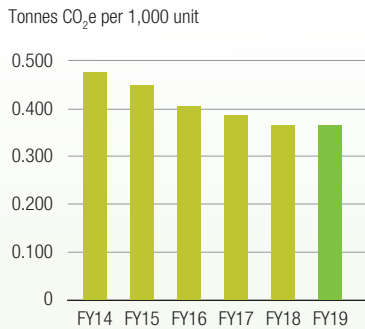
VTECH SUSTAINABILITY ACTIVITIES

factories and plastic plants by 0.3% and 7.1% respectively, with notable decrease of 23.6% and 26.2% compared with FY2014.

GHG Emission per Production Output (Plastic Plants)



GHG Emission per Production Output (Assembly Factories)



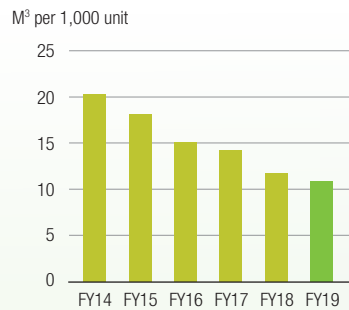
Water

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. The wastewater is mainly generated from workers' living activities. To control water pollution, VTech continuously reinforces wastewater treatment by strictly following ISO 14001 and local government requirements, carrying out measurements of required items, in order to meet the wastewater standards. In order to increase the awareness of conserving water

resources, we have been carrying out various water saving campaigns at dormitories and manufacturing sites.

With the extensive effort in our water saving programmes, we have managed to reduce total water consumption and total water consumption per production output for assembly and plastic factories by 4.7% and 7.4% respectively compared with FY2018.

Total Water Consumption per Production Output



Grey Water Harvesting System at Canteen

Industrial oven at canteen generates considerably high heat which requires the use of water for rapid cooling to ambient temperature. We have installed a grey water harvesting system at canteen, to use grey water from the filter system instead of clean water for cooling.

Upgrade of Wastewater Treatment System

To increase the use of wastewater for the spray painting process, we have upgraded the wastewater treatment system in plastic injection plant so that the storage capacity of treated wastewater increases, reducing the use of fresh water.

Moreover, we have set up a wastewater treatment system in the metal factory in XiXi, China. Industrial wastewater treated by Reverse Osmosis process meets the local water quality standard

and can be reused in industrial area such as the air conditioning cooling tower.



Wastewater Treatment System

Materials, Waste and Recycling

VTech aims to operate our factories with maximum resources efficiency by minimising the materials used throughout the manufacturing process and increasing the recycling rate and the use of reusable materials. We keep track of the materials that we use, aiming to minimise unnecessary waste of materials from the product design, downsize the PCB rims and reduce the use of packaging materials. Throughout our production, we have also installed machineries and devices to further reduce the consumption of excessive parts and materials.

In order to increase our recycling rate and maximise our resources efficiency, we have set up recycling centres at all our manufacturing sites, where staff collect and compact recyclable materials, including cardboard, plastics and metals. Recyclable materials are recycled at material recovery centres. We also work closely with our suppliers by returning our plastic recyclables to suppliers for reuse. As a result, we could create a close-loop recycling system by increasing the use of recycled materials. We have achieved recycling rate of 80.4% as compared with 81.6% in FY2018.

In recent years, we have increased our internal reuse rate by taking the initiatives of eliminating the use of disposable cardboard boxes and dividers and replacing them with the



durable plastic ones. Additionally, we also reuse plastic bags and cardboard dividers that are collected at our recycling centres as internal packaging materials in order to better utilise our resources.

Hazardous Waste Management

Our approach in Hazardous Waste Management Scheme is to reduce the environmental impact that is caused by the use of hazardous chemical and to deal with the hazardous substance responsibly by controlling the use of these chemicals and strictly following the Management of Solid Waste Disposal Ordinance released by the Central People’s Government of the People’s Republic of China.

The Central People’s Government of the People’s Republic of China has published the Management of Solid Waste Disposal Ordinance, where all hazardous waste is clearly defined under this ordinance with the reference to a list of hazardous substances and chemicals. To meet our stakeholders’ expectations and our environmental goals, it is critical to ensure that we have the highest degree of safety in treating our hazardous waste, as well as complying with the local industrial solid waste disposal legislation. We strive to achieve our goals by following the best practices:

- Provide clear work instructions and personal protective equipment for employees at all times
- Ensure employees have attended the hazardous waste and chemical management training before getting on board
- Hazardous wastes are stored in rigid and articulated containers that are acid and solvent resistant. Hazardous wastes are also delivered in isolated truck and spark arrested solvent vehicle within the site
- Storage units for storing the hazardous wastes are specially

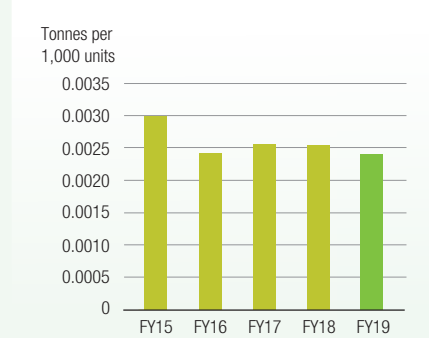
- constructed to prevent exposure, spillage, fire and explosion at isolated area within the site
- Hazardous wastes are categorised and stored in corresponding sections within the storage units
- Conduct hazardous waste and chemical spill drill every year
- Hazardous waste will be disposed of and handled by Government authorised hazardous waste disposal companies
- Disposal of wastes with approvals granted by the Environmental Protection Division of local government

In FY2019, our total hazardous wastes for our assembly, plastic and metal factories including the disposal of waste electrical and electronic items, waste chemicals and gas cylinders were 346 tonnes, a decrease of 3.4% compared with FY2018. Our total hazardous wastes produced per production output also reduced by 6.2% compared with FY2018.

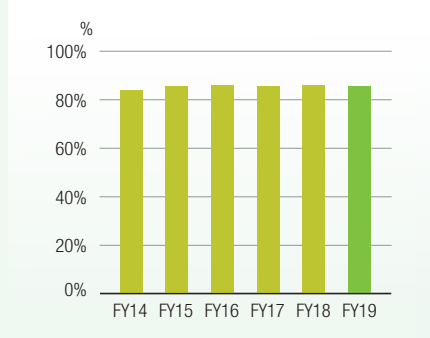
products respectively, in order to reduce the frequency of shipments. For our Continental European operations, our logistic hub in Netherlands which is managed by our major logistic service provider also helps us to consolidate shipping volume and increase the filling rate of each truck for the delivery of goods within Europe. As for the transportation mode, sea shipment is always our primary option for long distance transportation compared to the air shipment. 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 kept on using our cargo measuring software (CargoWiz) to optimise the loading capacity of each container. In FY2019, we have reached the average of 86.6% of loading capacity for each container shipment as compared with 86.7% in FY2018.

Hazardous Waste per Production Output



Container Loading Capacity



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

Workplace Quality



VTech aims to provide a supportive, pleasant and healthy workplace for our employees, 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.

Highlights

- Number of participants in staff activities increased by 5.5% compared with FY2018
- Average training hours per employee increased by 30.4% compared with FY2018
- Number of staff with years of service longer than five years increased by 8% compared with FY2018



VTech aims to provide a pleasant, supportive and healthy workplace for our employee, 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.

While we are in the process of certificate application for our high precision metal tooling and parts factory, all our existing VTech assembly and plastic factories are certified with the Occupational Health and Safety Management Systems (OHSAS 18001 or ISO 45001). Our TEL and CMS assembly factories are also certified with Social Accountability (SA 8000) certification and ELPs with ICTI Ethical Toy Program compliance certification. These external verified certifications validate our compliance with local laws and high quality working conditions.

Our human resources management policy builds on our four key values – “Communication and Staff Relations”, “Advancement in Careers”, “Respect of Labour and Human Rights”, and “Environment for Our People” (CARE).

Communication and Staff Relations

To ensure the effectiveness of our workplace management system, we conduct employee satisfaction survey regularly and have cross functional teams and committees at different manufacturing sites to determine goals and targets, discuss new projects, and review project progress on improvement of workplace and employees related issues based on the feedback from our employees.

Staff Communication

Open communications is an important element in achieving effective workplace management system. We encourage employees to voice their opinions through various communication channels at all levels throughout the Company. We provide suggestion boxes, websites, staff-caring hotline, internal newsletters and communication meeting, where employees can express their concerns and suggestions freely.

Communication and Staff Relations

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

Respect of Labour and Human Rights

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

Advancement in Careers

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

Environment for Our People

Provide a supportive, pleasant and healthy environment for our employees

Employee engagement surveys and meetings are also conducted in our manufacturing facilities on a regular basis to receive feedback from our employees. All information, opinions and suggestions gathered are followed up by our employee relations team.

Staff Relations

Written and verbal communications are not the only solution for building bridges. VTech believes staff relation could be further strengthened by their participations in different kinds of staff activities.

It is always a challenge to engage our employees with different talents and interests in the staff activities. Therefore, our Staff Association continues to offer a variety of activities to the employees. In FY2019, we provided the Thai boxing

class where participants learned about basic Thai boxing technique to enhance their agility and body coordination.

To foster a healthy living and working environment, we continue to sponsor various sports activities for our employees including the Hong Kong Streetathon, Oxfam Trailwalker and Standard Chartered Hong Kong Marathon, and Sowers Action Challenging 12 Hours. Our Staff Association has invited professional athletes to conduct a series of training courses and seminars for our enthusiastic runners. Employees can learn not only the tips for preventing injuries, but also the methods to improve their running rhythm to achieve better performance.

Since employees in our China manufacturing sites come from different

provinces, they might not be able to celebrate traditional festivals with their families. Therefore, we organised different festive activities during the special times. For example, having dumplings is one of the winter solstice traditions. On that day, chefs from our canteen guided employees to make dumplings together. During mid-autumn festival, we organised “Guessing Lantern Riddles” session for employees to participate. Other activities such as festive food making competition, gaming and lucky draw sessions were also organised during Thanksgiving, Dragon Boat Festival, and other festivals.

The number of participants in our staff activities has increased by 5.5% compared with FY2018.

VTech Dragon Boat Team

VTech Dragon Boat Team has participated in various Dragon Boat races for over one decade. As always, our dedicated team members are devoted to intensive and comprehensive training to improve their physical fitness and skill levels. In FY2019, VTech continued to sponsor the “VTech Cup” in the Shatin Dragon Boat Race for the second consecutive year and our team was the first runner-up for “VTech Cup”.

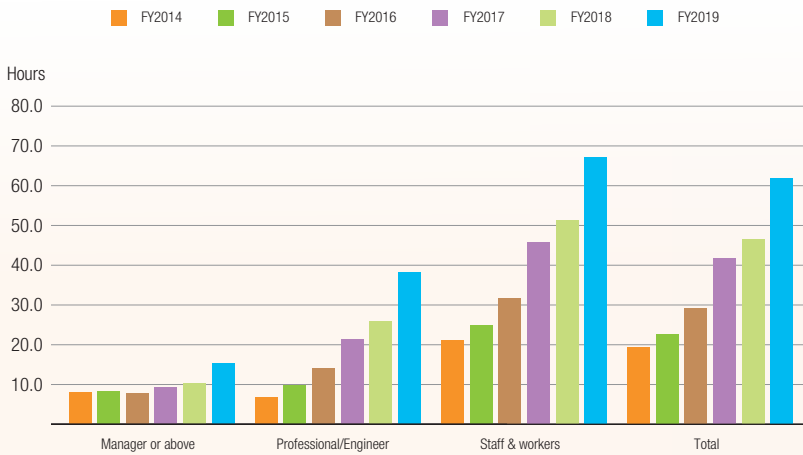


VTech Staff Activities and Sport Event

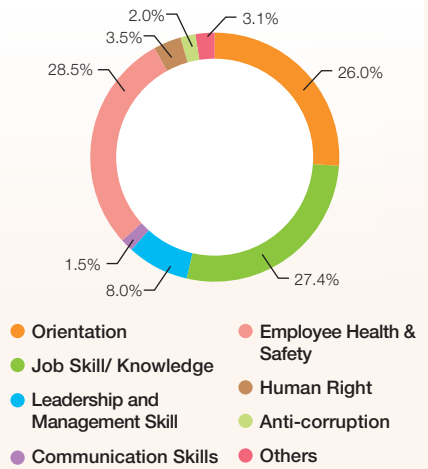


VTECH SUSTAINABILITY ACTIVITIES

FY2019 Average Training Hours by Grade



FY2019 Training Hours by Type



Advancement in Careers

The Training and Development (“T&D”) team of the Human Resources Department at VTech encourages our employees to develop and advance their careers in our Company. We actively promote continuous learning initiatives and develop a wide range of training programmes for our employees.

The T&D team continues to review the training needs of our staff, evaluate the content and result of training courses and develop training programmes that are not limited to meeting VTech business needs, but also enhancing individuals’ knowledge and skills.

In FY2019, we have developed a sequence of training workshops such as “Growth Mindset Training” and “High Motivation and Coaching Skills for Sweet Workplace” to support our employees to enrich their soft skills and horizons. We have invited a consultant to facilitate a “Growth Mindset” Workshop for the management team. Through developing a growth mindset, our employees are encouraged to communicate constructive feedback and be resilient in coping with adversities and driving changes while enhancing their self-esteem. This concept is further disseminated among all teams and applied to daily operations. Through this workshop,

our managers could learn how to improve people management know-how and engage their staff in striving for performance excellence. We believe in talent development and provide customised training solutions to equip our managers in achievement of positive results while fostering a caring corporate culture.



R&D Training Workshop



Management Skills Training Workshop

Research and Development (R&D) plays a critical role in the innovation process. To stimulate the creativity in R&D activities, a bespoke Design Thinking Training was organised for R&D Department. Participants were guided to think from different angles with a holistic approach when applying the acquired techniques in their daily work.

Moreover, to enhance daily operation performance and develop a strategic planning and management system in our high precision metal tooling and parts factory, we conducted Balanced Scorecard training for 40 supervisors and managers in the factory. The



Balanced Scorecard Training

training includes skills of transformation of business strategies into corporate, departmental and team objectives, using analytical tools for dissecting problem root causes, and creative approaches for generating effective solutions for closing performance gaps. In addition, the T&D team organised two series of project management training for our employees to develop appropriate leadership skills for being an effective project leader.

In FY2019, we have organised a “Total Wellness Training workshop” with focus on understanding of emotional intelligence and how different stressors affect our feelings. In addition, our employees can learn about the benefits of a positive mindset, circle of influence and stress management.

We also subsidise external professional courses for employees, and ensure that the development opportunities are equally open to staff at all levels. We have continuously adopted the succession plan in manufacturing sites, which allows us to explore the potential talents and provides opportunities to our employees to attend specific management courses and learn valuable technical and management skills from various departments and teams. These training programmes ensure that our future leaders are well prepared to take up the leadership roles in supporting the continuous growth of the Company.

Respect of Labour and Human Rights

VTech is committed to respecting the labour and human rights of all our staff 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 related company regulation. 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.

Freedom of Association

We ensure our employees have the freedom of association to join any organisations or professional bodies of their own choices.

Anti-slavery

Modern slavery and human trafficking is intolerable in VTech. We are devoted to combating modern slavery and human trafficking, and committed to respecting and treating our employees with dignity. We do not tolerate any forced labour and we do not accept any physical and financial punishment for employee wrongdoing.

Benefits and Wages

We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements of the country where employees are employed. We do not make any deductions from wages as disciplinary measure. Since the regulations of law enforcement for some of the sites that we operate are not fully established, collective bargaining in these sites could not be comprehensively attained. However, we strive to engage with our employees and understand their needs through different communication channels and conduct regular communication meetings to create direct dialogue with our employees.

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.

Moreover, we have published relevant laws and guidelines of Hong Kong Discrimination Ordinance in VTech Company Bulletin Board in order to raise staff’s awareness and to be vigilant in recruitment processes.

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.

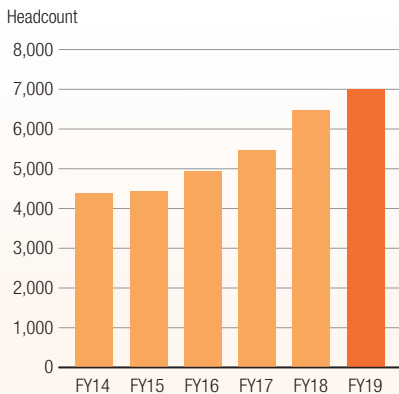
Meanwhile, we provide a 24-hour Ethics Hotline for our employees to report any violations of applicable laws and regulations and misconducts. All reports received through the Ethics Hotline will be handled promptly and confidentially. Investigations will be carried out, followed by disciplinary measures. We are committed to upholding the professional ethical conduct and the highest level of integrity.

VTECH SUSTAINABILITY ACTIVITIES

To ensure equal job opportunities are provided to any gender. We have organised child care courses and provided nursery facilities in our manufacturing site to better support the working mothers in VTech. Moreover, we were awarded the “Family-Friendly Employers Award” and “Awards for Breastfeeding Support” by Family Council for our family friendly measures and support to breastfeeding mothers in our Hong Kong Office.

VTech is committed to embracing an equal and supportive working environment for our employees. In VTech, 99.9% of our employees are recruited by the Company with full time employment contracts and 97% of our senior management staff is hired from the local area of the sites

Year of Service Longer than 5 Years



of operation in respective countries for supporting local employment. 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.

In addition, VTech celebrates and shows appreciation of the employee contribution by presenting long service awards to our employees who have completed five years of services. Awards will also be made for each subsequent five-year period of services. In FY2019, more than 7,000 staff

worked at VTech for more than five years, an increase of 8% compared with FY2018. The Company also presents “Distinguished Staff Award” and “Distinguished Team Award” for recognition of the outstanding performances and accomplishment achieved by our employees and teams.

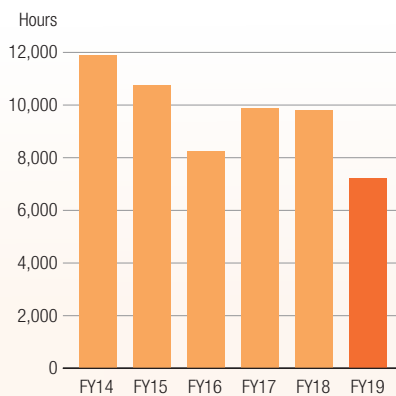
Environment for Our People

We always put workplace safety as our number one priority in our workplace environment. All our existing manufacturing facilities comply with national and international health and safety standards. While we are in the process of certificate application for our high precision metal tooling and parts factory, all our existing VTech assembly and plastic factories are certified with the Occupational Health and Safety Management Systems (OHSAS 18001 or ISO 45001). We also have EHS teams at all our manufacturing sites to conduct regular health and safety audit, and provide different training programmes for our people.

Maintaining an accident-free workplace environment is always a challenge. Our EHS teams at manufacturing sites have established a comprehensive and intensive health and safety training programme to increase the

awareness of workplace safety. These programmes include compulsory regular fire drills practices, occupational injury prevention training, fall prevention training, electrical safety training, workplace safety training and tests such as chemical usage, machinery safety and forklift operation, which reinforces the idea and awareness of occupational safety and fire safety for our employees. Our EHS teams also perform regular health and safety audits to analyse any potential causes or impacts of workplace hazards, as well as monitor our safety practices among the cross functional teams. The overall health and safety training hours per average employee increased by 37.7% compared with FY2018. In FY2019, our lost hour rate per working hour was 0.011%, which was lower than FY2018 of 0.015% and our loss of working hours was 7,230 hours, lower than FY2018. Our number of safety related incidents also decreased by 22% compared with FY2018 and we did not have any work related fatality case. We will continue to provide various health and safety training courses to our employees especially in our new manufacturing sites to enhance their awareness and knowledge of occupational health and safety at the workplace.

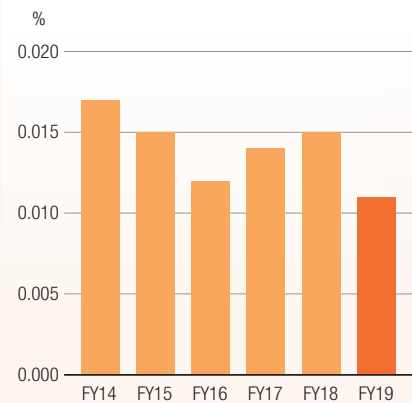
Loss of Working Hours*



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

** Lost hour rate per working hour was calculated as total number of lost hours divided by total working hours

Lost Hour Rate per Working Hour**





Health and Safety Training in VTech

Our employees are encouraged to participate in different types of occupational health and safety training.

In FY2019, we invited registered nurse to give a health talk on anti-cancer, allowing employees to gain a deeper understanding on different types of cancer and the preventive measures.



Continuous Improvement in Living Area

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. We continue to maintain a supportive, caring and healthy living environment for our employees. We make improvements in their quality of life at

the manufacturing sites by providing adequate accommodations, tasty and nutritious food at the canteens, adequate medical facilities and a wide range of leisure and recreational facilities.



VTECH SUSTAINABILITY ACTIVITIES

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.

Highlight

- Total GHG emission per production output in our assembly factories and plastic plants decreased by 23.6% and 26.2% respectively compared with FY2014

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” 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 our “Climate Change Strategy” to assess how climate change could affect our business operations, and minimise the potential impacts on our sustainable growth. We continuously review our environmental management approach and carbon reduction programmes in

order to manage our carbon emissions in the supply chain and 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 has 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.

Sustainable 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.

Including the manufacturers of PCBs and other electronic components, over 81% of our major suppliers are from

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

the local industries 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 minimise the potential disruptions that might hinder the effectiveness of our supply chain.

In order to ensure the quality of our finished products, it is essential to have a sustainable supply chain. We ensure that we could achieve this by building a long-term relationship with our suppliers based on a mutual trust. All purchases made by the Company are handled by procurement team in a fair, objective and professional manner. Our procurement criteria is based not only upon price, quality, delivery capacity and reputation, but also integrity, social and environmental responsibility of our suppliers.

We work closely with our approved suppliers, and encourage them to follow our key CSR initiatives, based on the requirements of the EICC,

International Labour Organisation Conventions on Labour Standards, ISO 14001, and OHSAS 18001 or ISO 45001. 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, i.e. Tantalum, Tungsten, Tin, Gold, etc. to ensure all metals used in the manufacturing process of VTech's products do not originate from Conflict Region.

Prior to placing any orders with 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 FY2019, we audited 229 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 FY2019, we have been developing a more comprehensive supplier management programme to assess their performance by using supplier scorecard system in accordance with the VTech's CSR requirements for suppliers. We will also continue to work 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.

Supplier Relationships

VTech hosts Supplier Day on a regular basis. 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. In FY2019, we organised "Design Conference of VTech CMS R&D" and invited 45 suppliers to the event. During the event, we also shared our R&D design capabilities, product roadmaps and emphasised our expectations to our suppliers.



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

VTECH SUSTAINABILITY ACTIVITIES

Climate Change Strategy

In 2015, the United Nations Development Programme announced the Sustainable Development Goals at the Paris Climate Conference which became effective in 2016. The agreement addressed the common standards and set ambitious goals for downsizing the global carbon emission amount to mitigate the environmental impacts caused by climate change. The Chinese government also announced its carbon pledge, aiming to limit the carbon dioxide emissions by 2030 and reduce its carbon intensity by 60-65% from 2005 level.

VTech has the major manufacturing sites located in China. As an environmentally conscious and sustainable company, we are committed to taking the responsibility in the GHG reduction and aligning our sustainable growth with the national and international climate change agenda. To this end, we have addressed the climate change challenges and developed a strategy to minimise the potential environmental impacts arising from our daily operation. As part of our climate change strategy,

we are dedicated to reducing our GHG emissions by minimising the energy consumption from our daily operation through our various energy and resources saving programmes. We have also been working closely with our suppliers and customers to reduce the carbon emissions through enhancing our environmentally friendly product designs, green logistic practices and carbon reduction programme. In FY2019, we have taken a step further in reducing the GHG emission by applying solar technology to generate electricity for a dormitory of our CMS manufacturing site.

VTech acknowledges that the extreme weather caused by climate change could affect our business in various ways. We have established our Climate Change Strategy in order to prepare for downside risk, maximise upside opportunities, and ensure our business strategies are not only following the longer term trajectory of climate change, but also sufficiently flexible to respond to the inevitable changes in the business environment. VTech also encourages our procurement team to explore eco-friendly materials and equipment. By choosing the

right materials and equipment, we can ensure the product quality whilst further reducing the GHG emission generated through the manufacturing process. VTech continuously reviews our approach on climate change to enhance our resilience in response to the associated risks and opportunities.

In recent years, the Environmental Protection Department of Guangdong Province amended the emission standards for VOCs and set standard VOCs reduction schemes for various manufacturing industries, regulating the local VOC emissions and encouraging manufacturers to apply more environmental friendly materials throughout the manufacturing process, aiming to improve regional air quality.

We have not only developed the waterborne paint to replace solvent-based paint for our TEL products, but also adopted overmolding technology in the printing process which has further reduced the VOCs emission generated during our manufacturing process. In addition, VOCs purification system with high VOCs elimination rate was installed in one of our production facilities.

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 Involvement



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.

Highlights

- Volunteering hours increased by 4.1% compared with FY2018
- Champion in 8 km corporate cup and 1st runner-up in half marathon corporate cup in the Hong Kong Streetathon 2019
- “Highest Donation Award” in the Standard Chartered Hong Kong Marathon 2019 and Gold sponsor in the Hong Kong Streetathon 2019
- 1st runner-up in both the category 51 km and 42 km Corporate team for Sowers Action
- Bronze Sponsor and Brilliant Participation – Gold Award for Sowers Action Challenging 12 Hours Charity Marathon 2018



As a responsible corporate citizen, VTech uses its expertise and resources to support the communities in which it operates in various ways. In FY2019, VTech continues to focus on the following five key areas for our community involvement which was developed in FY2015.



Support People in Need

Provide helping hands for people



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

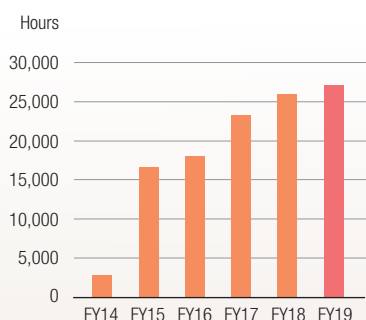
Since the establishment of VTech's voluntary teams in different manufacturing sites and global offices, we have participated in various voluntary events, and created a strong social network to assist and support the people in need. We also encourage our employees and their families to participate in our volunteering activities, bringing positive impact to the families and society.

Our China and Hong Kong voluntary teams frequently participate in various types of voluntary services including visiting elderly homes and children

hospitals, and assisting crowd control at community events. In FY2019, we have recruited over 2,800 volunteers and contributed over 27,000 hours in volunteering activities. Besides being recognised as the “Heart to Heart Company” by the Hong Kong Federation of Youth Groups, VTech is the proud recipient of the “Outstanding Caring Award” presented by Federation of Hong Kong Industries in 2018. In addition, we have been awarded as a “Caring Company” by The Hong Kong Council of Social Service for the eleventh consecutive year in recognition of our relentless contribution to the Hong Kong community through various

charitable activities. These awards are great encouragement for our continued voluntary work for the community.

Volunteering Hours Contributed



VTECH SUSTAINABILITY ACTIVITIES

VTech Book Corner

Our VTech Book Corner donation programme was established in FY2016. We build VTech Book Corner filled with story books and VTech educational products at schools in remote areas to provide educational and fun learning experience for children. In FY2019, we continued this meaningful programme and visited 4 primary schools in WuShan and donated over 370 sets of VTech educational products and books.



Storytelling with Kids

We partnered with Tai Po Baptist Church Social Service in July 2018 to arrange a storytelling session for children with their parents from the underprivileged families. In this memorable event, our volunteers read interesting stories to them using our unique LeapReader™ book sets which were later donated to their families as gifts.



Movember Foundation in Canada

This is the fifth year that our volunteers participated in the fund raising campaign run by Movember Foundation in Canada. This programme aims to raise awareness of men's health issues.



The Elderly and Underprivileged Family Visit

In 2019, we collaborated with a local charity and visited underprivileged families and the elderly who lived alone. We also brought along some daily necessities including rice, cooking oil, towels and fruits during the visit.



Toy Donation

In FY2019, over 10,000 pieces of toys were donated to local communities and four charitable organisations namely YWCA, Western District Alliance Church, Caritas Hong Kong and Hong Kong Society for the Protection of Children. We aim to bring happiness and hope to those underprivileged children through the toy donation.





Collaborate with Local Charities

VTech has been working with a number of local charities to build a harmonious community. Our partners include Hong Kong Federation of Youth Group, Red Cross, Hong Kong Children and Youth Service, Tai Po Baptist Church Social Service, Greeners Action, St. James' Settlement and Hong Kong Young Women's Christian Association. Through our long term commitments to various charitable activities, we have brought about positive impacts to the community. Every year, Red Cross sets up a temporary blood donation station at our Hong Kong office to encourage our employees to donate blood.



Hot Meal Service to the Elderly

Furthermore, our volunteers have also arranged regular activities with elderly and inspirational tours for children.

We partnered with St. James' Settlement People's food bank to pack hot meals and deliver to the elderly. Moreover, we have co-organised with St. James' Settlement to lead the "Blue House Cultural Tour" for children and youngsters from Small Group Homes of Hong Kong Children & Youth Services. This aims to arouse the interest of our next generation about heritage conservation.

In FY2019, our employees continued to participate in the Oxfam Trailwalker 2018, Sowers Action Challenging 12 Hours Charity Marathon 2018, Hong Kong Streetathon 2019, and Standard Chartered Hong Kong Marathon 2019.

VTech was the "Bronze Sponsor" for Sowers Action Challenging 12 Hours Charity Marathon 2018 and presented with the "Brilliant Participation – Gold Award". Our Sowers Action Teams were the 1st runner-up for both the category

51 km and 42 km Corporate Team. The teams also came second and third in the category 26 km. We were the champion in 8 km corporate cup and 1st runner-up in half marathon corporate cup in the Hong Kong Streetathon 2019. Additionally, we were the "Gold Sponsor" of Hong Kong Streetathon 2019 and were awarded the "Highest Donation Award" for Standard Chartered Hong Kong Marathon 2019. We collaborated with local charities to support numerous charitable activities around the world. In FY2019, we have made charitable and other donations of over US\$264,000.

Recognition of Community Involvement



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 workshops with schools for young people.

In FY2019, we continue to arrange the IE engineering programme with Dongguan University of Technology providing workplace health and safety courses, theory courses on manufacture engineering, Virtual Studio Technology training, engineering change in process flow, production line management and product design. We

have also provided practical training sessions for the students, helping them to gain better understanding on the concepts of smart manufacturing by putting the theory into practice. We have also offered internship opportunities for engineering college students, helping them to gain working experience and develop their job skills. Apart from providing internship opportunities for the local engineering students, we also offer various internship opportunities for local college students at our headquarters in Hong Kong, which help students from different backgrounds to make connections with peer groups and explore their interest and abilities through real-life learning experience.

VTech Scholarship programme was established in FY2018 to support local undergraduates in their career development. In FY2019, we have extended the programme to cover more local universities. HKD72,000 was awarded to 8 students from The Hong Kong Polytechnic University, the City University of Hong Kong and the Hong Kong University of Science and Technology.



Compliment for VTech Scholarship Programme

VTECH SUSTAINABILITY ACTIVITIES



VTech Internships Programme

In FY2019, we offered internship opportunities for Hong Kong students from 4 different local universities. During the eight-week intensive internship programme, the interns were rotated among different business units and participated in a variety of tasks under guidance of their mentors. This allows them to gain a broader understanding of the manufacturing industry and our operations.

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. As in the previous years, we continued to sponsor the Business of Design Week 2018, which provides a unique platform for the designers and intellectuals to exchange ideas, innovative design and technology.

We have organised plant tours for students from the Primary Section of Kowloon Tong School and Technological and Higher Education Institute of Hong Kong (THEI). During the full day visit, the students have gained valuable insights of the operational dynamics and various

VTech's Internships – Experience Sharing by the Students

Through this internship, I have learnt about the daily operation of an EMS company and gained an understanding of the cultural difference between working in mainland and Hong Kong.

When I was in DE department, I built a robotic arm with my colleague that was implemented for chip transferring purposes. It was the first time for me to put actual knowledge into industrial use, which was very meaningful and inspiring!

Wong Chi Chiu Calvin (PMT/R&D/DE/QE)

As an engineering student, I mainly focus on subjects related to engineering instead of management. Through this real-life working experience, I learn that both engineering and management skills are equally important. The work rotation in various departments also allowed me to learn different management styles and how they affect the team performance. I enjoy different experiences being a worker in production line and working in engineering departments!

Tang Yee Lam Iris (R&D/PMT/QE/DE)

functions of the plant. These visits have provided unique opportunity for students to acquire a deeper understanding of the manufacturing progress and the technology behind the scene. Moreover, they have learned about the application of advanced technology in manufacturing and its importance in driving future production trend.

We have invited a group of Polish exchange students studying in Hong Kong University of Science and Technology for a company visit to our Hong Kong Head Office. They were presented with the holistic view of the manufacturing industry, our business nature, business objectives and missions to work towards a sustainable future.



Plant Tours for Students from the Primary Section of Kowloon Tong School



Product Design Competition

We continued to organise the design competition with THEi. This competition provided a valuable opportunity for THEi students to enhance their creativity, put their ideas into practice and helped students to gain real life experience in designing products.



Develop a Healthy and Green Community

VTech not only dedicates its efforts to minimising the environmental impacts from our operations, but also contributes in different community events to develop and promote a healthy and green lifestyle within VTech and the community. To support a sustainable lifestyle, we had established the organic farm in one of our manufacturing sites a few years ago, where employees could practise their urban farming techniques and enjoy the low carbon living experience during their break time. Moreover, we continue to sign up the pledge for Earth Hour and partner with the Greeners Action in the Red Packets Recycling Scheme to encourage the recycling of materials. In FY2019, we took part in the Chinese New Year Food Recycling Program of Food Grace and collected surplus food from our colleagues. VTech has provided a wide range of outdoor activities and training programmes for our employees to enjoy life out of work, such as Trail Run training programme



Tree Planting

taught by professional athlete trainers and health talk on cancer.

Biodiversity

In FY2019, our volunteer team continued to participate in the annual tree planting activity.

In addition, an educational tour "Green Urban Touch" to an organic farm

in Lau Fau Shan was organised for students from underprivileged family. The students could learn different species of plants and trees, understand the organic farming and pick fruits to home. This activity aims to encourage the participants to embrace the idea of sustainable living.

Ocean plastic pollution is a growing problem with significant ecological implications. In FY2019, we organised a beach clean-up activity which provides an opportunity for participants to understand the threats of plastic pollution on marine wild life.



Green Community



VTech Green Day


This year, we continue to organise Green Day in our Hong Kong headquarters. We have invited various non-governmental organisations to introduce numbers of natural and organic products to our employees. Representatives from an organic farming company were also invited to conduct DIY Wooden Coaster and Herbal tea workshop for our employees, to promote healthy and green living style.





VTECH SUSTAINABILITY PERFORMANCE

FY2019 Targets and Progress Updates

Strategy Themes	Approaches		Targets for FY2019	FY2019 Progress Update	
 <p>Product Responsibility & Innovation</p>	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 18% compared with FY2014	Health and safety products sales grew by 140.1% 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	We did not have fines or penalties relating to non-compliance with regulations in FY2019	
		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	We had performed LCA on one new TEL product and one ELP	
 <p>Environmental Protection</p>	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 16% compared with FY2014	Production output per worker increased by 47.0% compared with FY2014	
		Continue to monitor the progress of our energy saving programmes and conduct weekly patrols to eliminate unnecessary energy consumption	We had carried out various energy saving projects in FY2019, such as replacing 3 units of traditional oil lubricated bearing chillers with magnetic bearing chillers and applying solar technology in a dormitory		
	Green Manufacturing	Energy Consumption and Carbon Emissions	Reduce energy consumption and thus the carbon emissions.	Reduce Greenhouse Gas (GHG) emission per production output by 16% compared with FY2014	GHG emission per production output in our assembly factories and plastic plants decreased by 23.6% and 26.2% respectively compared with FY2014
				Increase energy efficiency of our air conditioning system by installing the magnetic bearing chiller	Replaced 3 units of traditional oil lubricated bearing chillers with magnetic bearing chillers, reducing energy consumption
				Continue to adopt servo motors in our existing hydraulic injection moulding machines or replace with full-electric ones	We have been upgrading our hydraulic plastic injection molding machine by adopting the servo control technology and replacement with full-electric ones
	Water	Reduce water consumption and improve effluent treatment	Continue to promote water saving campaigns throughout the Company	In FY2019, with our continuous effort to promote water saving campaign throughout the Company, our total water consumption decreased by 37.7% compared with FY2014	
			Improve the efficiency of the effluent treatment system and increase the water recovery rate of the system	In FY2019, we have installed a grey water harvesting system at canteen, upgraded the wastewater treatment system in plastic injection plant to increase the storage capacity of treated wastewater for reusing, and reused the treated wastewater in our metal factory	

Strategy Themes		Approaches		Targets for FY2019	FY2019 Progress Update
 Environmental Protection	Green Manufacturing	Materials, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Continue to collect and analyse the internal reuse and recycling rate	We have been collecting the internal reuse and recycling rate for further analysis
				Maintain the recycling rate of the reusable materials at or above 70%	In FY2019, the recycling rate of reusable materials is 80.4%
		Logistics	Reduce the environmental impact from shipment of products	Continue to keep track of the average loading capacity of each container shipment	We have continued to use cargo measuring software to optimise the loading capacity. In FY2019, our cargo loading capacity was maintained at 86.6%
				Maintain the average loading capacity of each container shipment at or above 80%	We continued to improve the consolidation of shipping volume and shipping orders and have achieved the average loading capacity at 86.6%
				Continue to improve the consolidation of shipment volumes and shipping orders with our business partners	We continue to work closely with our customers to consolidate the shipment volumes and shipping orders to maximize the loading capacity of each container
 Workplace Quality	Communication and Staff Relations	Enhance our good staff relations through various communication channels and staff activities	Continue to encourage open communications at all levels of the Company and facilitate employees to voice their opinions through various communication channels	VTech regularly provides updates for employees and conducts employee satisfactory survey	
			Continue to provide different types of staff activities for our employees	We had offered new staff activities for employees. In FY2019, we increased the number of participants in our staff activities by 5.5% compared with FY2018	
			Maintain average staff turnover rate at or below 12%	Maintained 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	Continue to review the training needs of staff, evaluate the training content and increase the number of training courses for the career development of our employees	We have reviewed the training need of the staff and based on the feedback from our employees, we have added the new training courses such as Growth Mindset Training; High Motivation and Coaching Skills for Sweet Workplace; Total Wellness Training workshop	
	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	HR policies have been updated regularly with reference to the latest statutory requirements	
			Continue to provide training and conduct employee surveys in the areas of labour and human rights	In FY2019, we had provided over 1,541,000 hours of training to our employees, and the average training hours per employee also increased by 30.4% compared with FY2018	
	Environment for Our People	Provide a supportive, pleasant and healthy workplace for our staff, and foster a caring community in our working environment	Continue to add new health and safety training courses and workplace stretching exercises to all workers	We had added new health and safety training courses, and workplace stretching exercise at different production floors. The average health and safety training hour per employee has also increased by 37.7% compared with FY2018	
			Perform monthly Environment, Health and Safety (EHS) internal audit	We have continued to conduct monthly EHS internal audit and reinforce the ergonomic technique at workstation	
			Continuously upgrade the facilities in the living areas of the factories	We have upgraded the facilities in the living areas of our factory regularly	

VTECH SUSTAINABILITY PERFORMANCE

Strategy Themes		Approaches	Targets for FY2019	FY2019 Progress Update
 <p>Sustainable Operating Practices</p>	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. Continue to raise the awareness of information security and privacy amongst our employees at all levels through related training programmes	The risk registers of key functions have been updated. We have been conducting information security and privacy training programmes
	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 Continue to review our sustainability audit scope and conduct annual audit for all major suppliers	We continue to measure the suppliers' sustainability performance and ensure our suppliers meet our CSR requirement We have conducted annual audit for major suppliers and reviewed our sustainability audit scope to develop a more comprehensive audit structure
	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 standard	In FY2019, our total GHG emission in our assembly factories and plastic plants was 98,553 tonnes CO ₂ e, a decrease of 19.8% compared with FY2014. Our Climate Change policy has been reviewed and reported on page 38
 <p>Community Involvement</p>	Support People in Need	Use our expertise and resources to support the communities in which we operate	Provide volunteer trainings to employees	Volunteers were trained before conducting the storytelling session
	Collaborate with Local Charities		Develop continuous long-term volunteer programme	
	Provide Training Opportunities for Young People	Continue to encourage more employees to participate in local charitable events	We have partnered with a variety of local charitable organisations to participate in "Blue House Cultural Tour" and "Hot Meals Delivery to the Elderly"	
	Nourish an Innovative Environment	Collaborate with local colleges to establish manufacturing courses for local engineering students and continue the scholarship scheme to support local undergraduates	We had provided Internship Programme for local engineering undergraduates in Hong Kong and China in FY2019. We have awarded the scholarships to 8 outstanding undergraduates from 3 local universities	
	Develop a Healthy and Green Community	Partner with local educational institute and support innovative science events	We had partnered with the Technological and Higher Education Institute of Hong Kong (THEI) and co-organised a mentoring programme and product design competition	
		Increase the number of healthy dishes options at canteens	We have been promoting healthy eating at VTech, as well as providing healthy and organic fruits that employees could pick from our organic farm	
		Organise Green day to promote green lifestyle among employees	We launched Green Day for another consecutive year at our headquarters. Various non-governmental organizations were invited to introduce numbers of natural and organic products to our employees	
Organise various recycling workshops and participate in local green activities	We have offered 2 green workshops: DIY Wooden Coaster and Herbal tea workshop for our employees, to promote healthy and green living style			

Company Performance and Data

Items	GRI Indicator	HKEx Indicator	FY2014	FY2015	FY2016	FY2017	FY2018 ¹²	FY2019
Portion of senior management hired from local community ⁸	202-2		98%	98%	98%	98%	98%	97%
Proportion of spending on local suppliers	204-1	B5.1	89%	94%	94%	88%	88%	86%
Material used by weight or volume (1000 Tonnes)	301-1		79.3	86.1	86.0	97.6	100.5	94.7
Energy use ¹ (GJ)	302-1	A2.1	587,365	605,227	568,648	566,497	579,211	587,240
Energy from Diesel ¹ (GJ)	302-1	A2.1	7,218	3,768	1,047	-	-	-
Energy from Natural Gas ¹ (GJ)	302-1	A2.1	41,583	39,180	35,050	28,415	25,466	23,792
Energy from Electricity ¹ (GJ)	302-1	A2.1	538,860	562,279	532,551	538,082	553,745	563,448
Energy use ¹ per production output (GJ per 1,000 unit)	302-3	A2.1	4.766	4.527	4.214	3.987	4.171 ¹³	4.108
Energy from Diesel ¹ per production output (GJ per 1,000 unit)	302-3	A2.1	0.059	0.028	0.008	-	-	-
Energy from Natural Gas ¹ per production output (GJ per 1,000 unit)	302-3	A2.1	0.337	0.293	0.260	0.200	0.183	0.166
Energy from Electricity ¹ per production output (GJ per 1,000 unit)	302-3	A2.1	4.373	4.205	3.947	3.787	3.967 ¹³	3.942
Electricity used (Kwh)	302-1	A2.1	149,601,160	156,188,568	147,930,737	149,467,329	153,820,653	156,513,299
Electricity used per production output (Kwh per 1,000 unit)		A2.1	1,214	1,168	1,096	1,052	1,108 ¹³	1,095
Water consumption ² (meter cube)	303-1	A2.2	2,503,745	2,415,255	2,033,109	2,022,160	1,638,354	1,560,742
Water consumption ² per production output (meter cube per 1,000 unit)		A2.2	20.3	18.1	15.1	14.2	11.8	10.9
GHG emission Scope 1 ³ , (tonne of CO ₂ e)	305-1	A1.1, A1.2	4,750	4,002	3,851	1,932	2,514	1,603
GHG emission Scope 2 ³ (tonne of CO ₂ e)	305-2	A1.1, A1.2	100,613	105,043	99,489	100,523	103,451	105,261
GHG emission Scope 1 ³ , per production output (tonne of CO ₂ e per 1,000 unit)	305-4	A1.2	0.039	0.030	0.029	0.014	0.018 ¹³	0.011
GHG emission Scope 2 ³ per production output (tonne of CO ₂ e per 1,000 unit)	305-4	A1.2	0.816	0.786	0.737	0.707	0.745 ¹³	0.736
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	307-1		0	0	0	0	0	0
Injury ⁴ cases	403-2	B2.1	113	115	84	59	59	46
Lost Hours ⁵	403-2	B2.2	11,885	10,756	8,256	9,869	9,788	7,230
Injury rate per employee ⁶	403-2		0.004	0.004	0.003	0.002	0.002	0.002
Injury rate per employee ⁶ – male	403-2		0.005	0.005	0.005	0.003	0.003	0.003
Injury rate per employee ⁶ – female	403-2		0.002	0.003	0.001	0.001	0.002	0.001
Absentee rate ⁷ (%) – overall	403-2		0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Absentee rate ⁷ (%) – male	403-2		0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Absentee rate ⁷ (%) – female	403-2		0.5%	0.4%	0.4%	0.4%	0.4%	0.4%
Average training hours per employee	404-1	B3.2	19.3	22.7	29.1	41.4	47.4	61.8
Average training hours per employee – male	404-1	B3.2	19.3	22.5	28.8	43.6	50.0	64.3
Average training hours per employee – female	404-1	B3.2	19.3	23.1	29.5	38.0	43.5	57.9
Average training hours per employee – management ⁸ staff	404-1	B3.2	8.1	8.4	7.9	9.2	10.2	15.4
Average training hours per employee – Professional/Engineer	404-1	B3.2	6.7	9.7	14.2	21.0	26.0	38.3
Average training hours per employee – staff & workers	404-1	B3.2	21.2	24.9	31.8	45.6	52.2	67.1
Incidents of non-compliance with regulations on health and safety impact on products that result in a significant fine, penalty or warning	416-2		0	0	0	0	0	0

VTECH SUSTAINABILITY PERFORMANCE

Items	GRI Indicator	HKEEx Indicator	FY2014	FY2015	FY2016	FY2017	FY2018 ¹²	FY2019
Incidents of non-compliance with regulations on product and service information and labelling that result in a significant fine, penalty or warning	417-2		0	0	0	0	0	0
Sales of banned products	102-2		0	0	0	0	0	0
Total monetary value of significant fines for non-compliance with laws and/or regulations in the social and economic area	419-1		0	0	US\$0.7 million ¹¹	0	0	0
Total number of non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	419-1		0	0	0	0	0	0
Cases brought through dispute resolution mechanisms for non-compliance with laws and/or regulations in the social and economic area	419-1		0	0	1	0	0	0
Total hazardous waste produced (in tonnes)		A1.3	N/A ¹⁰	399.9	326.4	365.6	358.5	346.3
Total hazardous waste produced per production output (in tonnes per 1,000 unit)		A1.3	N/A ¹⁰	0.003	0.002	0.003	0.003	0.002
Total non-hazardous waste produced (in tonnes)		A1.4	N/A ¹⁰	8,628	7,528	8,806	9,705	9,111
Total non-hazardous waste produced per production output (in tonnes per 1,000 unit)		A1.4	N/A ¹⁰	0.065	0.056	0.062	0.070	0.064
Total Packaging material used for finished goods (tonnes)		A2.5	N/A ¹⁰	29,593.0	30,510.3	34,579.8	34,470.3	33,022.1
Total Packaging material used for finished goods per production output (tonnes per 1,000 unit)		A2.5	N/A ¹⁰	0.221	0.226	0.243	0.248	0.231

Note:

1. Energy value for fuels are obtained from GRI G3 Guide
2. Water consumption data includes water usage data from manufacturing facilities in China and 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 CO₂, CH₄ and NO_x Greenhouse gases. VTech's GHG objectives and targets are set and tracked relative to a base year of FY2014.
4. 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. Total working hours that workers cannot attend work due to injuries in manufacturing operations
6. The frequency of injuries relative to the number of employees. Minor (first-aid level) injuries are included.
7. Number of days the employees are absent from work over total hours scheduled to be worked
8. Staff with grade above supervisor level
9. The location of operation sites
10. VTech started to collect relevant Data from FY2015
11. On 8 January 2018, US FTC announced the settlement with VTech for the cyber-attack incident in FY2016. Without admitting any liability, VTech paid a civil penalty of US\$0.7M.
12. The report scope was expanded with the acquisition of our high precision metal tooling and parts (Metal) factory for enriching the vertical integration of our CMS.
13. The unfavourable change in the company performance data per production output was due to the expanded scope as described in note 12 above as the components output of the Metal factory were not included in the per-production-output data calculation.
14. Certain data for prior years were restated for fair comparison of the performance data.

Items	GRI Indicator	HKEEx Indicator	FY2014	FY2015	FY2016	FY2017	FY2018 ¹²	FY2019
Number of countries where VTech operates	102-4		11	11	11	13	13	14
Total number of operations	102-7		18	20	20	22	24	24
Revenue	102-7		US\$1,898.9 million	US\$1,879.8 million	US\$1,856.5 million	US\$2,079.3 million	US\$2,130.1 million	US\$2,161.9 million
Total debt	102-7		Nil	Nil	Nil	US\$1.7 million	Nil	Nil
Total equity	102-7		US\$562.4 million	US\$540.8 million	US\$525.0 million	US\$584.7 million	US\$646.6 million	US\$607.0 million
Average number of employees – Total	102-7	B1.1	30,949	29,502	27,412	27,217	26,065	26,048
Average number of employees – Male	102-8	B1.1	18,590	18,702	16,583	16,565	15,725	16,016
Average number of employees – Female	102-8	B1.1	12,359	10,800	10,829	10,652	10,340	10,032
Average number of employees – Asia Pacific – Male	102-8	B1.1	18,374	18,474	16,352	16,227	15,415	15,718
Average number of employees – Asia Pacific – Female	102-8	B1.1	12,165	10,610	10,630	10,348	10,062	9,757
Average number of employees – North America – Male	102-8	B1.1	133	141	144	206	181	170
Average number of employees – North America – Female	102-8	B1.1	97	97	104	172	153	149
Average number of employees – Europe – Male	102-8	B1.1	83	87	87	132	129	128
Average number of employees – Europe – Female	102-8	B1.1	97	93	95	132	125	126

Associations VTech belongs to	Involvement
British Toy & Hobby Association	C
Dutch Toy Association	C
French Toy Association	C
Toy Association Belgium	C
China Toy & Juvenile Products Association	C
Australian Toy Association	M
German Toy Association	M
Spanish Toy Association	M
Toy Industry Association – United States	M
Shenzhen Toys Association	M
Dongguan Toys & Juvenile Products Association	M
DECT Forum	S
ULE Alliance	S
Ecovadis	M
Wi-Fi Alliance	M
Hong Kong Opto-Mechatronics Industries Association	M
Zigbee Alliance	M
The Chinese Manufacturers Association of Hong Kong	M
The Hong Kong General Chamber of Commerce	M

M = regular member
C = member of committee
S = strategic participation

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

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

GRI Content Index

General Standard Disclosures		
GRI Indicator	Description	Location and Notes
GRI 102: General Disclosures 2016		
Organisational Profile		
102-1	Name of the organisation	About this Report
102-2	Activities, brands, products, and services	Page 4
102-3	Location of headquarters	About this Report
102-4	Location of operations	Page 4

VTECH SUSTAINABILITY PERFORMANCE

General Standard Disclosures		
GRI Indicator	Description	Location and Notes
GRI 102: General Disclosures 2016		
Organisational Profile		
102-5	Ownership and legal form	Page 4
102-6	Markets served	Page 4
102-7	Scale of the organisation	Page 4
102-8	Information on employees and other workers	Page 4
102-9	Supply chain	Page 36, 37
102-10	Significant changes to the organization and its supply chain	About this Report
102-11	Precautionary Principle or approach	Page 36
102-12	External initiatives	Page 4
102-13	Membership of associations	Performance and Company Data
Strategy		
102-14	Statement from senior decision-maker	Page 2
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Page 6
Governance		
102-18	Governance structure	Page 5
Stakeholder Engagement		
102-40	List of stakeholder groups	Page 15
102-41	Collective bargaining agreements	Employees covered by collective bargaining agreement is managed and monitored at local level. VTech considers the percentage on consolidated level is not relevant
102-42	Identifying and selecting stakeholders	Page 14, 15
102-43	Approach to stakeholder engagement	Page 14, 15
102-44	Key topics and concerns raised	Page 15
Reporting Practice		
102-45	Entities included in the consolidated financial statements	VTech Major Subsidiaries
102-46	Defining report content and topic Boundaries	Page 16
102-47	List of material topics	Page 17
102-48	Restatements of information	Page 48
102-49	Changes in reporting	Page 48
102-50	Reporting period	About this Report
102-51	Date of most recent report	About this Report
102-52	Reporting cycle	About this Report
102-53	Contact point for questions regarding the report	Back Cover
102-54	Claims of reporting in accordance with the GRI Standards	About this Report
102-55	GRI content index	Page 49-52
102-56	External assurance	About this Report

Material Topic Disclosures		
GRI Indicator	Description	Location and Notes
Economic		
GRI 201: Economic Performance 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 4
103-3	Evaluation of the management approach	Page 4
201-1	Direct economic value generated and distributed	Page 4
GRI 202: Market Presence 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 34
103-3	Evaluation of the management approach	Page 34
202-2	Proportion of senior management hired from the local community	Company Performance and Data
GRI 204: Procurement practice 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 36, 37
103-3	Evaluation of the management approach	Page 36, 37
204-1	Proportion of spending on local suppliers	Company Performance and Data
Environmental		
GRI 301: Materials 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 28, 29
103-3	Evaluation of the management approach	Page 28, 29
301-1	Materials used by weight or volume	Company Performance and Data
GRI 302: Energy 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 26, 27
103-3	Evaluation of the management approach	Page 26, 27
302-1	Energy consumption within the organisation	Page 27, 28, Company Performance and Data
302-3	Energy intensity	Page 27, 28, Company Performance and Data
GRI 303: Water 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 28
103-3	Evaluation of the management approach	Page 28
303-1	Water withdrawal by source	Page 28, Company Performance and Data
GRI 305: Emissions 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 28
103-3	Evaluation of the management approach	Page 28
305-1	Direct (Scope 1) GHG emissions ¹	Company Performance and Data
305-2	Energy indirect (Scope 2) GHG emissions ²	Company Performance and Data
305-4	GHG emissions intensity	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 that result from the generation of purchased or acquired electricity, heating, cooling and steam consumed by the organisation.

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Material Topic Disclosures		
GRI Indicator	Description	Location and Notes
GRI 307: Environmental Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 26-29
103-3	Evaluation of the management approach	Page 26-29
307-1	Non-compliance with environmental laws and regulations	Company Performance and Data
GRI 308: Supplier Environmental Assessment 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 36, 37
103-3	Evaluation of the management approach	Page 36, 37
308-2	Negative environmental impacts in the supply chain and actions taken	Page 37
Social - Labour and Human Right Policy		
GRI 403: Occupational Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 34, 35
103-3	Evaluation of the management approach	Page 34, 35
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 34, Company Performance and Data
GRI 404: Training and Education 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 32, 33
103-3	Evaluation of the management approach	Page 32, 33
404-1	Average hours of training per year per employee	Page 32, Company Performance and Data
Social - Product Responsibilities		
GRI 416: Customer Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 20, 21
103-3	Evaluation of the management approach	Page 20, 21
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Company Performance and Data
GRI 417: Marketing and Labeling 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 20, 21
103-3	Evaluation of the management approach	Page 20, 21
417-2	Incidents of non-compliance concerning product and service information and labeling	Company Performance and Data
Social - Community Impact		
GRI 419: Socioeconomic Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Page 16, 17
103-2	The management approach and its components	Page 6, 7
103-3	Evaluation of the management approach	Page 6, 7
419-1	Non-compliance with laws and regulations in the social and economic area	Company Performance and Data

Stock Exchange ESG Guide Content Index

Aspects	Disclosure		Location and Notes
A. Environmental			
A1. Emission	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. <i>Note:</i> – 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 26, Page 38
	KPI A1.1	The types of emissions and respective emissions data.	Page 28, Company Performance and Data
	KPI A1.2	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 A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 29, Company Performance and Data
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, Intensity (e.g. per unit of production volume, per facility).	Company Performance and Data
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Page 26-Page 28
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 28-Page 29
A2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>	Page 26
	KPI A2.1	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).	Page 27, Company Performance and Data
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	Page 28, Company Performance and Data
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 26-Page 28
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 28
	KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Company Performance and Data
A3. The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 26
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 23-Page 29
B. Social			
Employment and Labour Practices			
B1. Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 30, Page 32-Page 33
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Company Performance and Data
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	We maintain average staff turnover rate at or below 12%

VTECH SUSTAINABILITY PERFORMANCE

Aspects	Disclosure		Location and Notes
B2. Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 34, 35
	KPI B2.1	Number and rate of work-related fatalities.	Page 34, Company Performance and Data
	KPI B2.2	Lost days due to work injury.	Company Performance and Data
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 34
B3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	Page 32-Page 33
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 32
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 32, Company Performance and Data
B4. Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Page 32-Page 33
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 33
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 33-Page 34
Operating Practices			
B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 36-Page 38
	KPI B5.1	Number of suppliers by geographical region.	81% suppliers are local suppliers
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 37
B6. Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 18
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 20
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Page 20
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 7
	KPI B6.4	Description of quality assurance process and recall procedures.	Page 20-Page 21
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 7
B7. Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 6
	KPI B7.1	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 B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 6
Community			
B8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 39
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 39
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 39-Page 42

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
CP65	California Proposition 65
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

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
CP65	California Proposition 65
Safety Standards of ELPs	
CCC	China Compulsory Certification
ASTM-F963-17	Standard Consumer Safety Specification for Toy Safety
CPSIA	Consumer Product Safety Improvement Act
EN71	European Standard Safety for Toys
ISO 8124	Safety of Toys
CCPSA	Canada Consumer Product Safety Act

CMS

Environmental Standards 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
WEEE	Waste Electrical and Electronic Equipment
Energy Star® eco-label	Certified Energy Saving Products
CP65	California Proposition 65
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 Materiell kontroll
PSE/JQA	Product Safety of Electrical Appliance & Materials from Japan Quality Assurance Organisation
MET	Maryland Electrical Testing
UL60950	Safety standards for US Market
EN60950	Safety standards for European countries
KTL	Certificate from Korea Testing Laboratory
ENEC	European Norms Electrical Certification
VDE	Verband Deutscher Elektrotechniker
TUV Rheinland	Technischer Überwachungs-Verein Rheinland

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Certifications in Manufacturing Facilities

TEL Products	
GSV	Global Security Verification
ISO 9001/TL 9000	Quality Management Systems
ISO 14001	Environmental Management Systems
IETP	ICTI (International Council of Toy Industries) Ethical Toy Program
ISO 45001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability
ELPs	
GSV	Global Security Verification
ISO 9001	Quality Management Systems
ISO 14001	Environmental Management Systems
ISO 17025	Laboratory Accreditation Certificate by China National Accreditation Service for Conformity Assessment (CNAS)
IETP	ICTI (International Council of Toy Industries) Ethical Toy Program
OHSAS 18001	Occupational Health and Safety Management Systems
Work Safety Standardisation	Work Safety Standardisation
CMS	
ISO 9001	Quality Management Systems
ISO 13485	Medical Devices Quality Management Systems
ISO 14001	Environmental Management Systems
IAFT 16949	Automotive Quality and Management Systems
OHSAS 18001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability
QC080000	Hazardous Substance Process Management

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
Snom Technology GmbH

Netherlands

VTech Electronics Europe B.V.

Spain

VTech Electronics Europe, S.L.

United Kingdom

VTech Electronics Europe Plc
LeapFrog Toys (UK) Limited

United States

VTech Electronics North America, L.L.C.
VTech Communications, Inc.
LeapFrog Enterprises, Inc.

A Chinese translation of the sustainability report is available on www.vtech.com/tc/sustainability.

If there are any discrepancies between the Chinese translation and the English version of this report, the English version shall prevail.

可持續發展報告的中文譯本可於www.vtech.com/tc/sustainability下載。

本報告之中文譯本與英文本如有任何歧義，概以英文為準。

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