VTech Holdings Limited

HKSE: 303

Sustainability Report 2022

About this Report

VTech has published its annual Sustainability Report since the financial year (FY)2014. The purpose of the report is 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. 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 and satisfied its "comply or explain" provisions.

VTech also supports the 17 Sustainable Development Goals (SDGs) developed by the United Nations (UN), which provide sustainable development direction and targets of the world to be achieved by 2030. In our Sustainability Plan 2025, we have developed sustainability strategies and programmes based on our five sustainability pillars – Governance and Business Ethics, Product Responsibilities and Value Chain Management, Environment, Our People, and Society, aiming to make contribution towards the UN SDGs.

Starting from FY2020, VTech has also started to disclose climate-related initiatives and measures by using the framework of Task Force on Climate-related Financial Disclosures (TCFD). A number of potential physical and transition risks and opportunities related to the climate change, which have impacts on the company in short, medium and long terms, are identified, with development of sustainability initiatives to address them in our 5-year Sustainability Plan 2025.

Reporting Principles

This report follows the fundamental reporting principles of the Stock Exchange ESG Guide:

Materiality	In order to identify and assess the material concerns of our stakeholders, VTech has conducted materiality assessment surveys through a number of stakeholder engagement activities to determine the factors that have material impacts on our sustainable growth, and incorporated them in the development of our 5-year sustainability strategies and targets for FY2025.
Quantitative	The quantitative principle applies to all information in this report. All performance indicators are provided with clear definition and unit measurement is clearly stated. Calculation methodologies and assumptions can be found in the Performance Data Summary.
Consistency	Our report has also been prepared consistently to allow for meaningful comparisons over time. There has been no major change from previous years in the way this report has been prepared. Certain data for prior years were restated for fair comparison of the performance data.
Balance	We disclose our ESG achievement and areas for improvement in a transparent and unbiased manner for objective review by stakeholders.

Reporting Period and Scope

The scope of this report includes data and activities from operations over which we exercise full management control, including our headquarters in Hong Kong, our manufacturing facilities in China and Malaysia as well as our overseas sales offices, unless specifically stated otherwise. Except for the acquisition of a factory in Mexico in April 2021, there were no significant changes in VTech's operation locations, share capital structure, or our supply chain structure. We will make adjustments to our data collection system to allow the inclusion of the new facility into the reporting boundary.

Reporting period: FY2022 (1 April 2021 to 31 March 2022), as per the financial period of our Annual Report 2022. The Sustainability Report is issued on an annual basis.

Organisations covered: VTech Holdings Ltd and its subsidiaries (the Company or the Group).

Assurance

Data and information contained in this report have been independently assured by the Hong Kong Quality Assurance Agency (HKQAA) to ensure accuracy and credibility. This report has also been reviewed by VTech Internal Audit Team and Audit Committee.

Reference Guidelines

GRI Standards
Stock Exchange ESG Guide
TCFD Recommendations

Full details of the VTech Sustainability Report 2022 are available on 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*

Contents

Chairman's Message

"VTech's sustainability vision is to create sustainable value to improve the lives of people and protect the planet for future generations."

The global container capacity constraints and the severe shortage of semiconductors have disrupted the production capability and the supply chain of all companies in the electronic manufacturing industry.

VTech is a global leader in electronic learning products (ELPs) and residential telephony, as well as a world leading contract manufacturing services provider. With 46 years of excellence in technological innovation, VTech has implemented various measures through its sustainable supply chain practice to mitigate the impacts on our businesses. For examples, VTech's engineers have explored and developed alternative solutions to broaden the sources of procurement and replace the semiconductors under shortage. It has also collaborated with the critical suppliers to arrange advance purchases to stabilise the supply of electronic components. As for securing the containers availability, VTech has engaged with various shipping carriers to enlarge the number of container supplies especially during the peak season. All of these measures have also alleviated the negative impacts from the drastic increases in freight charges and material prices in the financial year 2022.

Despite the ongoing COVID-19 pandemic and the challenges it has brought to the world, VTech continues to make progress towards a circular economy. Last year, VTech introduced its first range of green ELPs made from plant-based plastic, reclaimed plastic and Forecast Stewardship Council® (FSC) certified wood. Later this year, VTech will launch more eco-friendly toy products made from sustainable materials. These include Busy Musical Bee and Soft Discovery Turtle with fabrics made from recycled polyethylene terephthalate (PET) bottles and certified with the Global Recycled Standard (GRS), and Touch & Feel Sensory Keys and Stack, Rattle & Link Elephant made from plant-based plastics. We will also expand the range of wooden toys with materials sourced from responsibly managed forests certified by FSC. This includes LeapFrog® Tappin' Colors 2-in-1 Xylophone™, LeapFrog® Wooden AlphaPup™ and LeapFrog® Interactive Learning Easel. The first green hotel phone made from recycled PET bottles was also launched in FY2022.

As for sustainable packaging, over 94% of the packaging materials for its ELPs was recyclable, of which about 85% was made from recycled materials. In addition, we have eliminated plastic packaging in over 40% of the baby monitor products. The use of waterborne paint has also been extended to product packaging to mitigate the impacts to the environment in the manufacturing process. As for post-consumer recycling of VTech's product and packaging, we continue to partner with leading international recycling companies in our major markets to promote a circular economy.

In order to combat climate change and its impacts on the planet, VTech continues to extend its investment in various energy efficiency projects at its manufacturing sites, and implement a number of water savings and waste management programmes to reduce natural resources consumption in its factory operations. To promote a transition towards clean energy, more solar panels and solar lamps will be installed in our manufacturing and operating sites in FY2023. With dedicated efforts on water and material consumption reductions, energy saving and waste management, we have stayed on track in achieving our 2025 targets. In FY2022, we achieved notable reduction per production unit in Greenhouse Gas (GHG) emissions in our assembly factories by 14.8%, water consumption by 18.0%, non-hazardous waste by 3.9% and hazardous waste by 5.3% compared with FY2020. In addition, the use of renewable energy rose by 157.2% compared with FY2020.

As a responsible corporate citizen, VTech collaborates with its suppliers to provide a safe, inclusive and sustainable workplace for their employees, and promote ethical sourcing practices with suppliers' commitment to VTech's code of conduct. We have also adopted a green logistic management approach, and continued to choose the most eco-friendly transportation mode for shipments of materials from suppliers and delivery of products to customers so as to mitigate the carbon emissions throughout the supply chain.

In addition, VTech has collaborated with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various events across multiple countries for two consecutive years. These included a global toy donation programme with over 4,400 electronic learning toys donated by VTech, and the "Christmas Jumper Day" event in support of Children's Emergency Fund. Our employees in different countries also participated in the "Letter Writing" campaign to write letters with words of hope and encouragement for children in need of support. During the period from 1 December 2020 to 30 November 2022, VTech has been donating USD1 to Save the Children for every baby monitor or toy sold through its online shops in Canada and Hong Kong, and every baby monitor sold through its online shop in the US.

In order to nourish an innovative environment and nurture the next generation of sustainability leaders, besides the on-going scholarship programmes for five universities in Hong Kong, we partnered with the School of Energy and Environment of City University of Hong Kong to organise the "VTech Innovation & Sustainability Award". We also engaged with the students and alumni of The Hong Kong University of Science and Technology MBA for a virtual enrichment talk on ESG, sharing our sustainability journey and insights on ESG's future developments in the industry.

Our dedicated sustainability efforts have received local and international recognitions. VTech Holdings Limited has remained a constituent member of the Hang Seng Corporate Sustainability Benchmark Index at a rating of AA and the FTSE4Good Global Index for seven consecutive years. VTech also received a rating of A in the MSCI (Morgan Stanley Capital International) ESG Ratings assessment. Our Sustainability Report 2021 won the "Best ESG Reporting Award" and "Best New Entry" at the Best Annual Report Awards organised by the Hong Kong Management Association. We also received the "Manufacturing and Industrial Services – Gold Award" from Environmental Campaign Committee, the "ESG Leading Enterprises Award", "Leading Environmental Initiative Award" and "Crisis Management Award" from Bloomberg Businessweek/ Chinese Edition. In recognition of our continuous contributions to the communities, VTech received the "Outstanding Caring Award (Enterprise Group)" in the Industry Cares Recognition Scheme organised by the Federation of Hong Kong Industries. VTech has also been designated a "Caring Company" by the Hong Kong Council of Social Service for 14 consecutive years.

The unprecedented global supply chain disruption and COVID-19 pandemic have resulted in tremendous challenges in the business environment and rapidly changed the lives of people. While we are making every effort to seize any business opportunities riding on our technological innovation and market leadership, VTech will continue to step up efforts to integrate economic growth, environmental protection and social responsibility in its business strategies to design, manufacture and supply innovative and high quality products for the wellbeing of people and benefits of society, aiming to drive sustainable value for its stakeholders and the communities. I would also like to express my heartfelt gratitude to all our stakeholders, in particular our employees, business partners and customers, for their unwavering supports during these difficult times. Let us work together to build a sustainable future to improve the lives of people and for future generations.

Allan WONG Chi Yun
Chairman
16 May, 2022

About vtech

VTech is the global leader in electronic learning toys from infancy through toddler and preschool[2] and the largest manufacturer of residential telephones in the US[3]. 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, Malaysia and Mexico, VTech currently has operations in 14 countries and regions. In FY2022, VTech has approximately 25,000 employees, including around 1,500 research and development (R&D) professionals in R&D centres in the United States, Canada, Germany, Hong Kong and China. This network allows VTech to stay abreast of the latest technology and market trends throughout the world, while maintaining a highly competitive cost structure.

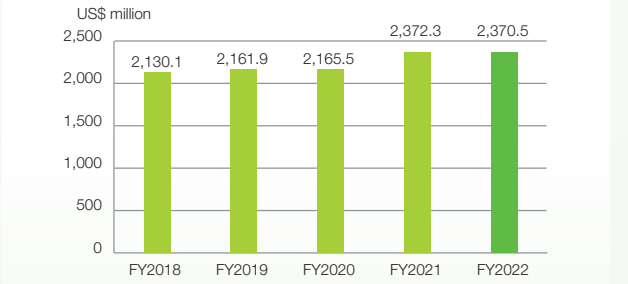
The Group invests significantly in R&D and launches numerous new products each year. VTech sells its products via a strong brand platform supported by an extensive global distribution network of leading traditional and online retailers. VTech's customer profile consists of commercial buyers in our three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

For the year ended 31 March 2022, Group revenue and profit attributable to shareholders of the Company were US$2,370.5 million and US$172.7 million respectively. At 31 March 2022, the Group had working capital and total assets of US$350.1 million and US$1,486.7 million respectively. The Group's total equity was US$678.8 million as at 31 March 2022.

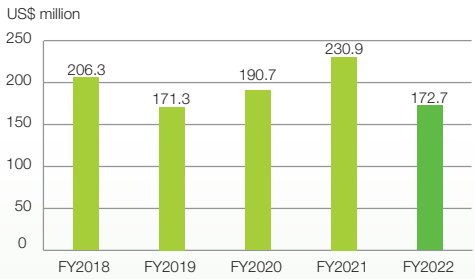
Shares of VTech Holdings Limited are listed on The Stock Exchange (HKSE: 303). At 31 March 2022, the number of issued and fully paid shares of the Company was 252,379,133 shares.

For details of our financial performance, please refer to the financial highlights included in our Annual Report 2022 at: www.vtech.com/en/investors/financial-reports/

Group Revenue in Last 5 Years



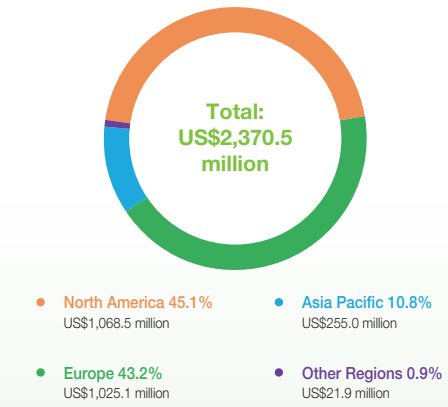
Profit Attributable to Shareholders of the Company in Last 5 Years



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 principles[4], which itself is built upon many internationally agreed principles relating to welfare of workers, environmental management and anti-corruption. Since 2012, we have subscribed to the Electronic Industry Citizenship Coalition (EICC) Code of Conduct and the International Council of Toy Industries (ICTI) Code of Business Practices, which are specific to our industries.

To keep abreast 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.

Revenue by Regions for the year ended 31 March 2022



[2] *Ranking based on The NPD Group Retail Tracking Service for Projected US Dollar Sales in the US, Canada, France, Germany, the UK, Belgium, the Netherlands, Australia and Spain on total retail sales of VTech and LeapFrog products 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 2021.*

Global Market Share Estimates by MarketWise Consumer Insights, LLC. Ranking based on total retail sales of VTech and LeapFrog products 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 2021.

[3] *MarketWise Consumer Insights, LLC, April 2021 to March 2022.*

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

Sustainability Foundation

Our sustainability mission is to integrate economic growth, environmental protection and social responsibility in our business strategies to design, manufacture and supply innovative and high quality products for the wellbeing of people and benefits of society, aiming to drive sustainable value for our stakeholders and the communities.

Managing Sustainability

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), one non-executive Director, and four independent non-executive Directors. Their names and brief biographies can be found in the section "Biographical Details of Directors" on page 79 of the Annual Report 2022. 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, and Directors' appointment and re-election.

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.

Roles and Responsibilities of Board Committees

For details of our corporate governance, please refer to the corporate governance section included in our Annual Report 2022 at www.vtech.com/en/investors/financial-reports/

Sustainability Foundation

VTech's Sustainability Management

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 pillars across the Company's product lines with the following missions:

Risk Management and Sustainability Committee
Sustainability Sub-Committee

Sustainability Plan 2025 — Five Pillars

Governance and Business Ethics

- Promote a culture of integrity, accountability and innovation throughout the Company
- Ensure our corporate governance structure meets the applicable laws and regulations, industry best practice and global trends
- Review and monitor the internal control systems and risk management processes to ensure the overall effectiveness with continuous improvement
- Uphold the highest ethical standards of business integrity and foster a culture of compliance

Product Responsibilities and Value Chain Management

- Culture of Innovation – Support and encourage creative thinking and sharing of new ideas
- Product Innovation – Design products for the well-being of people and for the benefits of society
- Product Quality – Design products to ensure that they are of good quality and compliant with the highest safety standards
- Eco-friendly Product – Incorporate sustainability concepts into our product design and increase the use of sustainable materials for our products and packaging
- Sustainable Supply Chain – Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's Corporate Social Responsibility requirements

Environment

- Circular Economy and Environmental Management – Analyse, monitor and minimise the associated environmental impacts following our Environmental Management System
- Climate Change Strategy – Review our approach on climate change and develop sustainability initiatives to identify and address the associated physical and transitional risks and opportunities
- Culture of Innovation – Strengthen our operational excellence with innovative solutions in the following aspects:
  - Green Manufacturing Practice – Minimise the environmental impacts from our operations
  - High Performance Production Chain – Maximise our resource efficiency and improve productivity
  - Sustainable Logistic Practice – Improve operational efficiency and reduce carbon emission throughout the transportation process

Our People

- Promote a culture of integrity in our working environment
- 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, and promote an inclusive culture throughout the company
- Provide a safe, inclusive and motivating workplace for our employees and foster a caring community in our workplaces

Society

- Promote a culture of accountability for the communities in which we operate, 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

At VTech, our RMSC is delegated with the authority from the Board to provide 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-Committee which comprises key employees from the Company's different product lines and relevant departments, including Group Chief Financial Officer, TEL President, Vice President of ELP Operation, Managing Director of CMS, and the Sustainability team. It has the strategic and operational responsibility to manage sustainability issues while implementing the policies and measures to achieve strategic vision and direction approved by RMSC. It is also 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 quarterly.

Our Alignment with the UN SDGs

The 17 Sustainable Development Goals (SDGs) were adopted at the United Nations General Assembly in 2015. The SDGs address the global challenges related to poverty, inequality, climate change, environmental degradation, peace and justice etc., and are aimed at establishing a sustainable society.

As a global corporate citizen, we acknowledge the emerging global trends outlined in the SDGs in how we run our business and contribute to the achievement of SDGs. We have identified five primary goals which VTech is best positioned to contribute to and have the greatest impact under our five sustainability pillars – Governance and Business Ethics, Product Responsibilities and Value Chain Management, Environment, Our People, and Society.

To define our priorities in SDGs, we have evaluated the relationship between SDGs and our value chain, identifying positive and negative impacts in all business activities from upstream material sourcing, manufacturing, to downstream distribution, product use and product end-of-life. We have identified 14 SDGs and 17 sub-targets in which VTech is contributing to within our business. These include mitigating potential environmental and social risks of our operations and at the same time seizing opportunities to utilise our capabilities to forge community wellbeing. This analysis forms the basis of our sustainability initiatives to create value for our stakeholders and the wider society.

Sustainability Foundation

The SDGs targets we are contributing to throughout our value chain are as follows:

VTech's Value Chain to Achieve UN SDGs

Maximise Positive Impact

Target 1.4
Ensure that all men and women, in particular the poor and the vulnerable have equal rights to economic resources, appropriate new technology and financial services
→ See our community involvement programmes

Target 9.4
Upgrade and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
→ See our innovative sustainable products design
→ See our achievements on lean manufacturing

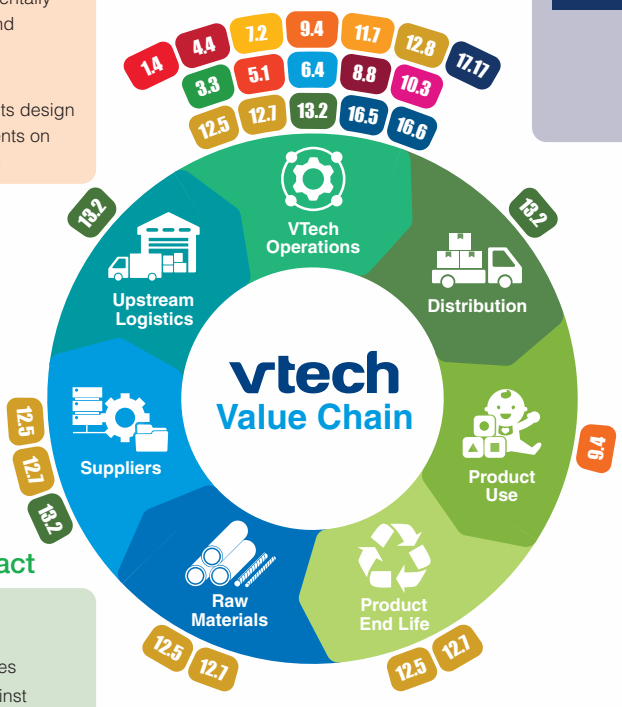
Target 4.4
Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
→ See our training, internship and scholarship programmes

Target 11.7
Provide access to green and public spaces
→ See our recreational facilities at our Manufacturing sites

Target 7.2
Increase substantially the share of renewable energy in the global energy mix
→ See our renewable energy initiatives

Target 12.8
Increase awareness for sustainable development and lifestyles in harmony with nature
→ See our Global Green Day activities

Target 17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships
→ See our collaboration projects with various partners



Minimise Negative Impact

Target 3.3
End the epidemics of communicable diseases
→ See our efforts against COVID-19

Target 5.1
End discriminiation against women
→ See our Gender Diversity Policy

Target 12.5
Substantially reduce waste generation through prevention, reduction, recycling and reuse
→ See our packaging reduction initiatives
→ See our post-consumer recycling programmes

Target 12.7
Promote procurement practices that are sustainable
→ See our Supplier CSR risk management practices

Target 6.4
Substantially increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater to address water scarcity
→ See our rainwater and wastewater recycling initiatives

Target 10.3
Ensure equal opportunity
→ See our Equal Opportunity and No Discrimination Policy

Target 13.2
Integrate climate change measures into policies, strategies and planning
→ See our TCFD Disclosures

Target 8.8
Protect labour rights and promote safe and secure working environment for all workers, including migrant workers
→ See our labour, welfare and safety practices

Target 16.5
Substantially reduce corruption and bribery in all their forms
→ See our business ethics policies

Target 16.6
Develop effective, accountable and transparent institutions at all levels
→ See our Corporate Governance system

Dialogue and Engagement with our Stakeholders

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-Committee. 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-Committee has 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.

Sustainability Foundation

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

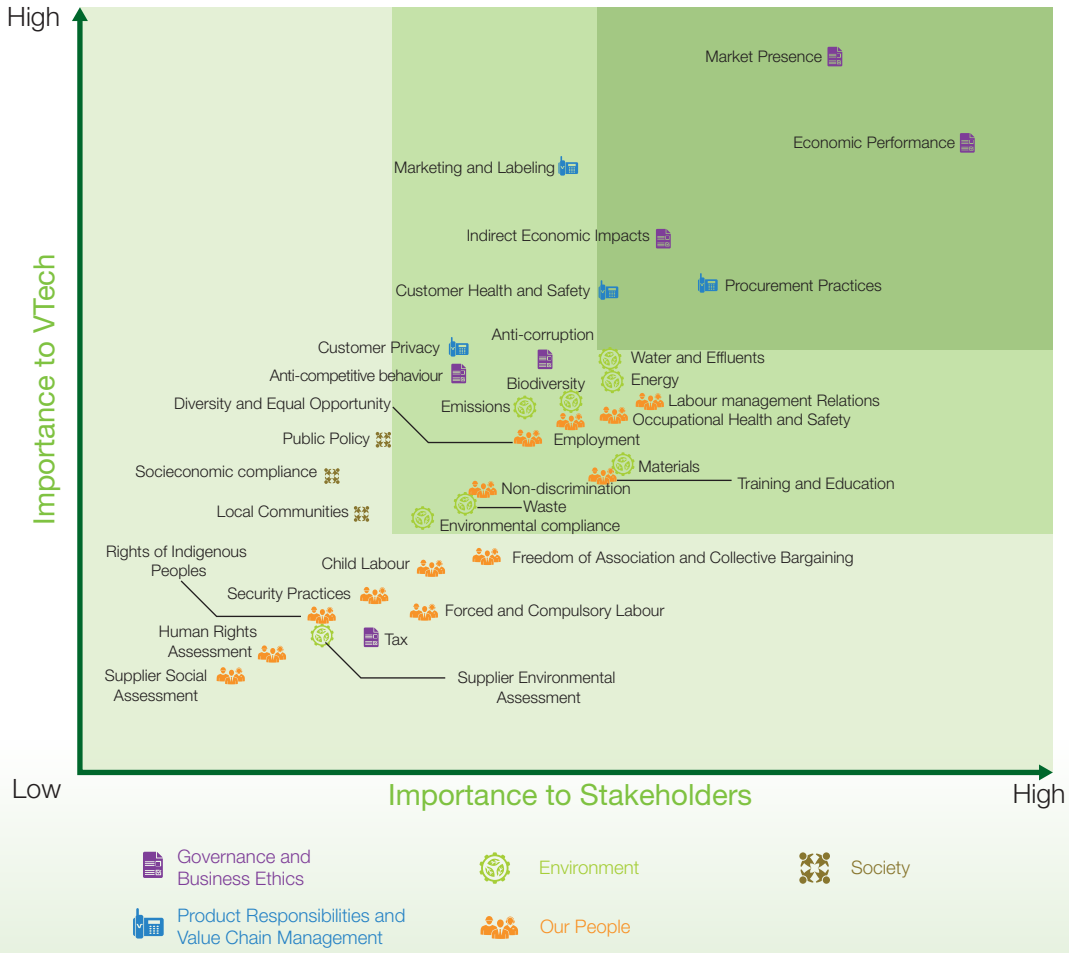
Stakeholders	Topics Concerned	Communication Channels	Frequency per year
Customers	• Production quality and improvements • Product safety, performance and life cycle • Operation in compliance with applicable law and regulations • Customer support • Financial performance • Sustainability strategies	• Online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

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

Materiality Assessment

Materiality assessment is a four-step process of identification, prioritisation, validation and review. All of the potential material topics listed are referred to the GRI Standards. The material sustainability topics identified by the stakeholders were based on the results of the materiality assessment surveys conducted in FY2022. The results were mapped with the key sustainability topics assessed by VTech's senior management and illustrated in the following chart. It was approved by the RMSC.

Chart of Materiality Assessment



These topics were considered as material for reporting by VTech based on the significance of the Group's economic, environmental and social impact, as well as the influence of the decisions of our stakeholders. The list of the topics is reviewed and revised when necessary to reflect the latest developments in the industry and the Group, as well as the changing expectations of stakeholders.

The labelled topics that lie within the shaded area of the Chart were 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, 5 out of 34 topics were identified as the most important to our stakeholders and VTech, which were Economic Performance, Market Presence, Indirect Economic Impacts, Customer Health and Safety, and Procurement Practices. This assessment could help us prioritise our corresponding sustainability activities and programmes to address their needs, as well as monitor our sustainability progress.

Sustainability Foundation

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 2022, 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	Employees	VTech's Operations	Investors	Suppliers	Community
Governance and Business Ethics	Economic Performance	✓	✓	✓	✓	✓	
	Market Presence	✓		✓	✓		✓
	Indirect Economic Impacts			✓	✓		✓
Product Responsibilities and Value Chain Management	Procurement practices					✓	
	Customer Health and Safety	✓		✓	✓		✓
	Marketing and Labelling	✓		✓	✓	✓	✓
	Customer Privacy	✓		✓	✓		✓
Environment	Materials		✓	✓		✓	
	Energy	✓	✓	✓		✓	✓
	Water and Effluents	✓	✓	✓			✓
	Emissions	✓	✓	✓		✓	✓
	Environmental Compliance	✓	✓	✓	✓	✓	✓
	Supplier Environmental Assessment	✓		✓		✓	✓
Our People	Labour/Management Relations		✓	✓			
	Occupational Health and Safety	✓	✓	✓	✓	✓	✓
	Training and Education		✓	✓			✓
Society	Socioeconomic Compliance	✓	✓	✓	✓	✓	✓

Sustainability Targets and Performance

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 since we started our sustainability journey in FY2006.

Sustainability Progress

During our sustainability journey since FY2006, VTech has successfully developed our sustainability strategies with a vision to create sustainable value to improve the lives of people and protect the planet for future generations and a mission to integrate economic growth, environmental protection and social responsibility in our business strategies to design, manufacture and supply innovative and high quality products for the wellbeing of people and benefits of society, aiming to drive sustainable value for our stakeholders and the communities.

FY2006 to FY2012

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

FY2013

- Refined the CSR management structure to a holistic sustainability framework
- 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
- Developed the first 5-year VTech Sustainability Plan 2020

FY2016

- Set new targets within our sustainability framework to make further improvements for our sustainability development and enhance the VTech Sustainability Plan 2020

FY2017 to FY2018

- 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
- Continued 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

FY2020

- Incorporated the UN SDGs in the development of sustainability strategy
- Developed the second 5-year VTech Sustainability Plan 2025
- Disclosed climate-related initiatives using TCFD's framework

FY2021

- Started to develop ELPs made from plant-based or reclaimed plastics, and source wooden materials from Forest Stewardship Council certified (FSC) forests

FY2022

- Developed ELPs made from bio-based plastic, recycled polyethylene terephthalate (PET) bottles or FSC certified materials
- Launched the first green hotel phone using recycled PET bottles
- Adopted climate scenarios in climate risks assessment

Sustainability Targets and Performance

Awards and Recognitions

With our dedicated sustainability resources and efforts, VTech has continued to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with the score of AA rating and has been included in FTSE4Good Global Index[5] for seven consecutive years. We also received a rating of A in the MSCI ESG Ratings assessment[6] and were assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. We also received the ESG Leading Enterprises Award, Leading Environmental Initiative Award and Crisis Management from Bloomberg Businessweek/ Chinese Edition; the Best ESG Reporting Award, and Best New Entry at the Best Annual Report Awards organised by the Hong Kong Management Association.

We were also presented the Best ESG Report -Mid-cap – Commendation in Hong Kong ESG Reporting Awards 2021. Our Sustainability Report 2021 received the "Special Mention ESG" from the Hong Kong Institute of Certified Public Accountants. As an acknowledgement of our sustainability development, we were awarded Manufacturing and Industrial Services – Gold Award of 2020 Hong Kong Awards for Environmental Excellence. Additionally, we have been named as a Caring Company by The Hong Kong Council of Social Service for fourteen consecutive years and the "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 Benchmark Index AA

Hang Seng Corporate Sustainability Index Series Member 2021-2022

FTSE4Good Global Index

FTSE4Good

MSCI ESG Ratings A

MSCI

Sustainalytics Rating – Low Risk

SUSTAINALYTICS a Morningstar company RATED

Best Annual Reports Awards – Best ESG Reporting Award

Best Annual Report Awards – Best New Entry Award

2020 Hong Kong Awards for Environmental Excellence (HKAEE) Manufacturing and Industrial Services – Gold Award

Hong Kong ESG Reporting Awards (HERA) – Best ESG Report – Mid-cap – Commendation

Best Corporate Governance and ESG Awards – Special Mention ESG

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

INDUSTRY CARES 5+ 工業獻愛心

Award as Mental Health Friendly Supreme Organisation by Department of Health

精神健康友善卓越機構
Mental Health Friendly Supreme Organisation

Award as Caring Company for the 14th Consecutive Year

10 years+ 商界展關懷 caringcompany

Signatory of the Good Employer Charter 2020

好僱主約章 GOOD EMPLOYER CHARTER 2020

Award as Family – Friendly Good Employer 2020 by Labour Department

「友」「家」好僱主 FAMILY-FRIENDLY GOOD EMPLOYER 2020

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

有心企業 HEART TO HEART COMPANY 2007-2022

Social Capital Builder Logo Award by Labour and Welfare Bureau

Social Capital Builder Awards 社會資本動力獎 2020-22

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

[6] *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.*

FY2022 Targets and Progress Update

The table below presents our achievements against the targets developed through our VTech Sustainability Plan 2025 covering FY2021 to FY2025.

Sustainability Pillar	Strategy Themes	Approaches	Targets for FY2022	FY2022 Progress Update
Governance and Business Ethics	Corporate Governance	Continuously improve our company policy and procedures to ensure our corporate governance structure meets the applicable laws and regulations, industry best practice and global trends	Bi-annual meeting of the Group's RMSC to review the Group's risk management and internal control system and their effectiveness	Bi-annual meeting of the Group's RMSC was arranged and the Group's risk management and internal control system and their effectiveness were reviewed
			Maintain regular meetings with shareholders, investors and analysts	Regular meetings with shareholders, investors and analysts were maintained
			Provide training for our employees on the update of listing rules and requirements	Training was provided for our employees on the update of listing rules and requirements
	Risk Management	Set up Risk Management and Sustainability Committee to monitor and review the risk management and sustainability strategy of the Group and review reports from the Data Security Governance Board	Bi-annual risk registry update and assessment from each business unit	Risk registry update and assessment from each business unit were performed bi-annually
			Annual Business Continuity Plan update	Business Continuity Plan was updated annually
			Provide training on cyber security for our employees	Cyber security training was provided for our employees
			Review and update the data security policy to address the potential cyber security risk	The data security policy was reviewed and updated to address the potential cyber security risk
	Business Ethics	Uphold the highest ethical standards of business integrity and foster a culture of compliance throughout the company	Provide Code of Conduct training for our employees	Code of Conduct training was provided for our employees
			Review reports under the Whistleblowing Policy biannually	Reports under the Whistleblowing Policy were reviewed biannually
			Provide anti-corruption training for our directors and employees	Anti-corruption training were provided for our directors and employees
			Regularly monitor the latest update on the Privacy Regulations worldwide and review our Data Security Policy	Update on the Privacy Regulations worldwide were monitored regularly and our Data Security Policy was reviewed regularly
			Provide regular training for our employees on the Intellectual Property Right protection	Regular training on the Intellectual Property Right protection was provided for our employees

Sustainability Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2022		FY2022 Progress Update
Product Responsibilities and Value Chain Management	Product Innovation 	Design for Excellence – Design for Environment	Improve our products to make them more sustainable and eco-friendly 	ELP	Develop more wooden toys and products made from plant-based plastic or reclaimed plastic	The following products had been developed and would be launched in FY2023: – Touch & Feel Sensory Keys and Stack, Rattle & Link Elephant made from plant-based plastic – Busy Musical Bee and Soft Discovery Turtle with fabrics made from recycled PET bottles – Wooden toys under LeapFrog brand: LeapFrog® Tappin' Colors 2-in-1 Xylophone™, LeapFrog® Wooden AlphaPup™ And LeapFrog® Interactive Learning Easel
					Apply waterborne paint for 30% of ELPs	Waterborne paint was applied on 93.8% of ELPs
				TEL	Launch selected hotel phone models made from recycled plastic	The hotel phone model made from recycled PET bottles was launched in FY2022
					Adopt anti-bacteria technology on hotel phones launched to the market	Anti-bacteria feature was applied on most of hotel phone models
					Gradually replace the use of solvent-based paint with waterborne paint for TEL products	Waterborne paint was applied on over 84.7% of TEL products
				CMS	Study the application of plant-based plastic for selected CMS designed products	Recycled resin was used in some engineering samples Continued to search and select appropriate suppliers to provide resin specification for study
					Use waterborne paint for 30% of CMS designed products	Waterborne paint was applied on 33% of CMS designed products
				Undertake LCA analysis for 4 key products in TEL products and ELPs to reduce carbon footprint throughout the product life cycle		LCA analysis was performed for 4 key products in TEL products and ELPs to reduce carbon footprint throughout the product life cycle

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2022		FY2022 Progress Update
Product Responsibilities and Value Chain Management	Product Innovation	Design for Excellence – Design for Environment	Improve our product packaging to make them more sustainable and eco-friendly	ELP	Apply waterborne paint for 85% of ELP packaging	Waterborne paint was applied on more than 95% ELP packaging
					95% of packaging materials for ELPs are recyclable, and maintain 85% of them to be made from recycled materials	Over 94.6% of packaging materials for all ELPs was recyclable About 85% of packaging material for all ELPs was from recycled material
					Eliminate blister in 99% of ELP packaging	Blister was eliminated in 99.0% of ELP and bio-based PET was applied on 85% of new ELPs packaging
					Reduce the size of the instructions leaflet of ELPs by 30% to reduce paper consumption	Reduced 40% by size of our instruction leaflet for new products
					Participate in different local packaging recycling programmes and educate customers to recycle the packaging in other major markets	We had engaged in different packaging recycling programmes like “How2Recycle” in the US, and “OPRL” in the UK and the packaging recycling programme in Australia
				TEL	Phase out all plastic in 40% of baby monitor packaging	Over 40% of baby monitors did not contain plastic in their packaging
					Extend the use of waterborne paint to all TEL packaging	Waterborne paint was applied on 81.9% of all TEL packaging
				CMS	Use bio-degradable bags to replace Polyethylene (PE) bags for 30% of CMS designed product packaging	Bio-degradable bags were used for over 30% of the CMS designed product packaging
			Provide channels for customers to recycle VTech products after use	Engage post- consumer recycling programme for VTech products in Europe, Canada and the US		We had participated in post-consumer recycling programmes such as WEEE in Europe, EPRA in Canada and Terracycle in the US

Sustainability Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2022	FY2022 Progress Update
Product Responsibilities and Value Chain Management	Product Innovation	Design for Excellence – Design for Quality	Continue to ensure that all products are compliant with the international quality and safety standards	Zero product recall, fines or penalties relating to non-compliance with regulation	We had zero product recalls, fines or penalties relating to non-compliance with regulations
		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 4% compared with FY2020	Compared with FY2020, health and safety products sales increased by 28.5%
	Sustainable Supply Chain	Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's CSR requirements		Conduct supplier engagement activities programme reinforcing our sustainability plan to our suppliers and monitor their progress	Supplier workshop was held to share our long term sustainability plan and current performance with our suppliers
				Complete CSR audits of identified suppliers per VTech CSR requirements	We continued to measure the suppliers' sustainability performance to ensure they had met our CSR standards
				Continue to work with suppliers to reduce product and packaging waste	We had worked with suppliers to reduce the size of packaging for selected materials
Environment	Circular Economy and Environmental Management	Analyse, monitor, and minimise the associated environmental impacts following our Environmental Management System		Regular review on update of environmental standards and regulations	We continued to review on update of environmental standards and regulations regularly
	Climate change – Risk and Opportunities	Review our approach on climate change and develop sustainability initiatives to identify and address the associated physical and transitional risks and opportunities		Continue to use sustainable materials in our products and recycle our products in a responsible way	Eco-friendly ELPs made from recycled, or plant-based plastic or FSC certified wood would be introduced to market in FY2023. We had engaged in different post-consumer product and packaging recycling programmes
				Reduce GHG emission per production output in assembly factories by 4% compared with FY2020	Compared with FY2020, GHG emission per production output in assembly factories reduced by 14.8%
				Reduce GHG emission per production output in plastic factories by 4% compared with FY2020	Compared with FY2020, GHG emission per production output in plastic factories reduced by 10.3%
				Increase renewable energy use by 40% compared with FY2020	Compared with FY2020, renewable energy use increased by 157.2%
				Disclose scope 3 emission	We disclosed our scope 3 emission

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2022	FY2022 Progress Update
Environment	Green Manufacturing	Energy	Reduce energy consumption and thus the carbon emissions	Reduce the electricity usage per production output in assembly factories by 4% compared with FY2020	Compared with FY2020, electricity usage per production output in assembly factories reduced by 14.5%
				Reduce the electricity usage per production output in plastic factories by 4% compared with FY2020	Compared with FY2020, electricity usage per production output in plastic factories reduced by 11.0%
				Adopt high efficient energy system and equipment for high performance operation – upgrade on heating and cooling systems	We replaced old screw chillers with new magnetic bearing chillers
		Water	Reduce water consumption and improve effluent treatment	Reduce total water consumption per production output by 4% compared with FY2020	Compared with FY2020, total water consumption per production output decreased by 18.0%
		Material, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Maintain the recycling rate of reusable materials at or above 75%	In FY2022, the recycling rate of the reusable materials was 81.4%
				Reduce amount of hazardous waste per production output by 2% compared with FY2020	Compared with FY2020, amount of hazardous waste per production output reduced by 5.3%
				Reduce amount of non- hazardous waste per production output by 2% compared with FY2020	Compared with FY2020, amount of non-hazardous waste per production output reduced by 3.9%
				Reduce material use per production output by 2% compared with FY2020	Compared with FY2020, material use per production output reduced by 0.2%
				Reduce packaging material used for finished goods per production output by 2% compared with FY2020	Compared with FY2020, packaging material used for finished goods per production output reduced by 9.2%
	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 8% compared with FY2020	Compared with FY2020, the production output per worker increased by 30.1%
	Sustainable Logistics Practice	Reduce the environmental impact from shipment of products		Maintain the average loading capacity of each container shipment at or above 80%	Average loading capacity was 87.2%
				Maximise the usage of ocean and rail freight for long distance and inland shipments respectively	Continued to work with customers to maximise the usage of ocean and rail freight
				Continue to locate distribution centers close to our customers in the major markets for efficient delivery of our products	We set up a new distribution center in Spain in FY2022, which reduced delivery time and distance for our Spanish customers

Sustainability Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches	Targets for FY2022	FY2022 Progress Update
Our People	Communication and Staff Relations	Enhance our good staff relations through various communication channels and staff activities	Maintain employee satisfaction at or above average level based on the employee satisfaction survey	In FY2022, average employee satisfaction rate was above average
			Maintain average staff turnover rate at or below 10%	In FY2022, average employee turnover rate was maintained below 10%
	Advancement in Careers	Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech	Maintain average training hours per employee at or above 25 hours	In FY2022, average training hours per employee was 78.1 hours
	Respect of Labour and Human Rights	Respect the labour and human rights of all our employees with clearly defined human resources management policies, and promote an inclusive culture throughout the company	Increase number of staff with years of service longer than 5 years by 6% compared with FY2020	Compared with FY2020, number of staff with years of service longer than 5 years increased by 7.9%
			Conduct diversity and inclusion awareness training in all operational sites for employee	Diversity and inclusion awareness trainings were conducted in major operational sites for employees
			Ensure that the percentage of women in all management positions is no less than 25%	In FY2022, the percentage of women in management positions was 25.0%
	Environment for Our People	Provide a supportive, pleasant and healthy workplace for our staff, and foster a caring community in our working environment	Maintain the loss of working hours due to injuries at manufacturing facilities at or below 0.01%	Lost hour rate was 0.018% in FY2022
			Zero work related fatality case	No fatality case had been reported since FY2014
			Maintain employee satisfaction rate at or above average level based on the employee satisfaction survey	Average employee satisfaction rate had been above average since FY2014
Society	Support People in Need	Use our expertise and resources to support the communities in which we operate	Ensure that the total number of VTech volunteers is no less than 2,500 or 10% of total employee	Total number of volunteers reached 2,676 in FY2022
	Collaborate with Local Charities		Ensure that the volunteering hours are no less than 23,000 hours	Total voluntary hours was 21,251 in FY2022 which was lower than that of FY2020 due to social distancing policy implemented in various countries arising from COVID-19 pandemic
			Collaborate with corporate philanthropies and participate in more local charitable events	We had worked closely with different charitable organisations to arrange various local charitable events for volunteers to take part in
	Provide Training Opportunities for Young People		Extend scholarship programme in countries we operate	We extended the programme to provide scholarship to 14 students from Hong Kong universities in FY2022
	Nourish an Innovative Environment		Engage 200 students to participate in innovative activities or studies	We engaged with over 200 students to participate in innovative activities or studies
	Develop a Healthy and Green Community	Develop and promote a healthy and green lifestyle within VTech and the community	Continue to organise VTech Green Day in our major operating locations	VTech Global Green Day was held for major operating locations including Hong Kong and overseas offices on 18 Mar 2022

VTech Sustainability Plan 2025

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 our first 5-year Sustainability Plan 2020. Following the successful implementation of the first 5-year sustainability plan which has built the foundation for further sustainability improvement, VTech is proud to present our second 5-year Sustainability Plan 2025, which covers FY2021 to FY2025, outlining a wider range of targets on sustainability.

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2023		Targets for FY2025
Governance and Business Ethics	Corporate Governance	Continuously improve our company policy and procedures to ensure our corporate governance structure meets the applicable laws and regulations, industry best practice and global trends		Bi-annual meeting of the Group's RMSC to review the Group's risk management and internal control system and their effectiveness		Bi-annual meeting of the Group's RMSC to review the Group's risk management and internal control system and their effectiveness
				Maintain regular meetings with shareholders, investors and analysts		Maintain regular meetings with shareholders, investors and analysts
				Provide training for our employees on the update of listing rules and requirements		Provide training for our employees on the update of listing rules and requirements
	Risk Management	Set up Risk Management and Sustainability Committee to monitor and review the risk management and sustainability strategy of the Group and review reports from the Data Security Governance Board		Bi-annual risk registry update and assessment from each business unit		Bi-annual risk registry update and assessment from each business unit
				Annual Business Continuity Plan update		Annual Business Continuity Plan update
				Provide training on cyber security for our employees		Provide training on cyber security for our employees
				Review and update the data security policy to address the potential cyber security risk		Review and update the data security policy to address the potential cyber security risk
	Business Ethics	Uphold the highest ethical standards of business integrity and foster a culture of compliance throughout the company		Provide Code of Conduct training for our employees		Provide Code of Conduct training for our employees
				Review reports under the Whistleblowing Policy biannually		Review reports under the Whistleblowing Policy biannually
				Provide anti-corruption training for our directors and employees		Provide anti-corruption training for our directors and employees
				Regularly monitor the latest update on the Privacy Regulations worldwide and review our Data Security Policy		Regularly monitor the latest update on the Privacy Regulations worldwide and review our Data Security Policy
				Provide regular training for our employees on the Intellectual Property Right protection		Provide regular training for our employees on the Intellectual Property Right protection
Product Responsibilities and Value Chain Management	Product Innovation	Design for Excellence – Design for Environment	Improve our products to make them more sustainable and eco-friendly	ELP	Continuously develop ELPs made from sustainable materials such as recycled, reclaimed, recyclable, plant-based plastics, or FSC-certified wood	Continuously develop ELPs made from sustainable materials such as recycled, reclaimed, recyclable, plant-based plastics, or FSC-certified wood
					Maintain application of waterborne paint for over 90% of ELPs	Maintain application of waterborne paint for over 90% of ELPs
				TEL	Increase the use of sustainable materials such as recycled, reclaimed, recyclable or plant-based plastics for TEL products	Increase the use of sustainable materials such as recycled, reclaimed, recyclable or plant-based plastics for TEL products
					Continue to adopt anti-bacteria technology on hotel phones launched to the market	Continue to adopt anti-bacteria technology on hotel phones launched to the market
					Gradually replace the use of solvent-based paint with waterborne paint for TEL products	Continue to use waterborne paint for TEL products
				CMS	Study the application of plant-based plastic for selected CMS designed products	Apply plant-based plastic for selected CMS designed products
					Continue to use waterborne paint for 40% of CMS designed products	Continue to use waterborne paint for 50% of CMS designed products

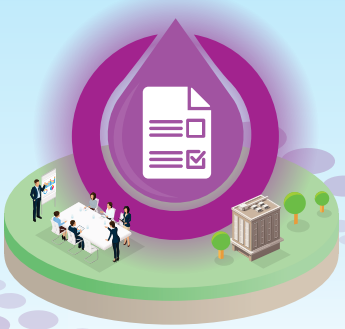
Sustainability Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2023		Targets for FY2025
Product Responsibilities and Value Chain Management	Product Innovation	Design for Excellence – Design for Environment		Undertake LCA analysis for 6 key products in TEL products and ELPs to reduce carbon footprint throughout the product life cycle		Undertake LCA analysis for 10 key products in TEL products and ELPs to reduce carbon footprint throughout the product life cycle
			Improve our product packaging to make them more sustainable and eco-friendly	ELP	Apply waterborne paint for 95% of ELP packaging	Apply waterborne paint for 95% of ELP packaging
					Maintain 95% of packaging materials for ELPs to be recyclable, and maintain 85% of them to be made from recycled materials	Reduce the use of non-recyclable materials for packaging to less than 3%, and maintain 85% of them to be made from recycled materials
					Eliminate blister in 99% of ELP packaging	Eliminate blister in 99% of ELP packaging and use bio-based blister for the remaining 1%
					Reduce the size of the instructions leaflet of new ELPs by 50% to reduce paper consumption	Reduce paper consumption by 70% for instructions leaflet of new ELPs
					Participate in different local packaging recycling programmes and educate customers to recycle the packaging in other major markets	Participate in different local packaging recycling programmes and educate customers to recycle the packaging in major markets
				TEL	Continue to phase out plastic in 60% of baby monitor packaging, and begin to phase out plastic packaging for other TEL products	Continue to phase out plastic in packaging for TEL products
					Extend the use of waterborne paint to TEL packaging	Continue to use waterborne paint for TEL packaging
				CMS	Use bio-degradable bags to replace Polyethylene (PE) bags for 40% of CMS designed product packaging	Use bio-degradable bags to replace Polyethylene (PE) bags for 80% of CMS designed product packaging
			Provide channels for customers to recycle VTech products after use	Engage post- consumer recycling programme for VTech products in Europe, Canada and the US		Engage post-consumer recycling programme for VTech products in major markets
		Design for Excellence – Design for Quality	Continue to ensure that all products are compliant with the international quality and safety standards	Zero product recall, fines or penalties relating to non-compliance with regulation		Zero product recall, fines or penalties relating to non-compliance with regulation
		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 6% compared with FY2020		Increase the total sales of health and safety products by 10% compared with FY2020
	Sustainable Supply Chain	Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's CSR requirements		Conduct supplier engagement activities programme reinforcing our sustainability plan to our suppliers and monitor their progress		Conduct supplier engagement activities programme reinforcing our sustainability plan to our suppliers and monitor their progress
				Complete CSR audits of identified suppliers per VTech CSR requirements		Complete CSR audits of identified suppliers per VTech CSR requirements
				Continue to work with suppliers to reduce product and packaging waste		Work with suppliers to reduce product and packaging waste

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2023	Targets for FY2025
Environment	Circular Economy and Environmental Management	Analyse, monitor, and minimise the associated environmental impacts following our Environmental Management System		Regular review on update of environmental standards and regulations	Regular review on update of environmental standards and regulations
	Climate Change – Risks and Opportunities	Review our approach on climate change and develop sustainability initiatives to identify and address the associated physical and transitional risks and opportunities		Continue to use sustainable materials in our products and recycle our products in a responsible way	Continue to use sustainable materials in our products and recycle our products in a responsible way
				Reduce GHG emission per production output in assembly factories by 6% compared with FY2020	Reduce GHG emission per production output in assembly factories by 10% compared with FY2020
				Reduce GHG emission per production output in plastic factories by 6% compared with FY2020	Reduce GHG emission per production output in plastic factories by 10% compared with FY2020
				Increase renewable energy use by 60% compared with FY2020	Increase renewable energy use by 100% compared with FY2020
				Disclose scope 3 emission	Disclose scope 3 emission
	Green Manufacturing	Energy	Reduce energy consumption and thus the carbon emissions	Reduce the electricity usage per production output in assembly factories by 6% compared with FY2020	Reduce the electricity usage per production output in assembly factories by 10% compared with FY2020
				Reduce the electricity usage per production output in plastic factories by 6% compared with FY2020	Reduce the electricity usage per production output in plastic factories by 10% compared with FY2020
				Adopt high efficient energy system and equipment for high performance operation – upgrade on heating and cooling systems	Adopt high efficient energy system and equipment for high performance operation – upgrade on heating and cooling systems
		Water	Reduce water consumption and improve effluent treatment	Reduce total water consumption per production output by 6% compared with FY2020	Reduce total water consumption per production output by 10% compared with FY2020
		Material, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Maintain the recycling rate of reusable materials at or above 75%	Maintain the recycling rate of reusable materials at or above 75%
				Reduce amount of hazardous waste per production output by 3% compared with FY2020	Reduce amount of hazardous waste per production output by 5% compared with FY2020
				Reduce amount of non- hazardous waste per production output by 3% compared with FY2020	Reduce amount of non- hazardous waste per production output by 5% compared with FY2020
				Reduce material use per production output by 3% compared with FY2020	Reduce material use per production output by 5% compared with FY2020
				Reduce packaging material used for finished goods per production output by 3% compared with FY2020	Reduce packaging material used for finished goods per production output by 5% compared with FY2020
	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 12% compared with FY2020	Increase production output per worker by 20% compared with FY2020
	Sustainable Logistics Practice	Reduce the environmental impact from shipment of products		Maintain the average loading capacity of each container shipment at or above 80%	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	Maximise the usage of ocean and rail freight for long distance and inland shipments respectively
				Continue to locate VTech's distribution centers close to the distribution centers of our customers in the major markets for efficient delivery of our products	Continue to locate distribution centers in other major markets for efficient distribution to customers

Sustainability Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches	Targets for FY2023	Targets for FY2025
Our People	Communication and Staff Relations	Enhance our good staff relations through various communication channels and staff activities	Maintain employee satisfaction at or above average level based on the employee satisfaction survey	Maintain employee satisfaction at or above average level based on the employee satisfaction survey
			Maintain average staff turnover rate at or below 10%	Maintain average staff turnover rate at or below 10%
	Advancement in Careers	Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech	Maintain average training hours per employee at or above 25 hours	Maintain average training hours per employee at or above 25 hours
	Respect of Labour and Human Rights	Respect the labour and human rights of all our employees with clearly defined human resources management policies, and promote an inclusive culture throughout the company	Increase number of staff with years of service longer than 5 years by 9% compared with FY2020	Increase number of staff with years of service longer than 5 years by 15% compared with FY2020
			Conduct diversity and inclusion awareness training in all operational sites for employees	Conduct diversity and inclusion awareness training in all operational sites for employees
			Ensure that the percentage of women in all management positions is no less than 25%	Continue to ensure that the percentage of women in all management positions is no less than 25%
	Environment for Our People	Provide a supportive, pleasant and healthy workplace for our staff, and foster a caring community in our working environment	Maintain the loss of working hours due to injuries at manufacturing facilities at or below 0.01%	Maintain the loss of working hours due to injuries at manufacturing facilities at or below 0.01%
			Zero work related fatality case	Zero work related fatality case
			Maintain employee satisfaction rate at or above average level based on the employee satisfaction survey	Maintain employee satisfaction rate at or above average level based on the employee satisfaction survey
Society	Support People in Need	Use our expertise and resources to support the communities in which we operate	Ensure that the total number of VTech volunteers is no less than 2,500 or 10% of total employees	Continue to ensure that the total number of VTech volunteers is no less than 2,500 or 10% of total employee
	Collaborate with Local Charities		Ensure that the volunteering hours are no less than 23,000 hours	Continue to ensure that the volunteering hours are no less than 23,000 hours
			Collaborate with corporate philanthropies and participate in more local charitable events	Collaborate with corporate philanthropies and participate in more local charitable events
	Provide Training Opportunities for Young People		Extend scholarship programme in the countries we operate	Extend scholarship programme in other countries
	Nourish an Innovative Environment		Engage 300 students to participate in innovative activities or studies	Engage 500 students to participate in innovative activities or studies
	Develop a Healthy and Green Community	Develop and promote a healthy and green lifestyle within VTech and the community	Continue to organise VTech Green Day in our major operation locations	Continue to organise VTech Green Day in our major operation locations



Sustainability Pillars

Governance and Business Ethics

VTech promotes a culture of integrity, accountability and innovation throughout the Company. It also ensures that its corporate governance framework complies with the applicable laws and regulations as well as industry best practice with effective internal control and risk management systems in place.

Highlights:

- Provided training on code of conduct, cyber security and intellectual property right protection
- Provided training on anti-corruption for directors, senior management and general staff

VTech has developed a comprehensive management structure throughout the years. We have continuously reviewed our company policies and procedures to ensure our corporate governance structure meets the applicable laws and regulations, industry best practice, global trends, and market expectation. To achieve these goals requires both broad ranging and in-depth governance structures and risk management processes.

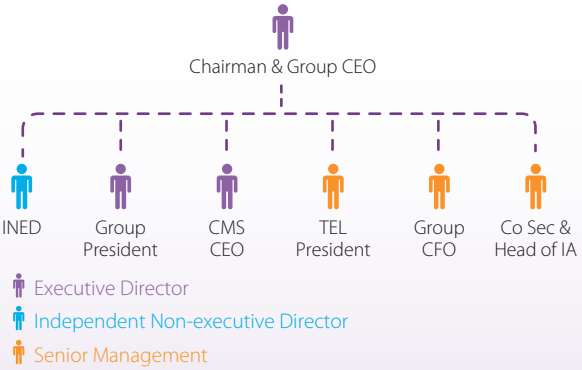
Corporate Governance

Risk Management and Sustainability Committee

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 in the face of adversity. 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.

The RMSC is chaired by Dr. Allan WONG Chi Yun – Chairman and Group Chief Executive Officer (Chairman & Group CEO) with Dr. PANG King Fai – Group President, Mr. Andy LEUNG Hon Kwong – Chief Exceutive Officer of CMS (CMS CEO), Mr. WONG Kai Man – independent non-executive Director (INED), Mr. Hillson CHEUNG Hoi – President of TEL Products (TEL President), Ms. Shereen TONG Ka Hung – Group Chief Financial Officer (Group CFO) and Mr. CHANG Yu Wai – Company Secretary and Head of Internal Audit (Co Sec & Head of IA), as members – a combination of executive Directors, an INED and senior management.

Risk Management and Sustainability Committee



The RMSC is responsible for monitoring and reviewing the risk management and internal control systems, as well as the sustainability strategies, performance and activities of the Group on a regular basis.

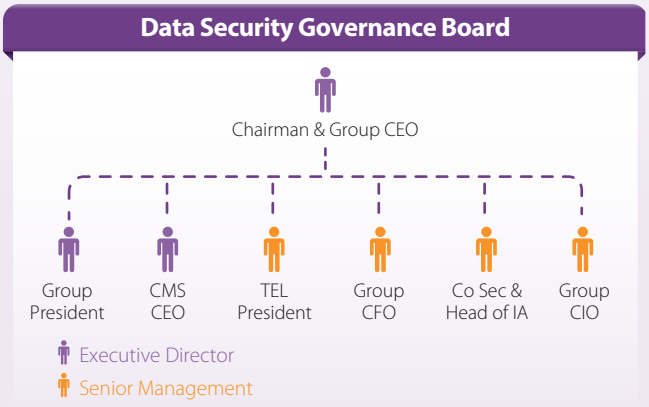
The RMSC has also developed an internal risk management structure at both management and operational levels, which has clearly defined the roles and responsibilities in managing potential risks in the respective areas, and set up procedures for execution of the Group's Business Continuity Plan in the event of disruptions.

The Company maintains a Risk Register to record the major and identifiable risks in the critical functions in the operation of the Company. The Risk Register is reviewed by the RMSC on a biannual basis. At management level, department representatives of each key business unit/function maintain a risk register documenting the key risks and the mitigation measures for the relevant risk. To facilitate the review of the Risk Register by the RMSC, the Internal Audit Department will review the effectiveness and operation of the risk management framework, including the frequency of reporting to the Board, and the continuing operation of appropriate mitigation measures.

The RMSC has held two meetings during the financial year to review the Group's risk management and internal control systems, and its sustainability strategies, policies and activities.

Data Security Governance Board

The Data Security Governance Board was established with defined terms of reference reporting to the RMSC. The Data Security Governance Board is chaired by Chairman and Group CEO and comprises the Group President, CMS CEO, TEL President, Group CFO, Co Sec & Head of IA, and Group Chief Information Officer (Group CIO). It is responsible for decision-making, implementation, enforcement, oversight, compliance and periodic review of the Data Security Policy and practices, as well as the cybersecurity risks and mitigation measures of the Group. It also ensures that the Group's data security practices are compliant with international and local laws and regulations, including but not limited to, the applicable privacy ordinances and data protection regulations in the respective countries such as the General Data Protection Regulation in Europe. The Data Security Governance Board has held two meetings during the financial year. It has reviewed and monitored the implementation and execution of the Data Security Policy and practices of the Group for the compliance with the latest privacy ordinances and data protection regulations in the respective countries. It has also reviewed the implementation progress of the additional preventive measures, technologies enhancement and staff trainings for the mitigation of cybersecurity risks of the Group. In addition, the Data Security Governance Board has reviewed and monitored the remedial actions of the identified security related issues which have been brought to its attention.



Investor Communication

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

For details of our Shareholders Communication Policy, please refer to www.vtech.com/en/investors/corporate-governance/shareholders-communication-policy/

Regulatory Requirements

We are in full compliance of the Listing Rules of the Stock Exchange. Regular training is delivered by professionals to our staff on the update of Listing Rules and requirements. We keep monitoring the update of the Stock Exchange's ESG Guideline and update our sustainability report accordingly.

Risk management

ESG Risks and Opportunities

The RMSC has oversight of all ESG issues including ESG risks. It is responsible for identifying and evaluating ESG risks and opportunities. ESG risks are reviewed in the RMSC biannual meetings as well as the Board meetings.

ESG risk management and opportunities are integrated into our Sustainability Plan 2025. Please refer to pages 41-45 for details of climate-related risks and opportunities.

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, in the event of disruptions, 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 and monitor the BCP for continuous improvement on a regular basis. Facing the unprecedented challenges from COVID-19, we have developed a comprehensive set of precautionary measures and guidelines to tackle the issue following the BCM framework, to ensure the health and safety of the employees and our operation and business continue to run smoothly. For details of the measures, please refer to pages 58-59 under "Environment for our people".

Cyber Security

The proliferation of new technologies has significantly changed the ways people access information. VTech has established a multifaceted cyber security programme with data and system security policies and measures in place to protect the data and information from any unauthorized access, accidental loss or destruction.

The Data Security Governance Board reporting to the RMSC established at the Board level, is also responsible for ensuring that our data security practices are compliant and aligned with international and local laws and regulations, including but not limited to the applicable privacy ordinances in the respective countries such as the General Data Protection Regulation in Europe.

To proactively detect cyber threats and system vulnerabilities, VTech has implemented fit-for-purpose security monitoring controls to proactively enhance infrastructure security while maintaining business productivity. These cover our network gateways, computing devices and business systems. We also manage risks of third-party vendors and partners by establishing a process to vet their security practices, ensuring adequate security measures are in place. Proper work-from-home policy under COVID-19 has been established without jeopardising the risk of network security.

For timely threat detection, other than subscribing to threat intelligence, we have engaged best-in-class penetration tester to review our network-connected products before rollout. For internal systems, we have also conducted security assessment regularly in order to meet international security standard. Regular risk assessment, internal and external audits mechanism will provide an extra eye on the threat detection and migration in a timely manner.

In response to the threat and incident handling, a proper procedure for incident escalation and handling have been established. We have also carried out incidence response drills to ensure that our cross-department response team is ready.

To ensure preparedness, our staff are required to attend mandatory cybersecurity awareness training and testing on a yearly basis and are subject to simulated phishing drills to maintain vigilance.

Business Ethics

Code of Conduct and Whistleblowing Policy

Our Code of Conduct serves as one of the cornerstones of our governance and operation, underpins our culture of integrity and represents the Group management's commitment to a vigorous, responsible and forward-looking compliance culture. It spells out the guiding principles for our corporate and staff behaviour and sets the high standards of integrity and honesty we apply in our operation and business. We have additional policies for staff in specific risk-related areas to cover conflicts of interest, bribery, accounting standards and internal management. Staff are required on joining to confirm that they understand and accept the requirements and standards laid down in the Code of Conduct appropriate to their role and position in the Company, and in addition, avail themselves to attend and complete various governance trainings provided online, and provide annual confirmation of compliance of the Code of Conduct in writing. Staff are required to strictly follow the Code of Conduct so that the Group operates to the highest standards of business behaviour and ethics in its engagement with customers, business partners, shareholders, employees and the community at large. Due to a constantly changing business environment and the emergence of increasing demands on responsible corporate behaviour, we assess our Code of Conduct periodically to ensure that it reflects the current industry and 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 without the fear of recrimination. 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. Recommendations on improvements are communicated to the respective department's senior management for implementation. 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.

Full details of our Whistleblowing Policy and Code of Conduct are available on
www.vtech.com/en/investors/corporate-governance/whistleblowing-policy/
www.vtech.com/en/investors/corporate-governance/code-of-conduct/

Business Integrity and Anti-Corruption Policies

The Company is committed to zero tolerance towards corruption and a culture of integrity. It promotes the core values of integrity, honesty, fairness, impartiality and ethical business practices. VTech Group and its officers, employees, agents and intermediaries are prohibited from giving or offering to give money or anything of value to any third party including government officials, political parties, party officials or candidates for political office in order to influence the commercial acts or official duties 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 it does not restrict employees from joining or participating in individual associations provided that there is no conflict of interest between their role as a member of the association and their role as an employee within VTech. Employees must not represent or purport to represent the Company in any social or political forum and should not use the Company brand, time or assets to advance the interests of any social or political party or group.

Anti-corruption is one of the major governance areas covered by the Code of Conduct. In addition to the anti-corruption policy, the Company has also issued policy on offer and receipt of gifts, entertainment and gratuities. VTech's management ensures that employees are familiar with these polices and the related 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 and the relevant policies.

For details of our Code of Conduct and the anti-corruption policy, please refer to
www.vtech.com/en/investors/corporate-governance

Anti-Corruption Training to Directors and Staff

Anti-corruption training is provided to our staff via our eLearning platform to facilitate continuous learning on the topic. The training covers anti-corruption laws and common corruption pitfalls in the private sector and the roles of staff in corruption prevention. New joiners are required to complete the online course within their first 3 months. The online training can also be accessed by Directors and senior management, with specific training materials provided. Due to social distancing restrictions, the Independent Commission Against Corruption of Hong Kong (ICAC) representative was invited to deliver a virtual training for Hong Kong staff, with the focus of corruption prone areas at workplace, such as inventory control, procurement process and cross boundary business operations, etc.

Privacy and Data Protection

We acknowledge the importance of privacy security to our stakeholders. Privacy and data protection is also an essential consideration in the workplace. We have developed privacy and data protection policies and data handling practices that cover how we collect, use, disclose, transfer and store stakeholders' personal information.

Consumer personal information is usually collected from our online shop, authorised dealers or agents and media channels for enquiries and complaints whenever necessary to provide services to the consumer. We are committed to using the consumer personal information we have collected only for the purpose intended and notified. VTech will not sell the personal information to a third party for any consideration.

As required by the Data Security Governance Board, a designated Data Protection Officer has been appointed to ensure VTech's compliance with privacy regulations, and VTech privacy and data protection policies. A privacy and data protection team has also been established which assists the Data Protection Officer to prepare any actions needed for the compliance with particular privacy legislation. The privacy and data protection team consists of business managers of different departments regularly involved in the processing of personal data.

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, a third party cannot own or display any related intellectual properties. The Company will take legal actions and seek for judgment against any violations of its intellectual property rights or misuse of its intellectual properties.

For details of our intellectual property rights protection measures, please refer to
www.vtech.com/en/investors/corporate-governance

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.

Sustainability Pillars

Product Responsibilities and Value Chain Management

VTech's culture of innovation, not only supports its employees to continuously design and develop innovative and high quality products for the wellbeing of people and benefits of society, but also facilitates the Company to integrate sustainability concept throughout the factory and business operations as well as its supply chain.

Highlights

- Launched the first green hotel phone using recycled polyethylene terephthalate (PET) bottles
- Launched LeapFrog® LeapLand Adventures™ and KidiZoom PrintCam™ for children's learning and development
- Introduced LeapFrog BabyCare App and V-Hush™ Pro Soothing Sleep Trainer for enhancing baby's healthy development
- Developed two new eco-friendly products with fabric materials made from recycled PET bottles and certified with Global Recycled Standard
- Engaged in various post-consumer products and packaging recycling programmes in major markets

VTech's culture of innovation, which supports and encourages creative thinking and sharing of new ideas in the workplace, not only facilitates its employees to design and develop innovative and high quality products for the wellbeing of people and benefits of society, but also upholds the highest international and local quality and safety standards. It is also dedicated to incorporating sustainability concepts into the design of products to make them more eco-friendly and sustainable. Our management approach continues to focus on two key management principles – "Design for Excellence" and "Design for People". VTech has a well established "Supply Chain Management System" to monitor the quality of our suppliers as well as their environmental and ethical performance to ensure their compliance with VTech's CSR requirements.

Product Innovation

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 82.

Design for Environment

Consumers are increasingly pursuing environmentally responsible brands that protect the environment, health, and safety of stakeholders. As an environmentally conscious Company, VTech strives to further improve our products to make them more sustainable and eco-friendly.

It starts in the product design and development. We explore the transition towards circular economy by following the life cycle assessment (LCA) principle from the beginning of the product design to different stages of production chain, with a focus on minimising our environmental impacts throughout the whole product life cycle from cradle to grave.

Our designers and engineers are required to follow the requirements on the LCA checklist to select 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.

To further minimise the environmental impact of the colouring process, we have extended the use of waterborne paint in our products and packaging and adopted the overmolding and inkjet printing technologies. Significant progress has been made over the past years. We are working on extending our product life cycle from cradle-to-grave to cradle-to-cradle, through the increasing use of sustainable materials and engaging in recycling programmes for our products and packaging.

Sustainable Product Design and Material

We have 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. With the compliance of RoHS2 (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) standards, we aim to use minimum permitted hazardous substances and chemicals in all ELPs and TEL products.

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 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 two new ELP and TEL models have reduced by 5% and 4% respectively compared with the old generation.

VOCs Reduction Initiatives

As a responsible corporate citizen, we strive to reduce Volatile Organic Compounds (VOCs) emission, which may have negative impact on the environment.

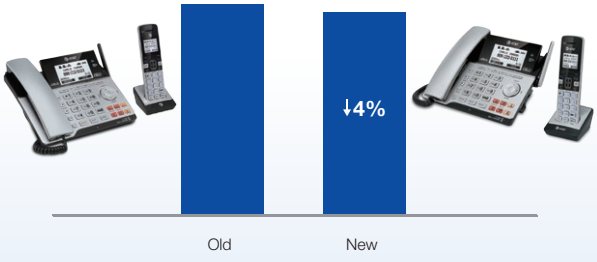
In FY2017, we successfully launched our first TEL product that uses waterborne paint. Over the past years, we have further extended the application of waterborne paint in most of our products. It significantly reduced the amount of solvent used for dilution within the factory. In our metal factories, waterborne paint has replaced solvent-based paint for all products. Waterborne paint has also been applied to the pad printing and silkscreen printing procedures for our packaging. The application of waterborne paint has greatly reduced emission of VOCs into the atmosphere during manufacturing process and improved air quality.

At some of our operating sites, inkjet printing technology has been adopted to substitute silkscreen printing and pad printing to reduce odor and VOCs emission during colouring process.

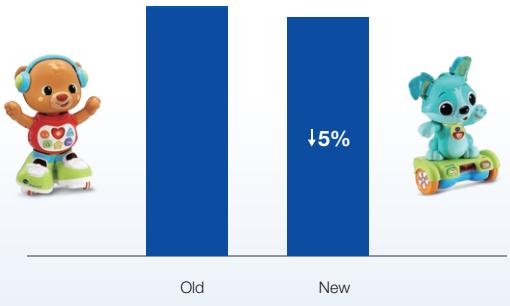
Starting from FY2019, we began to adopt plastic overmolding technology. It is a multiple injection molding process where multiple-coloured plastic components are being produced in a multiple molding cycle. The adoption of plastic overmolding technology allows us to minimise paint spraying process and thus VOCs emission.

Vacuum Plasma Treatment technology has been adopted to replace Polypropylene Water Spraying, eliminating the spraying process and reducing VOCs emissions. To minimise the consumption of solvents containing VOCs, Isopropyl alcohol based Wave Soldering Flux will be replaced with VOC-free flux which utilises deionized water as major solvent.

VTech Product Carbon Footprint Comparison of TEL Products



VTech Product Carbon Footprint Comparison of ELPs



We have been studying the application of bio-based plastic for selected hotel phone products and CMS designed products. For ELPs, we have been developing models which are made of bio-based plastics or reclaimed plastics, and wooden toys with materials sourced from responsibly managed forests certified by FSC. Besides these, we continue to extend the use of waterborne paints for our TEL products, ELPs and CMS designed products.

Green Hotel Phone Made From Recycled PET Bottles

VTech launched the first 'green' hotel phone using recycled PET bottles in FY2022. By combining non-recycled acrylonitrile butadiene styrene (ABS) resin and recycled plastic resin from post-consumer polyethylene terephthalate (PET) plastic, VTech has created a more environmentally friendly cabinet for the hotel phone. Seven recycled PET bottles of 500mL were used in the manufacture of each hotel phone. The recycled material not only exhibits good chemical resistance and well-balanced plastic properties but also complies with current RoHS2 regulation. The plastic is further enhanced by the addition of an anti-bacterial layer which inhibits the growth of bacteria.

Green Electronic Learning Products

VTech launched a variety of green electronic learning products made of sustainable materials in FY2022. These included four new vehicles in the popular Go! Go! Smart Wheels® line, Sort & Recycle Ride-on Truck™, Choppin' Fun Learning Pot™, Touch & Learn Nature ABC Board™ and Interactive Wooden Animal Puzzle™, which had been well received from the consumers.

The positive momentum to achieve our goal to replace fossil-based virgin plastic by sustainable materials such as recycled, reclaimed, recyclable, plant-based plastics, or FSC-certified wood will be further fueled by the roll-out of more green products in the following year. Two new eco-friendly products, namely Busy Musical Bee and Soft Discovery Turtle, with fabrics manufactured from recycled PET bottles will be introduced to the market. The fabrics we sourced are certified with the Global Recycled Standard, which meets the environmental, safety and quality standards for recycled materials. Plant-based plastic will be used in two new products, Touch & Feel Sensory Keys and Stack, Rattle & Link Elephant. VTech continues to source materials from responsibly managed forests certified by FSC for three new wooden toys, namely LeapFrog® Tappin' Colors 2-in-1 Xylophone™, LeapFrog® Wooden AlphaPup™ and LeapFrog® Interactive Learning Easel.

Sustainability Pillars

Sustainable Packaging

We continuously reduce environmental impacts of our packaging through material sourcing, usage reduction, design change and recycling as part of our effort moving towards circular economy.

Currently 94.6% of our ELP packaging materials is recyclable, of which about 85% was made from recycled materials. VTech is also committed to eliminating fossil-based blister packaging and replacing it with plant-based alternative in 99% of the electronic learning products by 2025.

During the transition, Bio-PET blister was introduced on ELPs packaging starting in FY2021. Meanwhile waterborne paint has been applied on our ELPs and TEL products.

We have made effort to reduce the size of the instructions leaflet of the ELPs to save paper. By adding QR code for full instruction menu, we were able to reduce 40% of the leaflet size.

Product Disposal and Recycling

In order to support circular economy initiatives in its major markets, VTech has engaged in various post-consumer packaging recycling programmes in the US, the UK, Australia and New Zealand. Packaging recycling labels such as How2Recycle® and "OPRL" the On-Pack Recycling Label have also been placed on the product packaging of its electronic learning products for consumers' easy reference.

To encourage post-consumer product recycling, VTech has partnered with leading international recycling companies such as TerraCycle® in the US and Electronic Products Recycling Association in Canada. It has also followed the Waste Electrical and Electronic Equipment Directive in Europe by adding product recycling labels on the product packaging. These recycling programmes provide an easy way for consumers to recycle VTech's electronic learning products in the respective countries.

In the following year, we will extend the post-consumer product recycling to our telecommunication products in the US. By partnering with Electronic Scrap Recycling (ESR), consumers can send our products to ESR for collection and sorting prior to recycling process. The collected products will be shredded, and recyclable materials such as paper and metals are separated and sorted by type before being processed into raw materials.

We will continue to explore opportunity for a wider end-of-life product collection and recycling scheme and search for partner for cooperation on this matter, aiming to extend the post-consumer recycling programmes to the rest of our key markets.

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 compliant, and our products sold in the US and Europe comply fully with REACH. 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 ISO 9001. 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' needs.

During the year, there was no product recall as a result of health and safety issues and we have received 6 complaints related to product health and safety. They have been handled promptly and carefully by the legal, quality assurance, R&D and customer service teams, in order to resolve underlying issues and prevent safety incidents resulting from product usage. As product quality and safety is always our number one priority, VTech will continue to strengthen our manufacturing process, product specifications, quality assurance and management programmes throughout the whole product life cycle from the early stage of product design, to the manufacturing and after-sales services and warranties to ensure that our products are free from safety defects at the time of delivery.

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 changes 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.

Sustainability Pillars

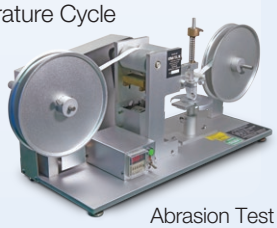
TEL Products Test Labs

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

Reliability Lab
- Salt Fog Test
- Autoclave Test
- Height Measurement
- 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



Abrasion 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
- Flame retardant contents 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
- Burn in Test

Temperature Humidity Environmental Stress Test

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.

LeapFrog BabyCare App

LeapFrog BabyCare App connects with baby monitors to help parents look after their babies remotely from any location. The LeapFrog app content provides parents with enriched information on baby care and development. Parents can use the built-in “milestones checklist” to track their babies’ development progress. They can also access a variety of baby-related articles and engage in supporting activities through the “Learning Path” function.

V-Hush™ Pro Soothing Sleep Trainer

VTech baby sleep soother, V-Hush™ Pro Soothing Sleep Trainer, is designed for enhancing babies’ sleep quality with a programme designed by a global sleep expert. The device contains a glow-on-the-ceiling projector and 256 colourful night lights for users to customise a sleep training routine for their babies through the “My VTech Soother” app. With a selection of more than 200 pre-programmed bed-time stories, classical music, calming lullabies, and soothing sounds, babies are provided with additional comfort to enhance their sleeping routine and experience.

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.

LeapFrog® LeapLand Adventures™

LeapFrog® LeapLand Adventures™ is designed to present young children with essential learning skills and lay a foundation for school success. Children meet fun educational characters who introduce letter names and sounds, teach counting, and present shapes and colours found in everyday items. A learning center is included for the children to learn specific skills at their own pace.

KidiZoom PrintCam™

KidiZoom PrintCam™ is a kid-friendly camera featured with a flip-up lens for selfies. Kids can unleash their creativity by designing their own image or video with the built-in digital stickers, filters and borders and turn photos into drawings they can colour. Kids could also browse from over 110 templates and activities including small greeting cards and printable games. Three video games are included for playtime between photo shoots. Parental control is introduced to set daily playing time and printing limits or turn off games. Built-in rechargeable battery in PrintCam™ produce less waste.

Sustainability Pillars

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 develop Digital Enhanced Cordless Telecommunication cordless phones with the Blue Angel eco-label, certifying that those models meet the German standards of low radiation. We have upgraded our power adaptor to the level VI standard with Energy star eco-label in our US cordless phone products.

Audio Baby Monitor with Blue Angel Certification

www.blauer-engel.de/uz125

LeapFrog Dual Battery Audio Baby Monitor is designed for parents to remotely listen to sounds made by their babies. The use of materials is minimised through enhancing the efficiency in product packaging. The audio baby monitor adopts technology to minimise radiation emission and reduces the exposure of electromagnetic waves to the babies. The product is certified with the Blue Angel — an eco-label awarded for complying with the Germany environmental standards.

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.

Sustainable Supply Chain

A well-established Supply Chain Management System and a good procurement practice are crucial for our sustainable operations. Including the manufacturers of PCBs and other electronic components, over 84% of our major suppliers are from the local industries in China. Logistics services providers form the bulk of the downstream suppliers. VTech's Supply Chain Management System monitors the quality of its suppliers as well as their environmental, social and ethical performance to ensure they have complied with our Supplier Code of Conduct and Conflict Mineral Policy. 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.

Supplier Code of Conduct

In order to mitigate environmental and social risks, we have established the Supplier Code of Conduct in adherence to the requirements of the Responsible Business Alliance (RBA) Code of Conduct (the Code). The Code covers a wide-range of sustainability topics such as labour rights, anti-slavery, health and safety, environment and business ethics etc. VTech requires all suppliers that provide goods and services related to its manufacturing process to align their practices with the standards set out in the Code, and put in place similar requirements for their own suppliers. The Code is reviewed regularly and amended when necessary to remain relevant and compliant with all relevant laws and regulations.

We strongly oppose and have no tolerance for child labour, modern slavery or human trafficking in our supply chain or in any part of our business. Our Modern Slavery and Transparency in Supply Chains Statement stipulates the suppliers' obligation to align with VTech's policies regarding human rights and labour rights according to International Labour Organisation Conventions on Labour Standards and the 10 UN Global Compact principles. Suppliers shall also take responsibility to minimise their environmental impact including but not limited to emissions, energy consumption, water and waste, through complying with relevant environmental laws and regulations and implementing effective environmental management systems.

For details of our Supplier Code of Conduct, please refer to www.vtech.com/wp-content/uploads/2022/05/VTech_Supplier_Code_of_Conduct_Eng.pdf

Procurement Policy

We recognise the potential CSR risks along the supply chain that may adversely affect our product quality and safety. Our procurement criteria is based not only upon price, quality, delivery capacity and reputation, but also integrity, social and environmental performance.

All new suppliers need to go through a comprehensive supplier audit to ensure they meet VTech's CSR and quality standards. Prior to placing any orders with any supplier, we engage with them to evaluate the risks they may pose to VTech and request them to provide supporting documents such as ISO14001 and ISO 45001 certificates, as well as relevant environmental permits. Site visits may be conducted when necessary to ensure full compliance with our requirements. All information is reviewed by our procurement team before engaging the suppliers. All purchases made by the Company are handled by the procurement team in a fair, objective and professional manner. Inspections are carried out on incoming materials, especially for critical safety-related components and materials, to detect any non-compliance issues and implement corrective actions if needed.

VTech's CSR Requirements for Suppliers

Labour
- Freely Chosen Employment
- Child Labour Avoidance and the protection of Young Workers
- Working Hours
- Wages and Benefits
- Humane Treatment
- Non-Discrimination
- Freedom of Association and Collective Bargaining

Health and Safety
- Occupational Safety
- Emergency Preparedness
- Occupational Injury and Illness
- Industrial Hygiene
- Physically Demanding Work
- Machine Safeguarding
- Sanitation, Food, and Housing
- Health and Safety Communication

Environmental
- Environmental Permits and Reporting
- Pollution Prevention, Resource Reduction and Biodiversity
- Hazardous Substances
- Solid Waste
- Air Emissions
- Materials Restrictions
- Water Management
- Energy Consumption and Greenhouse Gas Emissions

Ethical Standards
- Business Integrity
- No Improper Advantage
- Disclosure of Information
- Intellectual Property
- Fair Business, Advertising and Competition
- Protection of Identity
- Responsible Sourcing of Minerals
- Privacy
- Supply Chain Security

Management Systems
- Company commitment
- Management Accountability and Responsibility
- Legal and Customer Requirements
- Risk Assessment and Risk Management
- Improvement Objectives
- Training
- Communication
- Worker Feedback, Participation and Grievance
- Audits and Assessments
- Corrective Action Process
- Documentation and Records
- Supplier Responsibility

Supplier Risk Classification and Monitoring

We regularly monitor and evaluate suppliers' CSR performance according to their risks exposure. Suppliers are classified into three risk levels including low, medium and high, based on a set of criteria including procurement amount, industries with high risks of labour issues and environmental pollution, the locations of operations, as well as third-party certifications of relevant CSR management systems. All suppliers are required to sign the Supplier CSR Agreement, pledging to comply with our Supplier Code of Conduct and Conflict Minerals Policy. Such obligation is also stated in our standard purchasing agreement. Various measures are also implemented to mitigate the supplier's risks depending on our risk level assessment of the relevant suppliers, including submission of supplier CSR self-assessment and CSR audit. All procedures are laid out in the Supplier CSR Risk Assessment Manual, in which our procurement teams assess the risk level of suppliers and closely monitor their performance periodically.

Following the audit process, suppliers with any areas of non-compliance identified are required to propose corrective actions with an implementation schedule to eliminate the identified deficiencies. Our procurement teams follow up on the corrective actions to ensure that the non-compliance areas have been improved and managed accordingly. VTech reserves the right to terminate business relationship with suppliers with major non-compliances with the Code that are not remedied within a timeframe. Reporting channel is also in place to encourage our stakeholders to report any suspected violations of the practices and conditions covered by the Code. In FY2022, we conducted CSR audits for 135 suppliers.

Supplier Engagement

We believe that we can achieve a sustainable supply chain by building a long-term relationship with our suppliers based on mutual trust. We have developed a comprehensive supplier management programme to assist suppliers to meet our CSR requirements, including adopting a supplier scorecard system to assessing their performance. We work closely with our suppliers to further improve the manufacturing energy efficiency and social aspect of our upstream suppliers. Trainings are provided to them as a continuous improvement process to facilitate their implementation of any corrective actions. VTech also collaborates with our suppliers to provide a safe, inclusive and sustainable workplace for their employees, and promote ethical sourcing practices with suppliers' commitment to VTech's Code of Conduct.

We have also arranged regular CSR workshops for our key suppliers focusing on improving their energy efficiency and supply chain CSR management. Due to the COVID-19 pandemic, we have conducted our annual supplier engagement workshop virtually. During the workshop, we offered hands-on training and resources to suppliers and provided guidance for them to meet our CSR requirements and achieve continuous improvement in their sustainability performance. Through sharing our experience with suppliers, we encourage them to take action in reducing carbon footprint of the components used in our products, and improving their social performance and working conditions.

Collaboration with Suppliers For Waste Reduction

We have been collaborating with several suppliers to develop waste reduction plan since FY2021, including collecting and returning containers of flux, Pledge® Furniture Care and polyamide to suppliers for recycling. In FY2022, we worked with suppliers to reduce packaging waste. We provided plastic boxes for suppliers to send the materials to the factory, replacing single-use paper boxes. We also required suppliers to use waterborne paint instead of oil painting for packaging labels to reduce VOC emissions along the supply chain. To reduce the disposal of the glue containers as a hazardous waste, we coordinated with glue suppliers to reuse the containers.

Conflict Minerals Policy

VTech recognises its responsibility to source materials in an ethical and sustainable way throughout its supply chain. This includes minimisation of the negative societal and environmental impacts of mining minerals in conflict-affected and high-risk areas ("CAHRAs"), including human rights infringements and environmental problems.

VTech does not directly procure minerals from mines, smelters or refiners. We rely on our suppliers not to procure products that contain tin, tantalum, tungsten, or gold (collectively "3TG"), cobalt and mica originated from CAHRAs, and if such procurement is unavoidable, the involved smelters and refiners shall be compliant under the Responsible Minerals Assurance Process ("RMAP") and other relevant standards. We comply with the EU Conflict Minerals Regulations and US Dodd-Frank Wall Street Reform and Consumer Act of 2010, and Consumer Act 2010. We identify and assess risks on the use of conflict minerals along the supply chain by conducting due diligence work set forth in the Organisation for Economic Co-operation and Development's (OECD) Due Diligence Guidance for Responsible Supply Chains from CAHRAs (the Due Diligence Guidance),

Our Conflict Minerals Policy contains the details of our requirements. VTech requests its suppliers to warrant that all materials and goods supplied to VTech do not and shall not contain 3TG, cobalt or mica originated from CAHRAs, or in case of containing such materials, the relevant smelters and refiners are compliant under RMAP. We expect suppliers to make informed choice about responsibly sourced minerals in their supply chains by using RMAP's third party assessment of smelter and refiner management systems and sourcing practices so as to enable them to source 3TG, cobalt and mica only from smelters and refiners which are validated as conformant.

We require suppliers to perform due diligence which aligns with the Due Diligence Guidance and submit to VTech in a timely manner a complete Conflict Minerals Reporting Template (CMRT). Our Sustainability Department works with relevant departments including Procurement, Legal & Compliance to closely monitor suppliers' compliance status, and will request additional information and implementation of corrective actions if any risks are identified. Business relationship with suppliers may be discontinued if any violation against the policy is found. Suppliers shall apply the same requirements to their upstream suppliers to ensure alignment and traceability throughout the supply chain and back to the smelters and refiners.

For details of our Conflict Minerals Policy, please refer to www.vtech.com/wp-content/uploads/2022/05/VTech_Conflict_Minerals_Policy_Eng.pdf

Sustainability Pillars

Environment

VTech has developed “Climate Change Strategy” to assess and address the potential risks and opportunities arising from climate change. It also promotes a culture of innovation and incorporates sustainability concepts in its operation, including high performance production chain, green manufacturing and sustainable logistic practices.

Highlights

- GHG emission per production output in our assembly and plastic factories decreased by 14.8% and 10.3% respectively compared with FY2020
- Hazardous and non-hazardous waste per production output reduced by 5.3% and 3.9% compared with FY2020
- Total water consumption per production output decreased by 18.0% compared with FY2020
- Renewable energy usage increased by 157.2% compared with FY2020

As an environmentally conscious and sustainable company, we are committed to protecting the environment and easing the impacts of climate change to move towards a circular economy. Our culture of innovation also facilitates VTech to strengthen its operational excellence with innovative solutions in the factory operation to continuously improve its productivity, and incorporate sustainability aspects in the business operations. Recognising that climate change could create uncertainties in our business development, in our new 5-year Sustainability Plan 2025, we have developed “Climate Change Strategy” to assess how climate change could affect our business operations, identify the associated risks and opportunities, and develop sustainability initiatives to address them in the coming five years. We operate our manufacturing processes and facilities in a manner that minimises the impacts to the environment, and ensure that our operations are compliant with all the relevant environmental, legal and statutory requirements. We design products responsibly, to avoid waste generation, minimise resource overuse, and turn unavoidable waste into resources.

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 efficiently and effectively.

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.

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.

Circular Economy and Environmental Management

At VTech, we strive to protect the environment and combat climate change to move towards a circular economy. We support a circular economy by designing products with minimum environmental impacts throughout the whole product life cycle and operating efficiently, to reduce GHG emission, avoid waste generation, conserve natural resources and turn unavoidable waste into resources as part of our Environmental Management System. We incorporate sustainability concepts into our production and product design without compromising the product quality and safety which are always our priority.

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.

VTech has continuously worked with different government bodies to minimise the environmental impact of our production facilities. Our TEL products manufacturing site has been certified as 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 in FY2022 for eight consecutive years. It has also been recognised as the "Dongguan Environmentally Friendly Enterprise" by the Dongguan, Guangdong Province Environmental Protection Bureau in China in FY2022 for eight years. Moreover, our VOCs purification system was recognised as "Demonstration Project" under the Cleaner Production Partnership Programme of Hong Kong Productivity Council in FY2019. 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 production and improve the reuse rate of resources.

VTech Environmental Policy

The major 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 requirements 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.

Climate Change – Risks and Opportunities

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 achieve carbon neutrality before 2060.

VTech has the major manufacturing sites located in China. As an environmentally conscious and sustainable company, we are committed to contributing to 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 our Climate Change 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.

VTech acknowledges that the extreme weather caused by climate change could affect our business in various ways. Our Climate Change Strategy is established 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 while 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.

The Environmental Protection Department of Guangdong Province has strengthened the VOCs emission standards for various manufacturing industries, regulating the local VOCs 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, but also adopted overmolding and inkjet printing technologies in the printing process to reduce 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, 2 and 3 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

Climate-related Risks and Opportunities

The Task Force on Climate-related Financial Disclosure (TCFD) was established in 2015 to provide a voluntary reporting framework for companies to consistently report climate risk to investors. Recognising the importance of assessing the climate-related risk and opportunities for a company in combating climate change and supporting the transition to a low-carbon economy, since FY2020, VTech has disclosed climate-related initiatives using the TCFD's framework. A number of potential risks and opportunities have been identified and our RMSC performs close oversight of these potential risks to make sure they are monitored, measured, and mitigated appropriately.

In FY2022, we further analysed our climate-related risks by adopting climate scenarios during the risk assessment process. Risks exposure level and likelihood of occurrence were evaluated under two scenarios selected with reference to the TCFD recommendations. The business-as-usual scenario was selected to assess the physical risks under high GHG emissions and limited climate action. The Paris-aligned scenario was selected to help in developing our climate strategy and actions in achieving the Paris ambition of limiting the temperature at well below 2°C above pre-industrial levels. The results are shown at the climate risk matrix with risk level indicated. We strive to integrate this analysis into the existing risk management mechanism and continue to evaluate our climate risks periodically in order to reflect the latest development of the Group and the industry as well as government policy changes.

	Business-as-usual Scenario	Paris-aligned Scenario
Model Referenced	IPCC Representative Concentration Pathway (RCP) 8.5	International Energy Agency's Sustainable Development Scenario (SDS)
Rationale	RCP 8.5 is selected to assess the impact of physical risks under a high-emissions scenario, consistent with a future with no policy changes to reduce emissions. This would enable evaluation of our adaptability to severe consequences of climate change.	SDS is selected to assess the impact of transition risks as we shift towards a low-carbon economy. This would enable our strategic planning in contributing to the Paris Agreement commitment.
Assumptions	Global average temperature increases by around 4°C by 2100, with high frequency and intensity of extreme weather events.[7]	All current net zero pledges are achieved in full, with extensive policy efforts and technological advancement to realize emissions reductions. The temperature rise could be limited to below 2°C by 2100.[8]

Rainwater Harvesting System at VTech Factory

[7] *We consider the assumptions and potential physical impact (including extreme weather, flooding, heat waves, sea level rise etc.) under the Business-as-usual scenario with reference to TCFD (2020) Guidance on Risk Management Integration and Disclosure.*

[8] *We consider the assumptions and potential impact of transition risks (including shifts in energy mix, net-zero assumptions, clean technology development of the industry sector etc.) under the Paris-aligned scenario with reference to the International Energy Agency (IEA) World Energy Outlook 2021.*

Climate-related Risk Matrix

Physical Risks

1 Extreme weather events
2 Chronic heat waves
3 Shortage of natural resources
4 Rise of sea levels

Transition Risks

5 Increased carbon pricing
6 Tightened climate-related regulations
7 Tightened emissions reporting obligations
8 Exposure to litigation
9 Shifts to low-carbon technology
10 Increased procurement cost
11 Changing customer behaviour
12 Changing investor preference
13 Stigmatization of sector
14 Workforce management

We have identified the climate change risks over the short- (0-1 year), medium- (1-5 years), and long-term (5+ years). While mitigation and adaptation measures are formulated in response to the various risks, some challenges brought by transition risks also present opportunities for us to align our strategies and action towards a positive change. We will continue to gear up and collaborate with suppliers and business partners to seize climate change opportunities through designing low carbon products and services through innovation, setting benchmark for the industry on climate action.

Climate-related Physical Risks

In medium term, physical risks include acute risk from extreme weather events such as flood, tropical cyclone and breaking out of natural disasters. While for long term, we anticipate chronic physical risk including water shortage, changes in precipitation pattern and extreme variability in weather patterns. Both medium-term and long-term acute and chronic physical risks affect VTech's operation which could lead to assets write-offs, increased insurance premiums and reduction in revenue from decreased production capacity and supply chain disruption. We mitigate physical risks through implementing and reviewing the Business Continuity Management (BCM) programme and other emergency measures to ensure adequate climate change resilience capacity.

Climate-related Transition Risks

Transition risks are also identified for moving towards a low-carbon, less polluting, greener economy. For VTech, the major transition risks are related to the shifts towards low-carbon technology which lead to increased capital expenditure in the long term. The unexpected shifts in fuel and energy price due to changing climate policies will also increase our procurement cost. In short term, we anticipate that the regulatory authorities will keep enhancing the emissions-reporting obligations which will increase our costs in meeting the new requirements. New regulatory requirements in relation to climate change on operation, product and service are expected to be released in the medium term. With the requirement for companies to bear the cost of GHG emission, such as carbon tax and GHG emissions trading scheme, we expect increases in operation costs in the long term.

Market risk in medium term has been identified as loss of market share due to changing customer preference towards sustainable products. A failure to address stakeholder concerns and their changing perceptions of an organisation's contribution to the transition to a low carbon economy can also damage our reputation.

These transition risks will lead to substantial cost increase, including operation cost, compliance cost and R&D expenditure, as well as decreased revenues arising from change in consumers' preference. We keep abreast of the regulatory changes and build internal capabilities to minimise the adverse impact of such risks on our business.

Climate-related Opportunities

The pressure stemming from climate risk also creates significant opportunities for VTech to align our strategies with the direction of climate change. To fully seize the opportunities and mitigate the climate-related risks, VTech has established the Sustainability Plan 2025 to use sustainable materials in our products, recycle our products in a responsible way, increase the use of renewable energy and reduce the natural resources consumption in our production process, and use more eco-friendly transportation modes in our supply chain management.

In short, medium and long term, we will continue to transform towards high performance production chain and collaborate with suppliers to maximise our resources efficiency and reduce our material used, electricity consumption and thus the manufacturing costs. Our green logistic practice will lead to efficient distribution processes, minimising the transportation distance and thus the GHG emissions. We will accelerate the launch of innovative green products to address consumer preference in the medium and long terms.

By switching to lower-emission or renewable sources of energy and investing in low-GHG emission technology in the long term, it could reduce our exposure to future fossil fuel price fluctuations. We aim to increase the use of renewable energy by 100% by FY2025 compared with FY2020.

	Risks Description	Potential Financial Impact	Timeframe	Impact Level[9]	VTech's Response – Risks and Opportunities
Physical Risks					
Acute Risk	**Frequent extreme weather events**	• Reduced revenue from decreased production capacity and supply chain disruption • Increased operation cost from increased insurance premiums, increased expenditure on emergency response • Write-offs and early retirement of existing assets due to facility damage	Mid-term	***	**Risk Mitigation:** The RMSC reviews the Business Continuity Management programme annually to ensure adequacy of contingency policy to protect employees and minimize loss under extreme weather events. Building capability on climate resilience, including necessary financial resources, equipment and employee training.
Chronic Physical Risks	**Chronic heat waves**	• Increased operation cost from expenditure on maintaining productivity	Long-term	**	**Risk Mitigation:** Use of more efficient production and distribution processes. Close monitoring of our operation sites that are highly exposed to chronic physical risks. Integrating such risks into key business decisions such as adding new manufacturing sites.
	Shortage of natural resources	• Reduced revenue from decreased production capacity and supply chain disruption • Increased operation cost from increased water and energy cost	Long-term	**	
	Rise of sea levels	• Increased capital costs, write-offs and early retirement of existing assets • Reduced revenue from supply chain disruption	Long-term	**	
Transition Risks					
Technology Risk	**Shifts to low-carbon technology**	• Increase in production and product development costs to explore eco-friendly solutions for products and services • Uncertain investment returns on lower emissions technology • Write-offs and early retirement of existing equipment due to adoption of new technology	Long-term	***	**Opportunities:** Development and/or expansion of low GHG emission products and services through R&D and innovation and collaboration with suppliers. Strive to achieve sustainable use of energy and resources through adopting efficient production process. Transforming towards high automation and smart manufacturing model to further reduce resources consumption.

[9] *Impact level of climate risks: "***" denotes the highest impact level.*

	Risks Description	Potential Financial Impact	Timeframe	Impact Level[9]	VTech's Response – Risks and Opportunities
Policy and Legal Risks	**Increased carbon pricing**	• Increased GHG emissions cost from carbon tax and/or GHG emissions trading scheme	Long-term	*	**Risk Adaptation:** Keep updated on the carbon tax implementation and emissions trading market at the locations where we operate, and continue to develop and maintain our carbon inventory for future assessments.
	Tightened climate-related regulations	• New regulatory requirements in relation to climate change on operation, product and service resulting in increased operation cost, change in revenue mix and sources leading to decreased revenues	Mid-term	**	**Risk Adaptation:** Developing adaptive capability, including an improved organizational structure to handle updated policy and legal requirements
	Tightened emissions-reporting obligations	• Enhanced emissions reporting obligations resulting in higher compliance cost	Short-term	*	**Risk Adaptation:** Continue to modify our data collection system according to relevant disclosure requirements
	Exposure to litigation	• Increased compliance cost due to significant fines and penalty from environmental non-compliance	Mid-term	*	**Risk Adaptation:** Keep abreast of the latest environmental laws and regulations through periodical reviews. Adjust internal policies when necessary to ensure compliance.
Market Risks	**Increased procurement cost**	• Increased operational cost from increased cost of raw materials due to abrupt and unexpected increase in fuel and energy price	Long-term	***	**Risk Adaptation:** Maintain emergency mechanism and use of lower emission or renewable sources of energy to reduce exposure to future fossil fuel price fluctuations. Invest in R&D to develop alternative materials.
	Changing customer behaviour	• Decline in product competitiveness and loss of market share due to shift in consumer preference	Mid-term	**	**Opportunities:** Accelerate the innovation of green products, developing a better competitive position to address consumer preference e.g. Switching to bio-based plastic or reclaimed plastics, and sourcing FSC certified materials
Reputational Risks	**Changing investor preference**	• Drop in share price due to reputation damage • Reduced capital availability due to changing investor preferences	Mid-term	*	**Opportunities:** Develop a green branding as our long-term business strategy, supported by innovation and R&D. Strengthen reporting and communication with shareholders and stakeholders on our sustainability strategy.
	Stigmatization of sector	• Decreased revenue due to increased stakeholder concern and their changing perceptions of an organisation's contribution to the transition to a low carbon economy, leading to deteriorating image of the industry	Mid-term	*	
	Workforce management	• Increase operational cost from employee attraction and retention as employees are more concerned with companies' environmental performances	Long-term	*	

Green Manufacturing

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 machinery
- 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 Patrol Team

The RECT has 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 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.

Application of Renewable Energy

VTech strives to extend the application of renewable energy in all our operating sites. In prior years, we installed solar panels on the rooftop of a dormitory and solar lamps in the operating sites. Two of our overseas offices have switched to renewable energy providers for their electricity consumption. In FY2022, our usage of renewable energy increased by 157.2% compared with FY2020.

We will continue to apply solar technology by extending the installation of solar panels and solar lamps in different areas of the operating sites in FY2023.

Upgrade of the Tubular Heater of the Injection Molding Machine

We have replaced the traditional tubular heater with coil type heater for furnace of injection molding machine. The heating coil design can trap hot air between the furnace and radiant tube. Other modifications of the tubular include narrowing the air inlet, replacing the heating wire with electrical resistance nickel, and enlarge the heat conductive surface by replacing its outer shell from single tub into finned tubes. Heat loss is greatly reduced with the upgrade of the tubular heater.

Upgrade the Heating Plate of Hydraulic Press Machine

We have upgraded the insulation of heating plate that allows the generated heat gathered and supplied to the mould. This improvement increases efficiency of the moulding process by increasing the heating rate,v minimising heat loss to the environment, and hence reducing the energy consumption.

Energy-efficient Air Compressors

We have continued to phase out existing air compressors with energy-efficient models. The latest model obtained Class 1 of the China Energy Efficient Label, representing best-in-class in energy performance. It operates with high energy efficiency with lower speed, lower flow rate and lower noise level. Variable-Frequency Drives was installed in the air compressor which adjusts the speed automatically, and stops operating as soon as it has reached the pressure level required, reducing unnecessary energy usage.

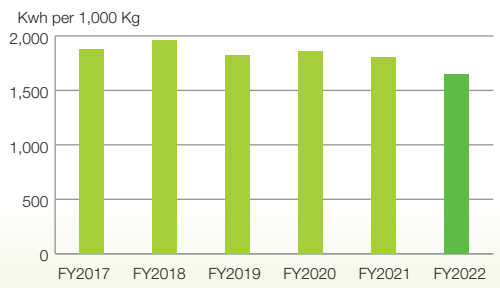
Energy Consumption and Carbon Emission

With our continuous efforts on implementation of many energy saving programmes, VTech's total electricity consumption per production output decreased by 12.6% compared with FY2020. In addition, our total energy consumption per production output in assembly and plastic factories decreased by 14.5% and 11.0% respectively compared with FY2020. 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.

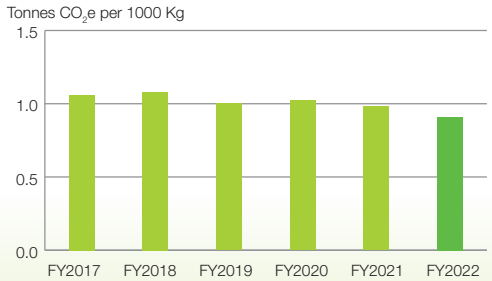
The use of energy is the major contributor of both direct (Scope 1) and indirect (Scope 2) emissions in VTech. With the target of minimising the environmental impacts, our energy conservation programmes and activities have made a notable reduction in the energy consumption and thus the carbon emissions. Direct emissions (Scope 1) only account for 5.6% 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 FY2020. Our total Scope 1 and Scope 2 emissions were 85,741 tonnes of CO_2e with emission per production output decreased by 12.2% against FY2020. We have also managed to reduce total Scope 1 and Scope 2 emissions per production output in our assembly and plastic factories by 14.8% and 10.3% respectively compared with FY2020.

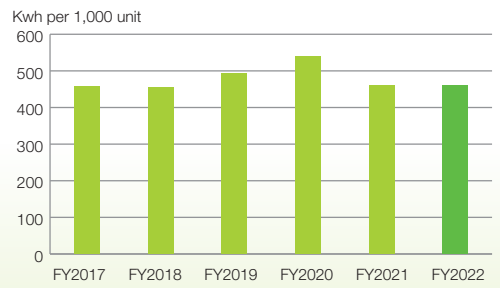
Electricity Used per Production Output (Manufacturing Facilities of Plastic Factories)



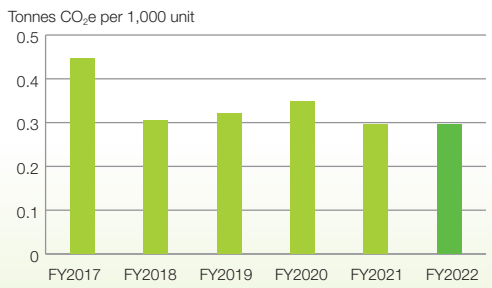
GHG Emission per Production Output (Plastic Factories)



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



GHG Emission per Production Output (Assembly Factories)



Water

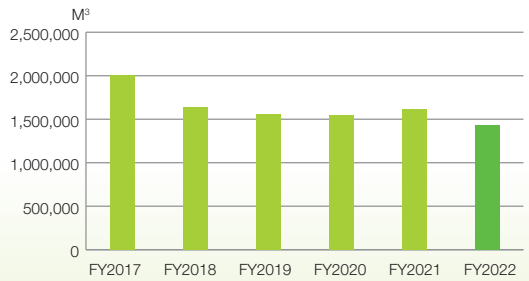
Clean water is a valuable resource, which VTech is committed to conserving. We only use water supplied from municipal sources and do not have any on-site wells or boreholes. None of our factories are operating in the water-stressed regions. The wastewater is mainly generated from workers' living activities. 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. To increase the awareness of conserving water resources, we have been carrying out various water saving campaigns at dormitories and manufacturing sites.

Water used for washing fruits and vegetables has been reused for greenery and flushing. Infrared sensor taps, water usage controller and low-flow shower heads have been installed in order to avoid water wastage.

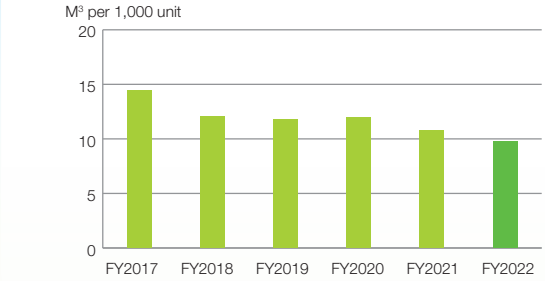
In order to avoid water loss, we have upgraded our water infrastructures at our manufacturing sites. By installing the anti-sprinkler net and cooling fan control system, it has reduced water splashing out of the cooling tower.

During FY2022, we installed flow restrictors in the water supply pipes that connect to the taps at manufacturing sites and canteens. The flow restrictor limits and lowers the water flow rate, which reduces wastage from the taps.

Total Water Consumption



Total Water Consumption per Production Output



Reuse of rainwater and treated wastewater

We have put extensive effort on reusing both rainwater and industrial wastewater. Rainwater harvesting system has been in place to gather rainwater for greenery and flushing to reduce freshwater usage. In FY2022, we extended the rainwater harvesting system to other operating sites with rain wells, pumps and pipe networks constructed across the site, supplying water for greenery, cleaning and dormitory consumption.

Since FY2014, we have installed wastewater treatment system to purify the industrial wastewater for gardening and toilet flushing. Grey water harvesting system has also been set up to collect water for cooling ovens at canteens. In FY2022, we expanded wastewater reuse to the manufacturing processes, including the cooling of air-conditioning facilities, water curtain spray booth for painting, and washing painting equipment at our metal factory. To facilitate water reuse for multiple purposes, we have increased the volume of rainwater and treated wastewater storage by adding more water tanks.

With the extensive effort in our water saving programmes, we reduced total water consumption per production output by 18.0% compared with FY2020. Going forward, we will continue to evaluate opportunities to improve water efficiency and management through various innovative water saving projects.

Material, 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. We have also installed machinery and devices to further reduce the consumption of excessive parts and materials.

Non-hazardous Waste Management

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 and reused internally at material recovery centres before being further handled by licenced recyclers. Non-recyclable wastes are collected by municipal authorities. 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 81.4% as compared with 81.0% in FY2020 and the non-hazardous waste per production output reduced by 3.9% compared with FY2020.

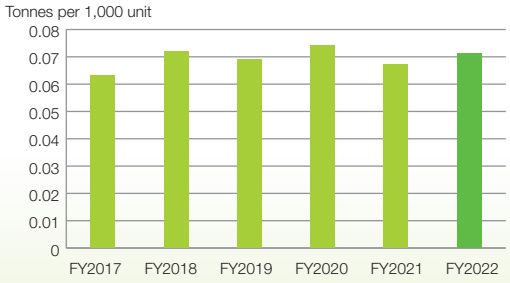
We embrace the 3Rs (Reduce, Reuse, and Recycle) principle for non-hazardous waste management to minimise direct disposal. On-going measures include increasing our internal reuse rate by replacing disposable cardboard boxes and dividers with durable plastic ones, and reusing plastic bags and cardboard dividers that are collected at our recycling centres as internal packaging materials. In FY2021, we reused construction waste for building the cargo platform extension and the roof insulation board at the rooftop of canteen, so as to reduce the use of raw materials for the construction. Besides, we have continued to promote food waste reduction among our workers through supporting the nationwide “Clean Your Plate” Campaign.

Reduction of Plastic Waste

In FY2022, we replaced one-time-disposable plastic lunch boxes with stainless steel lunch boxes for our warehouse staff. The stainless steel lunch boxes are reused after washing, eliminating plastic used to contain food.

The blister trays used for parts protection during the production process have been reused in our primary production lines, rather than sending them to local recyclers.

Non-Hazardous Waste per Production Output



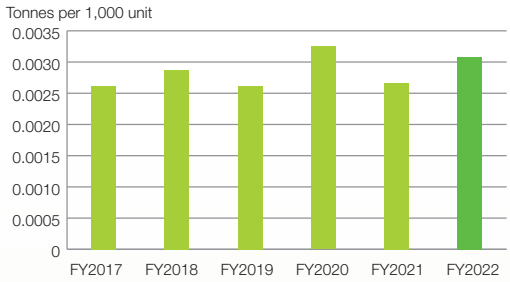
Hazardous Waste Management

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 (PRC Government).

The PRC Government 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 PRC Government authorised hazardous waste disposal companies
- Disposal of wastes with approvals granted by the Environmental Protection Division of local government

Hazardous Waste per Production Output

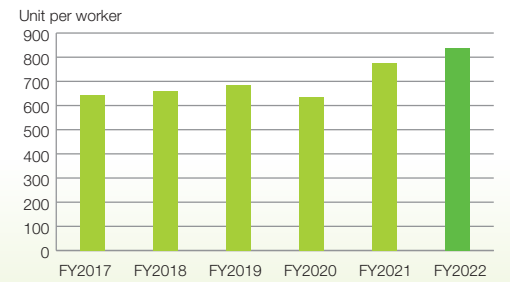


In FY2022, our total hazardous wastes generated from our operations including waste electrical and electronic items, waste chemicals and gas cylinders were 450 tonnes as compared to 422 tonnes in FY2020. But our total hazardous wastes per production output decreased by 5.3% compared with FY2020.

High Performance Production Chain

VTech has developed a high performance production chain to maximise our resources efficiency and improve the productivity while maintaining a green manufacturing and logistics practice. 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.

Production Output per Worker



Two key principles – "produce for quality" and "produce for efficiency" are the main drivers for our manufacturing process improvement. In FY2022, our production output per worker increased by 30.1% compared with FY2020. 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.

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.

Laser Cutting Automation

Laser technology was adopted to remove the runner from the injection molded parts automatically. This automation improves the production efficiency and reduce human error from removing the materials manually.

Transforming Towards Industry 4.0

Industry 4.0 is a current trend which brings revolutionary changes to the way of manufacturing. Some of our production lines have been transforming towards Industry 4.0, setting up closed-loop control system without human interference. The highly automated system integrates various operational modules. With more interconnectedness between machines via Internet of Things and more data exchanged and analysed, it allows automated decision-making and execution. As a result, production problems can be resolved efficiently. Product inspection and error tracing can be done quickly and accurately. Production capacity is optimised with lower operational cost. This not only creates great cost-saving opportunities but also upgrades our innovative solutions that bring better customer experience.

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” since 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 FY2022, we continued to phase out the traditional machinery and increase the application scale of these in-house-developed devices to further optimise the manufacturing process.

Multi-Function Automatic Glue Dispenser

The full automatic glue dispenser replaced the existing semi-automated machine. It is able to load and unload printed circuit board (PCB) during epoxy dispensing process, accurately dispense epoxy on die, and sort PCBs by models for further processing. This has improved the manufacturing efficiency for this production process.

Automatic Selective Flux Spraying Machine

We enhanced the automatic flux spraying machine with selective spraying function to facilitate wave soldering process during PCB manufacturing process. By using the computer vision sensor, flux can be sprayed on the selected area of the PCB, which reduce excess usage of solder flux and thus cut down the material cost.

Automatic Soldering Machine with Vibrating Function

We added the vibrating function for the automatic soldering machines to reduce the dosage of solder wire. The vibration of the solder gun increases the fluidity of molten solder to spread and cover the solder joint evenly. This has enabled us to maintain high soldering quality with minimum amount of solder.

Pick and Place Labelling Automation

The pick and place labelling machine is designed to pick up label and place on the products automatically. It has enhanced the production efficiency by reducing manpower and increasing accuracy of the label position.

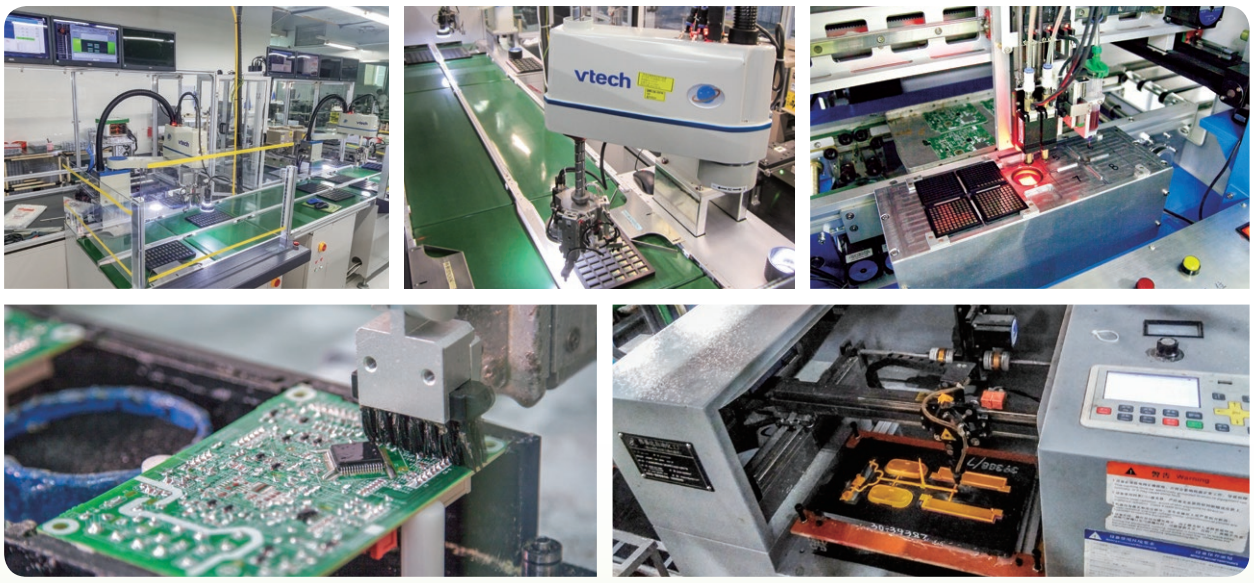
Automatic Tape and Reel Packaging Machine

The automatic tape and reel packaging machine is designed to pick and place tin sheet on the solder mask of PCB for soldering. This has simplified work procedures and at the same time improved the soldering quality of the PCB.

Automatic Loading Machine for Adaptor Plug

The automatic loading machine was designed to install plug stamping parts in the mould before undergoing injection moulding process. This has enabled us to reduce the number of workers needed for manual installation.

Lean Manufacturing and Low Cost Automation



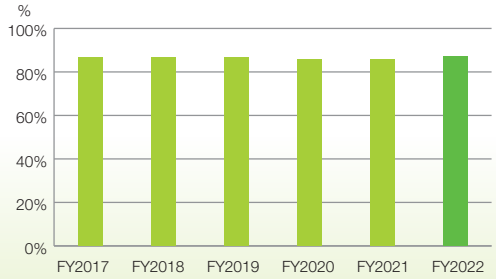
Sustainable Logistics Practice

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

In recent years, we have implemented the decentralised warehousing strategy to locate our distribution centres in the US and Australia. Originally the only distribution centre of ELPs in US was located on West Coast, after relocating our distribution centres to both the East and West coasts, we are able to respond to customers demand more efficiently. As for Australia, we previously had only one distribution centre in Melbourne for ELPs. Three more distribution centres in Sydney, Brisbane and Perth were set up. Compared with the previous approach, this strategy has greatly enhanced our logistic efficiency. It not only reduces the time and distance for transporting our products to our customers but also saves a great deal of fuel consumption and thus carbon emission. In FY2021, we relocated the distribution center in Canada from Vancouver to Toronto as it is closer to the distribution centers of our major distributors. In FY2022, we set up a new distribution center in Spain to reduce delivery time and carbon emission.

Our logistics team has kept on using our cargo measuring software (CargoWiz) to optimise the loading capacity of each container. In FY2022, we reached the average of 87.2% of loading capacity.

Container Loading Capacity



Sustainability Pillars

Our People

VTech cares for its employees and aims to provide a safe, inclusive and motivating working environment for its people. It also promotes a culture of integrity with human resources management policies in place to foster a caring atmosphere with mutual respect in the workplace.

Highlights

- Implementation of various precautionary measures in workplaces for our people to fight against COVID-19
- Number of participants in staff activities increased by 7.8% compared with FY2020
- Average training hours per employee increased by 16.8% compared with FY2020
- Promoted gender and racial diversity in our workplace

VTech aims to provide a safe, inclusive and motivating workplace for our people, and to foster a caring community and promote a culture of integrity 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.

All our existing VTech assembly and plastic factories in mainland China are certified with the Occupational Health and Safety Management System (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

- 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, and promote an inclusive culture throughout the company

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 safe, inclusive and motivating workplace for our employees, foster a caring community and promote a culture of integrity in our working environment

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 communication 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.

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 communication 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.

Chinese Calligraphy Workshop

In the era of digital world, the demand for writing is already rare. To regain the fun of handwriting calligraphy and cultivate temperament, we organised a Chinese Calligraphy Workshop. The qualified and experienced instructor guided our colleagues to complete the unique calligraphy work.

Stamp Engraving Workshop

In order to experience traditional handicraft, we provided a Stamp Engraving Workshop where participants were guided by the instructor to make their own stamps. They learned how to use the carving tools and create their own designs of the stamps.

Well-being and Creative Activities

To maintain health and safety in our workplace during COVID-19 pandemic, VTech continues to encourage employees to participate in different sport activities. We sponsored our employees to join the Standard Chartered Hong Kong Marathon 2021. Our colleagues participated in the Sowers Action Challenging 12 Hours Charity Marathon 2021 V-Run. VTech was awarded the “Bronze Sponsor” for the event. VTech also made donation to the “Oxfam Trailwalker – Virtually Together” in support of our employees who had completed the race.

We implement health and wellness schemes through well-planned initiatives and promote a culture of wellness within the company to improve the physical and mental health of employees. In FY2022, we organised a series of activities for Wellness Month, including stretching classes to promote the culture of wellness. We invited a Registered Chinese Medicine Practitioner to give a health talk on Chinese Nutritional Therapy and acupressure massage, sharing tips for staying healthy during the pandemic. We continued to partner with the Hong Kong Society for the Blind in organising the Health Massage Day. The event not only boosted employee wellbeing, but also promoted an inclusive society by inviting the visually-impaired masseurs to provide massage services for our employees.

Most of our employees in the China manufacturing site come from different provinces and they might not be able to celebrate traditional festivals with their families due to the pandemic. Therefore, we organised different festive activities during the special time to develop and maintain the sense of mutual belonging among our employees. An online festive food competition was held during the Chinese New Year. Lantern riddles, gaming and lucky draw events were also held to celebrate the Mid-Autumn Festival, National Day and other festivals.

The number of participants in our staff activities increased by 7.8% compared with FY2020.

VTech Staff Activities and Sport Event

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, a culture of integrity and develop a wide range of training programmes for our employees to instill and reinforce the Group's values of acting lawfully, ethically and responsibly.

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 FY2022, we organised a series of interactive workshops on essential skill set including creative problem solving and decision making, impactful presentation and project management. The workshops were delivered by qualified and experienced trainers who introduced a variety of practical tools, such as brainstorming methods that bring solution to business problems, presentation tactics to engage with audiences, as well as techniques to manage project risks and motivate team members. Through exercises, case studies and experience sharing during the workshop, participants were encouraged to apply the skills at work which enhance their performance and productivity. Training programmes in our China office included of promoting moral values and effective communication in the workplace.

To keep abreast with relevant laws and regulations on anti-discrimination, we invited a representative from Equal Opportunity Commission for a talk regarding the latest amendments on the Ordinances, the legal liability of employers and employees as well as ways to prevent discrimination and harassment in the workplace.

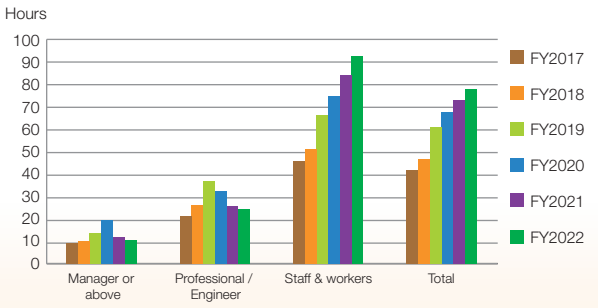
Global eLearning Platform

We have launched various online courses on Microsoft Office on our global eLearning platform, Percipio. The courses cover topics from basic to advance levels. Participants can enjoy the online learning by viewing videos of different modules and completing the test after each module.

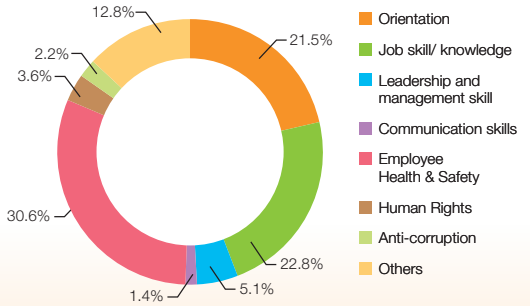
In FY2022, we continued to embrace the benefits of digitalization and launch new online trainings modules covering various topics, including performance management, growth mindset and mental health, so as to enhance staff knowledge and skills. Self-assessment quizzes were also provided for employees after reviewing the online learning materials.

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.

FY2022 Average Training Hours by Grade



FY2022 Training Hours by Type



Respect of Labour and Human Rights

Adhering to the Ten principles of the UN Global Compact, VTech is committed to respecting the labour and human rights of all our staff, which are clearly stated in our human resources management policies. Our Modern Slavery and Transparency in Supply Chains Statement, established in accordance with the UK Modern Slavery Act 2015, has reaffirmed our stance on upholding human rights across our operations and our determination in eradicating any unethical practices including slavery and human trafficking from our business.

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 are 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 dialogs 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 vigilance 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. over 67,000 hours of human-rights-related training were provided to staff during the year. 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.

With our dedicated efforts on promoting diversity and inclusiveness in our workplace, we were awarded the Equal Opportunity Employer Gold Award by Equal Opportunities Commission under the Equal Opportunity Employer Recognition Scheme. We were also the Signatory of The Racial Diversity & Inclusion Charter for Employers, and were recognised as the Mental Health Friendly Supreme Organisation by Department of Health. We also received the Inclusive Organisation Logo under Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme, and were the Signatory of the Good Employer Charter 2020 and awarded as Family-Friendly Good Employer 2020 by Labour Department.

Our US office has developed and implemented policies to build a more diverse and inclusive workplace. During the recruitment process, personal information is redacted from resumes to eliminate unconscious bias. Flexible holiday policies are offered for colleagues to celebrate occasions that are most meaningful to them. Paid volunteer time encourages employees to help in underserved communities. Paid parental leave is inclusive of all family types.

Gender Diversity

VTech believes a diverse and inclusive workforce makes us and the society stronger and more harmonious. Aligning with SDG 5 Gender Equality, we are committed to promoting greater work opportunities for women. We recognise the working contributions of women, who accounted for 41% of our workforce and held 25% of management positions at VTech Group worldwide. We aim to progressively increase the level of female workforce participation and build a more gender-balanced organisation.

To achieve this goal, we have organised child care courses and provided nursery facilities in our manufacturing sites to better support the working mothers in VTech. We have launched an online platform for our female employees to share videos about their interests such as dancing, cooking or working out. It provides a communication channel for them to educate and inspire each other.

VTech has engaged with Women in Toys to champion the advancement of women through leadership, networking and educational opportunities. Our France office supports the creation of Women in Toys France. Our employees have participated as the board of directors and members of the network. Employees are allowed to go to the various events during the office hours and are reimbursed with the annual subscription.

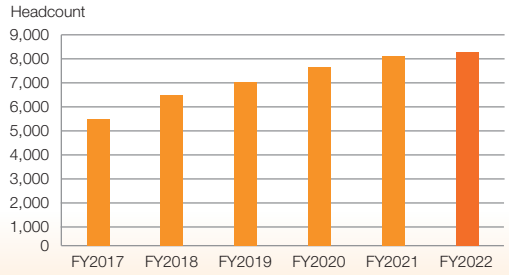
Racial Diversity and Inclusion

Creating a culture in which colleagues from different backgrounds feel included could result in better staff engagement and retention. A diverse workforce could also bring different viewpoints and perspectives to the company. In FY2022, we launched an online training on Racial Diversity and Inclusion. The training content included an introduction of the ethnic minorities in Hong Kong and a discussion on how to break through racial barriers to create a cultural friendly working environment. Through the training, participants understand how the unconscious bias and micro-behaviours may affect their interpersonal relationships and learn to respect each other's differences. We organised "Tea Time To Learn" and invited foreign team members to share the culture of their country of origin. Through the workshop, staff enjoyed cultural exchanges via two-way dialogues and had a deeper understanding on other nationalities.

VTech is committed to embracing an equal and supportive working environment for our employees. In VTech, 99.8% of our employees have been recruited by the Company with full time employment contracts and 97% of our senior management staff have been hired from the local area of the sites of operation in respective countries for supporting local employment. We also conduct annual performance appraisals with transparent performance evaluation system 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 FY2022, 8,269 staff have worked at VTech for more than five years, increase of 7.9% compared with FY2020. 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.

Year of Service Longer than 5 Years



Environment for Our People

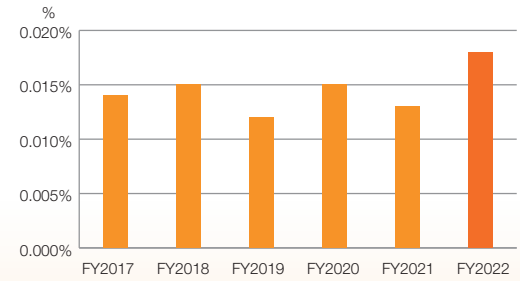
We are committed to not only upholding our responsibilities to put occupational health and safety as our top priority, but also committed to protecting our contractors, customers and the general public against health and safety risks. All our existing VTech assembly and plastic factories are certified with the Occupational Health and Safety Management System (ISO 45001). The system comprises a proactive hazard identification and risk assessment, as well as comprehensive control measures for continual improvement on organisational health and safety. In order to further reduce existing and potential risks in our operations, our EHS teams at all our manufacturing sites have conducted regular health and incident investigations to analyse any potential causes or impacts of workplace hazards, as well as monitored our safety practices among the functional teams.

In order to foster and nurture a positive company culture of health and safety, our EHS teams at manufacturing sites have established a comprehensive and intensive training programme to increase the awareness of workplace safety. This programme includes 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.

Our EHS teams are also responsible for building effective and open two-way communication channels for our staff to report work-related hazards and share constructive feedback so that staff are involved and consulted in the health and safety policy establishment.

The overall average health and safety training hours per employee increased by 20.1% compared with FY2020. In FY2022, our lost hour rate per working hour was 0.018% 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 manufacturing sites to enhance their awareness and knowledge of occupational health and safety at the workplace.

Lost Hour Rate *



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

Lost hour rate is calculated as total number of lost hours divided by total working hours

Health and Safety Measures and Training

To effectively improve our EHS practices and prevent accidents, the EHS teams review the work-related injuries and investigate the root cause of the incidents. Corrective actions are proposed and implemented by responsible person, and monitored periodically by the EHS teams.

In FY2022, safety measures implemented included installing infrared sensors which shut down the machine if they detect a worker standing too close to the machine. We have implemented EHS safety assessment for newly purchased equipment. New equipment has to pass internal assessments on site safety, equipment safety, occupational safety and health, and environmental pollution. Safety hazards that cause potential harm to our staff, property and processes are identified and mitigated prior to work. To prevent safety incidents, we ensure standard operation procedures are strictly followed, adequate personal protective equipment and specific pre-job training are provided to workers. Warning labels are displayed in appropriate areas visible to workers.

Workers direct involvement is crucial in building a safety culture. Apart from online training programmes provided at our e-learning platform, we closely engaged our employees on health and safety by organising safety campaigns at our site in Malaysia. These included placing safety suggestion boxes at the site to encourage workers to make recommendations improving safety conditions, holding safety short video competitions and exhibitions in which workers took the lead in promoting safety culture to their colleagues with their creative videos and posters. Safety announcements were made frequently via the centralised broadcast system and communication applications, providing the latest safety information.

We invited a Registered Social Worker and Education Officer from The Mental Health Association of Hong Kong to organise a workshop on “Key to Mental Health” to promote mental well-being and create an inclusive and friendly working environment.

Precautionary Measures Against COVID-19

Our employees' health and safety is always our top priority. VTech has adopted various precautionary measures to prevent the outbreak of COVID-19 in the workplaces.

In Hong Kong office, we have continued to adopt flexible working hours and work-from-home arrangement when necessary. We have also monitored body temperatures for visitors and staff who enter the workplace, and encouraged staff to reduce or postpone all non-essential overseas travelling. We have also distributed the COVID-19 rapid antigen test kits to our staff based on their exposure risks.

A comprehensive set of preventive measures and guidelines have been put in place at all VTech factories in China and Malaysia. We have provided health protection and personal hygiene guidelines to our workers, monitored their physical condition while they are working in the factories, and maintained social distance in the canteens and dormitories. We encourage our employees to be vaccinated for better protection.

Work from home arrangement has also been in place for overseas staff during lockdown environment.

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. We have upgraded the recreational facilities at our ELP factory with more basketball courts, badminton courts and performance area for recreational and leisure purposes. In addition, the CMS New Product Introduction Centre designed with CSR ideas was opened in FY2021. It provides staff with a modern style of working environment, including a comfortable pantry for staff to take a rest and enjoy their lunch. In CMS dormitory, we set up a greenery roof to utilise the empty space, which cools the building, and offer enjoyable space for staff to gather during leisure time, plant vegetables and share the harvest with the team.

Sustainability Pillars

Society

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. It also promotes a culture of accountability throughout the Company for the communities.

Highlights

- Continued collaboration with Save the Children in organising various charitable events worldwide
- Organised the VTech Innovation & Sustainability Award in collaboration with the City University of Hong Kong
- Engaged with the students and alumni of The University of Science and Technology MBA for an ESG talk
- Continued to organised the VTech Global Green Day in FY2022

As a responsible corporate citizen, VTech uses its expertise and resources to support the communities in which it operates in various ways. VTech continues to focus on the following areas for our social programmes.

Support People in Need	Collaborate with Local Charities	Provide Training Opportunities for Young People	Nourish an Innovative Environment	Develop a Healthy and Green Community
Provide helping hands for people	Support local charitable events and the general corporate philanthropy	Attract the best talents to VTech and provide training opportunities for young people	Sponsor and support the breakthroughs in communications and technologies	Foster a healthy and green living environment in the community

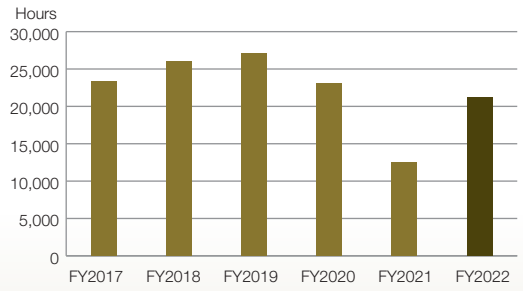
Support People in Need

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.

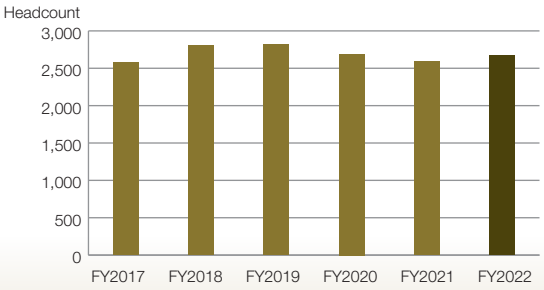
Our China and Hong Kong voluntary teams frequently participate in various types of voluntary services including visiting elderly homes and children hospitals, and assisting crowd control at community events. In FY2022, we recruited over 2,600 volunteers and contributed over 21,000 hours in volunteering activities. Besides being recognised as the "Heart to Heart Company" by the Hong Kong Federation of Youth Groups, VTech was the proud recipient of the

"Outstanding Caring Awards (Enterprise Group)" presented by Federation of Hong Kong Industries in FY2022. In addition, we have been awarded as a "Caring Company" by The Hong Kong Council of Social Service for fourteen consecutive years in recognition of our relentless contribution to the Hong Kong community through various charitable activities. We were also awarded with the Partner Employer Award 2021 presented by the Hong Kong General Chamber of Small and Medium Business in 2021. These awards are great encouragement for our continued voluntary work for the community.

Volunteering Hours Contributed



Number of Volunteers



Food Donation in Spain

Lives of many underprivileged families and individuals were affected by the COVID-19 pandemic. Through our partner, Bank of Food in Madrid, 139kg of food was donated by our staff to families in need in FY2022.

Toys for Charity in Benelux

VTech Benelux donated toys to a health-care clinic which had suffered from extreme flooding in the province of Limburg, The Netherlands. The toys were used in the rehabilitation centre of the clinic which provides audiological care, special-need education, nursing services and residential facility for housing for disabled children.

Warm Soup to Warm Heart

To help the underprivileged, the Hong Kong office partnered with Food Grace to launch the Warm Soup to Warm Heart programme. Our staff joined the event to prepare warm soup from leftover food and deliver it to the elderly and underprivileged families in the New Territories.

Collaborate with Local Charities

VTech works 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.

As the blood supply is unstable, we collaborate with Hong Kong Red Cross to set up a temporary blood donation station at our Hong Kong office each year. By encouraging our employees to donate blood, we hope to contribute to the blood inventory replenishment.

We have also collaborated with local charities to support numerous charitable activities around the world. In FY2022, we made charitable and other donations of over USD193,000.

Collaboration with Save the Children

The dreadful COVID-19 pandemic has changed the daily life of the entire world. Under-resourced children have been particularly affected as schools are closed and they lack the facilities to learn at home. In FY2022, VTech collaborated with Save the Children for the second consecutive year in organising various events worldwide for the children, their families and the communities.

Letter Writing Campaign

VTech employees around the world had joined the "Letter Writing to Children" campaign. Participating staff wrote letters to offer support and encouragement to children living in Myanmar and Bangladesh. Furthermore, every dollar donated by our employees was matched by an equivalent donation on the part of the company. We collected about 300 letters and a total of over HK$50,000 was donated to Save the Children.

Toy Donation

Under the global toy donation programme, over 4,400 electronic learning toys were donated to children in various countries around the world, including the US, Canada, the UK, the Netherlands, Spain, Australia and Hong Kong. Through the donation of electronic infant and toddler learning toys, which include VTech® Go! Go! Cory Carson® Freddie's Firehouse™, LeapFrog® Stack & Tumble Elephant™ - Purple, and VTech® Baby Beats Monkey Drum™, we hope to help children to learn while staying and playing at home.

Christmas Jumper Day

We hosted the Christmas Jumper Day at our 45th Anniversary Buffet Night. Staff got together and dressed up in a Christmas Jumper in December. We shared the warmth with children in need by wearing a festive attire. A total of HK$30,000 was donated to the Children's Emergency Fund to support children struggling in humanitarian crisis.

Ongoing Donation Event

For 12 months from December 2020 to November 2021, a donation of US$1 was made to Save the Children for every baby monitor and toy sold through our online shops in Canada and Hong Kong, and every baby monitor sold through our online shop in the US. We have further extended this meaningful donation event for another 12 month till the end of November 2022.

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 FY2022, we continued to arrange the IE engineering programme with Dongguan University of Technology. During the programme, participants were rotated among different departments to have better understanding on the factory operation. We provided workplace health and safety courses, theory courses on manufacturing engineering and training on engineering change in process flow, production line management and product design. We 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 also offered internship opportunities for engineering college students, helping them to gain working experience and develop their job skills.

To attract potential candidates from local universities, we have joined the virtual career fair organised by The Hong Kong University of Science and Technology, The Hong Kong Polytechnic University, The Hong Kong Baptist University and School of Professional Education and Executive Development, The Hong Kong Polytechnic University. We can utilise the online tools to communicate with identified young talents.

VTech Internship Programmes

Our Management trainee programme provides participants with abundant learning opportunities to gain all-rounded exposure in various business functions. The management trainees will obtain a comprehensive understanding about the industry, company culture and our core business within the first 18-month Generalist Scheme. They will further develop their career under 6-month Specialist Scheme. The customized training curriculum and project presentations will strengthen their professional development and business acumen. In addition, we also offer 1-year programme to develop a pool of professional engineers with the specific skills and experience necessary. They will be involved in different aspects of the engineering projects to expand their skill set. We also offer various internship opportunities for 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.

Experience Sharing by the Student

I was given the opportunity to work in the Platform Product Design department. I researched on existing toys to learn more about competitors, tested existing toys to understand their features, sketched design ideas and produced foam prototypes. The work was both challenging and instructive. I have gained new skills including creative thinking and problem solving and an understanding of the product design behind the scene. This valuable experience has definitely enhanced my design knowledge, and will help me immensely in my future career. Many thanks to the design team and VTech for the strong support they have given me throughout the internship programme! —Hayley Liu (VTE/DEB)

VTech Scholarship Programme

VTech Scholarship Programme was established in FY2018 to support the outstanding local and non-local undergraduates in their career development. In FY2022, we continued to offer the programme to cover more universities in Hong Kong. The scholarship was awarded to 14 students from The University of Hong Kong, The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, City University of Hong Kong and The Hong Kong Polytechnic University.

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.

VTech Innovation & Sustainability Award

香港城市大學 City University of Hong Kong

VTech partnered with the School of Energy and Environment of the City University of Hong Kong to establish the "VTech Innovation & Sustainability Award" to nurture a new generation of young talents in the sustainability field. The participants were required to come up with innovative solutions that contribute to sustainable development. The awardees were selected based on judging criteria in creating positive environmental impact and sustainable value for lives of the people, which is in line with VTech's sustainability vision. We had received inspiring proposals from the students and one of the awardees joined VTech to start his career in June 2021. For the academic year 2021/22, apart from The City University of Hong Kong, The Chinese University of Hong Kong has also joined the partnership for this award, providing opportunity for more students to participate.

Experience Sharing by Award Winner

I studied a wide range of sustainability-related topics including climate change and circular economy for my final year project, and realised that such issues have significant impacts on the long-term sustainability of any businesses. Thanks to VTech and CityU, I was given the opportunity to present my research results to the VTech management and was extremely honoured to receive the VTech Innovation & Sustainability Award.

The Award is a great recognition of my past efforts and has provided me tremendous confidence to work in the field of sustainability upon graduation. When a chance to work at VTech came out, I had no hesitation to accept it! I have the opportunity to assist in sustainability reporting and drive the achievement of sustainability targets, working on multiple aspects such as GHG emissions reduction and recyclable product materials. With my deep gratitude again to CityU and VTech, I have started my career in a promising corporation, full of challenges and excitements! —Tommy Ching (VCO/SUS)

HKUST MBA X HKUST Virtual Enrichment Talk

VTech also engaged with the students and alumni of HKUST MBA for a virtual enrichment talk on "ESG: Way Forward", sharing its sustainability journey and insights on ESG's future development in the industry. With these activities, VTech strives to nurture the next generation of sustainability leaders.

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 have continued to sign up the pledge for Earth Hour.

Small changes in our habits around the factories and offices can help us to live a more eco-friendly lifestyle. We believe promoting recycling can have a positive effect on the environment. In FY2022, we continued to partner with the Greener Actions to launch the "Red Packets Reuse and Recycle Program 2022". To prevent wasting useful materials, we collected used and excess red packets from our employees for upcycling purpose.

VTech Global Green Day

In FY2022, we continued to organise the "Global Green Day" at our Hong Kong headquarters and overseas office to promote a healthy and green lifestyle in VTech and our communities, as well as to maximise our sustainability efforts and strengthen staff relation.

Hong Kong

Our staff in Hong Kong showed their commitment towards environmental protection by switching off computer monitors and non-essential appliances during lunch time. As part of our green office initiatives, we invited staff to share tips on adopting green lifestyles at the workplace. The best idea selected will be widely promoted at the office in the coming year, spreading the message that small actions could make a big difference in reducing our environmental impact. Staff also made a visit to a local farm to experience organic farming.

UK

Our colleagues in the UK built a bee pollinating garden in the green space outside the office. A raised flower bed was formed from reclaimed wooden pallets, with pollinating flowers to attract bees. A 'bug hotel' was built from reclaimed materials, which provides shelter for mini-beasts and insects. We also set a challenge to cycle to work, and move towards green and healthy lifestyle. We partnered with a social enterprise named Ecologi to offset the carbon footprint of our staff and funded Ecologi's climate projects including tree planting and building wind power farms in Mexico and Honduras.

France

Our France office organised a webinar to our staff presenting the Global VTech Green Actions and our new eco-friendly products in 2022. We also invited colleagues to share green habits that we can adopt in our daily life such as using reusable cotton, biodegradable food wrap and making our own detergents.

Netherlands

We partnered with Pedagogical Social Work (PSW) to organise "Fun with Plants" event. We had the flower pots painted by disabled people from the PSW foundation and gave each employee their own unique flower pot while supporting the foundation financially. We then planted cuttings with the colourful pots and brighten up our desks. The plant cuttings were bought from a plant shelter in which the proceedings will support a non-profit food bank.

Malaysia

We organised a series of activities to promote the green lifestyle in the workplace such as Recycle Day and No Plastic Day. Staff were encouraged to bring their own utensils to minimise consumption of single- use plastic. We also decorated the office with indoor water grown plants.

Germany

In promoting the "Bring Your Own Bottle" habit, our office in Germany ordered bottles from Soulbottle, a social enterprise start-up, for each of our team member to encourage them to fill their own bottle of water without using single-use plastic bottles. The bottle is made of 100% recycled glasses with low CO_2 emissions. The event raised our staff awareness on water-saving and supported the global goal of universal access to safe and affordable drinking water and reducing plastic waste.

Spain

Our colleagues in Spain initiated a clean-up day where we separated and recycled old office items and materials to make space for green plants. Every employee had a plant on their desk to look after. The office was transformed into a green workplace.

The U.S.

Our US offices held a week-long challenge where staff were encouraged to complete an eco-friendly action under a special theme each day such as "meatless on Monday", "paperless on Tuesday" and "sustainable fashion on Friday". Our staff had over 100 vegetarian or vegan meals, received over 400 fewer paper bills and catalogs in the mail, and donated almost 700 articles of clothing and household items.

Australia

We partnered with Clear Up Australia and participated in Plog-a-Thon at St Kilda Beach. The team went for jogging while picking up litter along the way. It was then followed by a healthy lunch and a quiz on recycling, reusing, and reducing waste. This event provided great opportunity for our team to work together, to exercise and to do our part in protecting the natural environment. We also donated 80kg worth of clothing to Save the Children, to help save the planet and prevent our pre-loved clothing from ending up in landfill.

China

To promote the awareness of environment protection, we organised the tree planting activity in China.

Key Performance Data

Items	GRI Indicator	HKEX Indicator	FY2017	FY2018[10]	FY2019[10]	FY2020[10,11,15]	FY2021[15]	FY2022
Organisation Profile								
Number of countries where VTech operates	102-4		13	13	14	14	15	14
Total number of operations	102-7		22	24	24	27	27	28
Revenue (US$ million)	102-7		2,079.3	2,130.1	2,161.9	2,165.5	2,372.3	2,370.5
Total debt (US$ million)	102-7		1.7	Nil	Nil	Nil	Nil	Nil
Total equity (US$ million)	102-7		584.7	646.6	607.0	610.5	731.1	678.8
Portion of senior management hired from local community[1]	202-2		98%	98%	97%	96%	97%	97%
Proportion of spending on local suppliers	204-1	B5.1	88%	88%	86%	90%	88%	90%
Environmental								
Material Usage								
Material used by weight or volume (1000 Tonnes)	301-1		97.6	100.5	94.7	93.4	105.1	105.0
Energy Consumption (GJ)[2]								
Total	302-1	A2.1	583,987	611,607	622,005	635,555	645,230	631,713
Diesel	302-1	A2.1	9,397	18,642	22,463	21,535	23,431	29,712
Gasoline	302-1	A2.1	6,098	6,021	5,666	6,394	6,550	4,847
Natural Gas	302-1	A2.1	30,409	33,190	30,515	28,514	26,430	27,483
Electricity	302-1	A2.1	538,083	553,754	563,361	579,110	588,819	569,671
Energy Use per Production Output (GJ per 1,000 unit)								
Total	302-3	A2.1	4.110	4.404	4.352	4.906	4.302	4.332
Diesel	302-3	A2.1	0.066	0.134	0.157	0.166	0.156	0.204
Gasoline	302-3	A2.1	0.043	0.043	0.040	0.049	0.044	0.033
Natural Gas	302-3	A2.1	0.214	0.239	0.213	0.220	0.176	0.188
Electricity	302-3	A2.1	3.787	3.988	3.942	4.471	3.926[15]	3.907
Electricity Consumption								
Electricity used (kWh)	302-1	A2.1	149,467,329	153,820,653	156,489,059	160,864,220	163,560,993	158,241,682
Electricity used per production output (kWh per 1,000 unit)		A2.1	1,052	1,108	1,095	1,242	1,090	1,085
Water Consumption								
Water comsumption[3] (meter cube)	303-1	A2.2	2,008,913	1,633,105	1,556,998	1,550,354	1,613,186	1,431,270
Water comsumption[3] per production output (meter cube per 1,000 unit)		A2.2	14.1	11.8	10.9	12.0	10.8	9.8
Greenhouse Gas Emission (tonne of CO_2e)[4]								
Scope 1	305-1	A1.2	4,326	5,791	5,015	4,617	4,462	4,728
Scope 2	305-2	A1.2	75,794	78,020	79,378	82,187	83,712	81,013
Scope 3[14]	305-3	A1.2				7,130	8,007	16,295
Total Emissions[18]	305	A1.2				93,934	96,181	102,036
Greenhouse Gas Emission Intensity (tonne of CO_2e per 1,000 unit)[4]								
Scope 1	305-4	A1.2	0.030	0.042	0.035	0.036	0.030	0.032
Scope 2	305-4	A1.2	0.533	0.562	0.555	0.634	0.558	0.556
Scope 3[14]	305-4	A1.2				0.055	0.053	0.112
Total emissions intensity[18]	305-4	A1.2				0.725	0.641	0.700

Key Performance Data

Items		GRI Indicator	HKEX Indicator	FY2017	FY2018[10]	FY2019[10]	FY2020[10,11,15]	FY2021[15]	FY2022
Hazardous Waste									
Total hazardous waste produced (in tonnes)		306-3	A1.3	365.6	358.5	346.3	421.5	399.6	449.5
Total hazardous waste produced per production output (in tonnes per 1,000 unit)		306-3	A1.3	0.00257	0.00258	0.00242	0.00325[13]	0.00266	0.00308
Non-hazardous Waste									
Total non-hazardous waste produced (in tonnes)		306-3	A1.4	8,806	9,705	9,111	9,621	10,103	10,407
Total non-hazardous waste produced per production output (in tones per 1,000 unit)		306-3	A1.4	0.062	0.070	0.064	0.074	0.067	0.071
Packaging Materials									
Total packaging material used for finished goods (tonnes)			A2.5	34,580	34,470	33,050	32,781	35,411	33,491
Total packaging material used for finished goods per production output (tonnes per 1,000 unit)			A2.5	0.243	0.248	0.231	0.253	0.236	0.230
Environmental Compliance									
Monetary value of significant fines		307-1		0	0	0	0	0	0
Total number of non-monetary sanctions for non-compliance		307-1		0	0	0	0	0	0
Our Workforce[16]									
By Gender									
Total		102-7	B1.1	27,079	26,464	25,273	26,179	25,351	23,844
Male		102-8	B1.1	16,481	15,964	15,326	15,710	14,867	14,184
Female		102-8	B1.1	10,598	10,500	9,947	10,469	10,484	9,660
By Age									
Below 30			B1.1	15,507	14,032	12,221	11,810	10,780	9,168
30-50			B1.1	11,140	11,885	12,378	13,442	13,470	13,353
Above 50			B1.1	432	547	674	927	1,101	1,323
By Geographical Location									
Asia Pacific	Male	102-8	B1.1	16,194	15,653	15,025	15,417	14,561	13,885
	Female	102-8	B1.1	10,328	10,223	9,669	10,202	10,218	9,396
North America	Male	102-8	B1.1	203	181	170	162	167	162
	Female	102-8	B1.1	170	153	151	139	138	138
Europe	Male	102-8	B1.1	84	129	131	131	139	137
	Female	102-8	B1.1	100	125	127	128	128	126
By Employment Type									
Average number of full-time staff			B1.1	27,050	26,420	25,063	26,018	25,261	23,794
Average number of part-time staff			B1.1	29	44	210	161	90	50
Proportion of full time staff			B1.1	99.9%	99.8%	99.2%	99.4%	99.6%	99.8%
Woman Representation									
Overall		405-1		39%	40%	39%	40%	41%	41%
By function	Management position[5]	405-1		25%	24%	25%	25%	25%	25%
	Professional	405-1		36%	37%	37%	37%	37%	37%
	General staff	405-1		40%	38%	39%	40%	40%	41%
	Worker	405-1		40%	41%	40%	41%	43%	42%

Items		GRI Indicator	HKEX Indicator	FY2017	FY2018[10]	FY2019[10]	FY2020[10,11,15]	FY2021[15]	FY2022
Turnover Rate									
Overall			B1.2	5.94%	7.15%	5.98%	6.41%	6.34%	6.54%
By geographical region	Asia Pacific		B1.2	6.03%	7.29%	6.10%	6.53%	6.47%	6.67%
	North America		B1.2	2.41%	1.12%	0.96%	1.44%	0.57%	0.83%
	Europe		B1.2	0.77%	1.12%	0.91%	0.64%	0.62%	1.20%
By gender	Male		B1.2	6.43%	7.83%	6.43%	7.14%	6.81%	7.25%
	Female		B1.2	5.19%	6.12%	5.28%	5.32%	5.68%	5.49%
By age	Below 30		B1.2	7.96%	10.28%	9.20%	10.17%	10.80%	11.41%
	30-50		B1.2	3.33%	3.74%	3.08%	3.50%	3.21%	3.69%
	Above 50		B1.2	1.20%	1.08%	0.74%	0.83%	0.85%	1.52%
Health and Safety									
Injury[6] cases		403-2		59	59	46	39	37	40
Lost Hours[7]		403-2	B2.2	9,869	9,788	7,310	9,235	8,766	11,571
Injury rate per employee[8]	Overall	403-2		0.002	0.002	0.002	0.002	0.001	0.002
	Male	403-2		0.003	0.003	0.003	0.002	0.002	0.002
	Female	403-2		0.001	0.002	0.001	0.001	0.001	0.001
Work-related fatalities cases			B2.1	0	0	0	0	0	0
Work-related fatalities cases per employee (%)			B2.1	0%	0%	0%	0%	0%	0%
Absentee rate[9]	Overall	403-2		0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
	Male	403-2		0.2%	0.2%	0.2%	0.2%	0.2%	0.3%
	Female	403-2		0.4%	0.4%	0.4%	0.4%	0.4%	0.5%
Training									
Percentage of employee trained									
Overall			B3.1						96%
By gender	Male		B3.1						97%
	Female		B3.1						95%
By Function	Management staff		B3.1						88%
	Professional/ Engineer		B3.1						92%
	Staff & workers		B3.1						98%
Average Training Hours per Employee									
Overall		404-1	B3.2	41.7	46.7	61.0	66.8	73.2	78.1
By gender	Male	404-1	B3.2	43.8	49.2	63.4	69.6	78.5	84.8
	Female	404-1	B3.2	38.2	42.9	57.3	62.6	65.9	70.9
By Function	Management staff	404-1	B3.2	9.2	10.2	13.8	16.7	11.7	10.4
	Professional/ Engineer	404-1	B3.2	21.4	26.0	37.1	31.7	25.7	24.3
	Staff &workers	404-1	B3.2	45.8	51.3	66.7	74.6	84.3	93.0
Compliance									
Product Compliance									
Incidents of non-compliance with regulations on health and safety impact on products		416-2		0	0	0	0	0	0
Incidents of non-compliance with regulations on product and service information and labelling		417-2		0	0	0	0	0	0
Sales of banned products		102-2		0	0	0	0	0	0
Socioeconomic Compliance									
Total monetary value of significant fines		419-1		0	0	0	0	0	0
Total number of non-monetary sanctions		419-1		0	0	0	0	0	0
Cases brought through dispute resolution mechanisms		419-1		0	0	0	0	0	0

Note:

1. *The location of operation sites*
2. *Energy value for fuels are obtained from "2006 IPCC Guidelines for National Greenhouse Gas Inventories" published by the Intergovernmental Panel on Climate Change.*
3. *Water consumption data includes water usage data from manufacturing facilities in China and offices in China and overseas.*
4. *GHG Calculation Methodology*
   All emissions are calculated with reference to the methodology set out in the Greenhouse Gas Protocol Corporate Standard and Intergovernmental Panel on Climate Change (IPCC) Guidelines. GHG objectives and targets are set and tracked relative to a base year of FY2020.
   Scope 1: Direct GHG emissions come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organization. The GHG emission factors of scope 1 for stationary and mobile combustion sources is based on the "2006 IPCC Guidelines for National Greenhouse Gas Inventories " published by the Intergovernmental Panel on Climate Change.
   Scope 2: Indirect GHG emissions that result from the generation of purchased or acquired electricity, heating, cooling and steam consumed by the organisaton. GHG emissions factors are referenced from the "2019 China Regional Grid Average Carbon Dioxide Emission Factors" published by the National Center of Climate Change Strategy and International Cooperation (NCRC) of the People's Republic of China, Sustainability Report 2021 of CLP Holdings Limited, and 2017 CDM Electricity Baseline For Malaysia published by Malaysian Green Technology Corporation.
   Scope 3: Indirect GHG emissions not included in energy indirect (Scope 2) GHG emissions that occur outside the organisation, including both upstream and downstream emissions. In this report, scope 3 emissions include GHG emission data from ocean shipment of contractors engaged by VTech. In FY2022, indirect emissions from air shipment was added to the data reporting boundary. Emission factors are referenced from the GaBi Database.
5. *Staff with grade above supervisor level.*
6. *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*
7. *Total working hours that workers cannot attend work due to injuries in manufacturing operations.*
8. *The frequency of injuries relative to the number of employees. Minor (first-aid level) injuries are included.*
9. *Number of days the employees are absent from work over total hours scheduled to be worked.*
10. *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.*
11. *The report scope was expanded with the acquisition of our production facilities in Malaysia.*
12. *The unfavourable change in the company performance data per production output was due to the expanded scope as described in note 10 above as the components output of the Metal factory were not included in the per-production-output data calculation.*
13. *The unfavourable change in the company performance data per-production-output was due to the continued vertical integration, and/or change of product mix and/or the negative impact of COVID-19.*
14. *Scope 3 data for FY2020 and FY2021 were restated due to adjustments in calculation methodology and to allow fair comparison of the performance data.*
15. *Certain environmental data for FY2020 and FY2021 was restated due to adjustments in calculation methodology and to allow fair comparison of the performance data.*
16. *Certain social data for prior years were restated for fair comparison of the performance data.*
17. *Increase in material use per production output was due to the change of product mix.*
18. *Total GHG emissions in FY22 increased by 5,855 tonnes of CO_2e against FY21 which was mainly due to the inclusion of indirect GHG emission of 8,405 tonnes of CO_2e arising from air freight in FY22. The indirect GHG emissions of air freight were not available in FY21 and earlier years.*

Associations List

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
Toy Association – Shenzhen, China	M
Canadian Toy Association	M
DECT Forum	S
ULE Alliance	S
EcoVadis	M
SD Card Association	M
Wi-Fi Alliance	M
Sedex	M
Hong Kong Opto-Mechatronics Industries Association	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

Verification Statement

HKQAA
HONG KONG QUALITY ASSURANCE AGENCY
香港品質保證局

VERIFICATION STATEMENT

Scope and Objective of Verification

Hong Kong Quality Assurance Agency (HKQAA) has been engaged by VTech Holdings Limited (HKSE Stock Code: 303) "VTech" to undertake an independent verification of its Sustainability Report 2022 (the Report). The Report stated the economic, environmental and social performance of VTech in the period of 1st April 2021 to 31st March 2022.

The aim of this verification is to provide a reasonable assurance on the reliability of the report content. The Report has been prepared in accordance with the Core Option of the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") and Appendix 27 "Environmental, Social and Governance Reporting Guide" ("ESG Guide") of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited ("SEHK").

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagement 3000 (ISAE 3000) – "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process covered the criteria set in the Core Option of the GRI Standards and the ESG Guide of the SEHK.

In order to understand the process that VTech adopted to ascertain the key sustainability issues and impacts, the Report compilation process was discussed including stakeholder engagement and materiality assessment processes. Also, system and process for collecting, collating and reporting sustainability performance data were verified. Our verification procedure performed covered reviewing of relevant documentation, interviewing responsible personnel with accountability for preparing the report contents and verifying the selected representative sample of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

VTech is responsible for the collection and presentation of the information presented. HKQAA does not involve in calculating, compiling, or in the development of the Report. Our verification activities are independent from VTech. There is no relationship between HKQAA and VTech that will affect the independence of HKQAA for providing the verification service.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report has been prepared in accordance with the Core Option of the GRI Standards;
- The Report has complied with all mandatory disclosure requirements and "comply or explain" provisions set out in the ESG Guide;
- The Report illustrates VTech's sustainability performance covering all material and relevant aspects and/or topics in a balanced, clear, consistent, and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA attention that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in material aspects, in accordance with the verification criteria. In conclusion, the Report reflects truthfully the sustainability commitments, policies and performance of VTech, and discloses transparently their sustainability performance that is commensurate with their sustainability context and materiality.

Signed on behalf of Hong Kong Quality Assurance Agency

Jorine Tam
Director, Corporate Business
May 2022

Appendix

GRI Content 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

GRI 102: General Disclosures 2016		
GRI Indicator	**Description**	**Location and Notes**
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
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	Key Performance Data
102-9	Supply chain	Pages 36-38
102-10	Significant changes to the organization and its supply chain	About this Report
102-11	Precautionary Principle or approach	Page 26
102-12	External initiatives	Page 4
102-13	Membership of associations	Page 70
Strategy		
102-14	Statement from senior decision-maker	Pages 2-3
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Pages 25-28
Governance		
102-18	Governance structure	Page 5
Stakeholder Engagement		
102-40	List of stakeholder groups	Page 10
102-41	Collective bargaining agreements	Employees covered by collective bargaining agreement is managed and monitored at local level. Only employees in Spain, France and Malaysia are bound by the collective agreement, which account for 6.7% of VTech's employees. Although the majority of VTech's employees are from Hong Kong and China which do not have regulatory requirement with regard to collective bargaining, we maintain clear and open communication channels for our staff to raise concerns on a range of employment issues. Employees can also enjoy the freedom to participate in trade unions if they wish.
102-42	Identifying and selecting stakeholders	Pages 9-10
102-43	Approach to stakeholder engagement	Pages 9-10
102-44	Key topics and concerns raised	Pages 10-12

GRI 102: General Disclosures 2016		
GRI Indicator	**Description**	**Location and Notes**
Reporting practice		
102-45	Entities included in the consolidated financial statements	VTech Major Subsidiaries
102-46	Defining report content and topic Boundaries	Pages 11-12
102-47	List of material topics	Pages 11-12
102-48	Restatements of information	Page 70
102-49	Changes in reporting	About this Report, Page 70
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	Pages 72-76
102-56	External assurance	About this Report, Page 71
Material Topic Disclosures		
Economic		
GRI 201: Economic Performance 2016		
103-1	Explanation of the material topic and its Boundary	Pages 4, 11-12
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	Pages 11-12, 53
103-2	The management approach and its components	Pages 56-57
103-3	Evaluation of the management approach	Pages 56-57
202-2	Proportion of senior management hired from the local community	Key Performance Data
GRI 204: Procurement practice 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 36-38
103-2	The management approach and its components	Pages 36-38
103-3	Evaluation of the management approach	Pages 36-38
204-1	Proportion of spending on local suppliers	Key Performance Data
Environmental		
GRI 301: Materials 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 29
103-2	The management approach and its components	Pages 30-32
103-3	Evaluation of the management approach	Pages 30-32
301-1	Materials used by weight or volume	Key Performance Data

Appendix

Material Topic Disclosures		
GRI Indicator	**Description**	**Location and Notes**
GRI 302: Energy 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 39
103-2	The management approach and its components	Pages 40, 46-47
103-3	Evaluation of the management approach	Pages 40, 46-47
302-1	Energy consumption with the organisation	Page 47, Key Performance Data
302-3	Energy intensity	Page 47, Key Performance Data
GRI 303: Water and Effluents 2018		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 48
103-2	The management approach and its components	Pages 40, 48
103-3	Evaluation of the management approach	Pages 40, 48
303-1	Interactions with water discharged-related impacts	Page 48, Key Performance Data
303-2	Management of water discharged-related impacts	Page 48, Key Performance Data
303-5	Water consumption	Page 48, Key Performance Data
GRI 305: Emissions 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 39
103-2	The management approach and its components	Pages 42-47
103-3	Evaluation of the management approach	Pages 42-47
305-1	Direct (Scope 1) GHG emissions	Key Performance Data
305-2	Energy indirect (Scope 2) GHG emissions	Key Performance Data
305-3	Energy indirect (Scope 3) GHG emissions	Key Performance Data
305-4	GHG emissions intensity	Key Performance Data
GRI 306: Waste 2020		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 39
103-2	The management approach and its components	Pages 49-50
103-3	Evaluation of the management approach	Pages 49-50
306-1	Waste generation and significant waste-related impacts	Pages 49-50
306-2	Management of significant waste-related impacts	Pages 49-50
306-3	Waste generated	Pages 49-50, Key Performance Data
GRI 307: Environmental Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 39
103-2	The management approach and its components	Pages 39-52
103-3	Evaluation of the management approach	Pages 39-52
307-1	Non-compliance with environmental laws and regulations	Key Performance Data
GRI 308: Supplier Environmental Assessment 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 36-38
103-2	The management approach and its components	Pages 36-38
103-3	Evaluation of the management Approach	Pages 36-38
308-2	Negative environmental impacts in the supply chain and actions taken	Pages 36-38

Material Topic Disclosures		
GRI Indicator	**Description**	**Location and Notes**
Social – Labour and Human Right Policy		
GRI 402: Labour/Management Relations 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12
103-2	The management approach and its components	Page 56
103-3	Evaluation of the management approach	Page 56
402-1	Minimum notice periods regarding operational changes	Employees in Spain, France and Malaysia which is accountable for 6.7% of VTech's employee are covered by collective bargaining agreement. Notice period provided to employees and their representative prior to the implementation of significant operational changes is between fifteen days to six months depends on the significance. In our operating sites where are not bound by the collective agreement, we do not have a fixed minimum notice regarding operational change. However, to the extent possible, we do inform our colleagues well in advance the intention and details of the change. Prior to such change, we will conduct briefing for employees to collect their feedback and try to put relevant notice within a month's time.
GRI 403: Occupational Health and Safety 2018		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 53
103-2	The management approach and its components	Pages 58-59
103-3	Evaluation of the management approach	Pages 58-59
403-1	Occupational health and safety management system	Pages 58-59
403-2	Hazard identification, risk assessment and incident investigation	Pages 58-59
403-3	Occupational health services	Pages 58-59
403-4	Worker participation, consultation, and communication on health and safety	Pages 58-59
403-5	Worker training on occupational health and safety	Pages 58-59
403-6	Promotion of worker health	Pages 54, 58-59
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 58-59
403-9	Work-related injuries	Pages 58-59, Key Performance Data
GRI 404: Training and Education 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 53
103-2	The management approach and its components	Page 55
103-3	Evaluation of the management approach	Page 55
404-1	Average hours of training per year per employee	Page 55, Key Performance Data

Appendix

Material Topic Disclosures		
GRI Indicator	**Description**	**Location and Notes**
Social – Product Responsibilities		
GRI 416: Customer Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 32-33
103-2	The management approach and its components	Pages 32-35
103-3	Evaluation of the management approach	Pages 32-35
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Key Performance Data
GRI 417: Marketing and Labeling 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 32-33
103-2	The management approach and its components	Pages 32-34
103-3	Evaluation of the management approach	Pages 32-34
417-2	Incidents of non-compliance concerning product and service information and labeling	Key Performance Data
GRI 418: Customer Privacy 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 26-27
103-2	The management approach and its components	Pages 26-28
103-3	Evaluation of the management approach	Pages 26-28
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	VTech does not report the number of substantiated complaints or loss of customer data since this information is not rolled up to a global level
Social – Community Impact		
GRI 419: Socioeconomic Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Pages 11-12, 25-28
103-2	The management approach and its components	Pages 27-28
103-3	Evaluation of the management approach	Pages 27-28
419-1	Non-compliance with laws and regulations in the social and economic area	Key Performance Data

Stock Exchange ESG Guide Index

Aspects	Disclosure		Location and Notes
Mandatory Disclosure Requirements			
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses		Pages 5-7, 26
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report.		About this report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.		About this report, Page 70
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. *Note:* – *Air emissions include NOx, SOx, 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.*	Pages 39-41
	KPI A1.1	The types of emissions and respective emissions data.	Page 47, Key Performance Data We are adjusting our data collection system to facilitate the disclosure of air emissions data.
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performance Data
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 50, Key Performance Data
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 49, Key Performance Data
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Pages 23, 44-47
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets(s) set and steps taken to achieve them.	Pages 23, 49-50

Appendix

Aspects	Disclosure		Location and Notes
A2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. *Note:* *Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	Page 40
	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 47, Key Performance Data
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	Page 48, Key Performance Data
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Pages 23, 44-47
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Page 48
	KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Key Performance Data
A3. The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Pages 39-52
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Pages 39-52
A4. Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those may impact, the issuer.	Pages 41-45
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Pages 41-45
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.	Pages 53-54, 56-57
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Key Performance Data
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Data
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.	Pages 53, 58-59
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 58, Key Performance Data
	KPI B2.2	Lost days due to work injury.	Key Performance Data
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Pages 58-59
B3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note:* *Training refers to vocational training. It may include internal and external courses paid by the employer.*	Pages 53, 55
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Key Performance Data
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 55, Key Performance Data

Aspects	Disclosure		Location and Notes
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 56
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 56
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 56
Operating Practices			
B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Pages 36-38
	KPI B5.1	Number of suppliers by geographical region.	84% 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.	Pages 36-38
	KPI B5.3	Description of practices used to identity environmental and social risks along the supply chain, and how they are implemented and monitored.	Pages 36-38
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Pages 36-38
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.	Pages 28-29, 32-33
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Page 18, Key Performance Data
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Pages 32-33, 6 products and service related complaints were received during FY2022.
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 28
	KPI B6.4	Description of quality assurance process and recall procedures.	Pages 32-34
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 28
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 28
	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 in FY2022
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 27
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Page 28
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.	Pages 60-66
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 60
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Pages 60-61

TCFD Index

In FY2020, VTech started to disclose climate-related initiatives using the TCFD's framework. The information on how we assess and manage climate-related risks and opportunities, as well as strategies for mitigating risks and realizing opportunities are provided to our stakeholders under four thematic areas - governance, strategy, risk management and metrics and targets.

TCFD recommendation	Disclosure	Reference
Governance: Disclose the organization's governance around climate-related risks and opportunities.		
a) Describe the board's oversight of climate-related risks and opportunities	At VTech, our RMSC established by the Board comprises executive Directors, an independent non-executive Director, the TEL President, the Group CFO, and the Company Secretary and Group Chief Compliance Officer and oversees climate change-related issues, and provides vision and strategic direction through its regular meetings on a biannual basis. 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.	Pages 5, 25-26
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Our RMSC has also formed the Sustainability Sub-Committee which has the strategic and operational responsibility to manage sustainability issues while implementing the policies and measures to achieve strategic vision and direction approved by RMSC. The Sub-Committee comprises key employees from the Company's different product lines and relevant departments, including Group Chief Financial Officer, TEL President, Vice President of ELP Operation, Managing Director of CMS, and the Sustainability team. It is 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 quarterly. We have recognized our climate change risk and formulated the Sustainability Plan 2025. Approved by the RMSC, the plan ensures our continuous improvement programmes and approaches on sustainability would be carried out effectively and consistently.	Pages 6-7, 42-45
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	In the short (0-1 year) and medium (1-5 years) terms, interruptions in the supply chain due to extreme weather events, climate-related new regulatory requirements and reporting obligations, and changing customer behavior and increased stakeholder concern are identified as potential risks whereas adaptive capacity enhancement, and development of low emission goods and services via R&D are considered opportunities. In the long term (5 years+), it will be essential to transform rapidly towards sustainable use of energy and resources through technological advancement, in face of potential risks of chronic physical risks and shifts in energy prices.	Pages 42-45
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	The climate-related risk and opportunities have affected our products and services, supply chain, R&D, and other operations. Therefore, VTech is striving to combat climate change by utilizing necessary financial resources to build capacity for climate mitigation and adaptation. We also seize opportunities by investing in R&D and low-carbon technologies to align our strategies to drive positive impact in the long term.	Pages 42-45
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Two scenarios have been considered. The business-as-usual scenario was chosen to assess the impact of physical risk under a high-emissions scenario, while the Paris-aligned scenario is a below 2°C scenario for identifying impact of transitional risks under transformation towards low-carbon economy respectively. VTech has established the Sustainability Plan 2025 to ensure our continuous improvement programmes and approaches on sustainability would be carried out effectively and consistently. We will continue to explore energy saving opportunity and reduce GHG emissions.	Pages 23, 42-45
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.		
a) Describe the organization's processes for identifying and assessing climate-related risks.	Potential climate-related risks have been identified with reference to TCFD recommendations. We have evaluated the impact level and likelihood of occurrence of the risks under the two scenarios identified. For physical risks, we consider the impact of extreme climate events on our supply chain, manufacturing process as well as in-bound and out-bound logistics. For transition risks, we have considered the development on regulatory requirements and carbon tax, as well as the impact of technological advancement and shifting market preferences on our product life cycle.	Pages 42-45

TCFD recommendation	Disclosure	Reference
b) Describe the organization's processes for managing climate-related risks.	Risks have been 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.	Pages 25-26, 42-45
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate-related risks are considered throughout the entire company-wide risk identification, assessment, and management processes. The climate-related risks are identified and assessed by the Sustainability Sub-Committee and related operation departments, and further reviewed by the RMSC. The committee is responsible for putting in place policies, procedures and frameworks for the identification and management of risks.	Pages 25-26, 42-45
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	We have established our Sustainability Plan 2025 as a metric for managing the risks and opportunities posed by climate change. Results are reported every year.	Page 23
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scope 1: 4,728 tonnes of CO_2e Scope 2: 81,013 tonnes of CO_2e Scope 3: 16,295 tonnes of CO_2e As of FY2022, scope 3 emission only included GHG emission data from ocean and air shipment of contractors engaged by VTech	Key Performance Data
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	In our Sustainability Plan 2025, we have set GHG emission target – to reduce GHG emission per production output in assembly factories and plastic factories by 10% compared with FY2020 respectively, as well as targets on water usage and energy usage. For details, please refer to our Sustainability Plan 2025 on page 23.	Pages 18, 23, Key Performance Data

Certifications in Manufacturing Facilities

TEL Products	
ISO 9001/TL 9000	Quality Management System
ISO 14001	Environmental Management System
IETP	ICTI (International Council of Toy Industries) Ethical Toy Program
ISO 45001	Occupational Health and Safety Management System
SA 8000	Social Accountability
Work Safety Standardisation	Work Safety Standardisation
ELPs	
GSV	Global Security Verification
ISO 9001	Quality Management System
ISO 14001	Environmental Management System
ISO 17025	Laboratory Accreditation Certificate by China National Accreditation Service for Conformity Assessment (CNAS)
IETP	ICTI (International Council of Toy Industries) Ethical Toy Program
ISO 45001	Occupational Health and Safety Management System
Work Safety Standardisation	Work Safety Standardisation
CMS	
ISO 9001	Quality Management System
ISO 13485	Medical Devices Quality Management System
ISO 14001	Environmental Management System
IAFT 16949	Automotive Quality and Management System
ISO 45001	Occupational Health and Safety Management System
SA 8000	Social Accountability
QC 080000	Hazardous Substance Process Management System

Environmental and Safety Standards

TEL Products

Environmental Standards of TEL Products	
RoHS2	Restrictions of Hazardous Substance
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Waste Electrical and Electronic Equipment
Energy Star ® eco-label	Certified Energy Saving Products
Blue Angel eco-label	German standards of low-radiation and energy efficiency with benefits to the environment
Safety Standards of TEL Products	
UL 60950/62368	Safety standards for US Market
EN 62368	Safety standards for European countries
CCC	China Compulsory Certification
UL	Underwriters Laboratories

ELPs

Environmental Standards of ELPs	
RoHS2	Restrictions of Hazardous Substance
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: Safe Drinking Water and Toxic Enforcement Act
FSC	Forest Stewardship Council
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 Substance
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: Safe Drinking Water and Toxic Enforcement Act
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
UL 62368	Safety standards for US Market
EN 62368	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
BIS	Bureau of Indian Standard

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) Telecommunications Electronics 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

United States

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

Malaysia

VTech Communications (Malaysia) Sdn. Bhd.
VTech Telecommunications (Malaysia) Sdn. Bhd.

Singapore

VTech Communications Trading (Singapore) Pte. Ltd.

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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