VTech Holdings Limited

HKSE: 303

Sustainability Report 2021

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 and its principles of balance, comparability, accuracy, timeliness, clarity and reliability. We have also made reference to the Stock Exchange of Hong Kong Limited (the Stock Exchange) Environmental, Social and Governance (ESG) Reporting Guide (ESG Guide)[1] to define our report content and satisfy its "comply or explain" and "recommended disclosures" provisions.

VTech also supports the 17 Sustainable Development Goals (SDGs) developed by the United Nations, 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 17 SDGs.

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.

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 term, are identified, with development of sustainability initiatives to address them in our 5-year Sustainability Plan 2025.

The quantitative principle applies to all information in this report. All performance indicators are provided with clear definition and unit measurement is clearly stated.

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.

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 Malaysia factory, there were no significant changes in VTech's operation locations, share capital structure, or our supply chain structure.

Reporting period: FY2021 (1 April 2020 to 31 March 2021), as per the financial period of our Annual Report 2021. 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 2021 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 for the lives of people and protect the planet for the future generations."

Looking back to the financial year 2021, the novel coronavirus (COVID-19) pandemic has continued its severe and profound impacts on the social lives of people and the global economy. Many countries have been undergoing various degrees of lockdown during the year, while travelling and business activities have continued to be restricted. Children living in under-resourced communities have been particularly affected as schools are closed and they lack the facilities and equipment to learn at home.

As a global leader in electronic learning products (ELPs) and residential telephony industry with 45 years of excellence in technological innovation, as well as an international company with sales and operation footprints around the world, VTech recognises its sustainability obligations to the stakeholders to design, manufacture and supply innovative and high quality products in a manner that minimise any impact on the environment, while creating sustainable value for our stakeholders and the communities. As outlined in our 5-year Sustainability Plan 2025, VTech's sustainability initiatives include increasing the use of sustainable materials in our products, recycling our products in a responsible way, increasing the use of renewable energy, reducing the consumption of natural resources in our production process, as well as increasing the use of eco-friendly transportation modes in our supply chain management.

With our sustainability pledge to replace fossil based plastics with sustainable alternatives by 2030, VTech has started the development of a number of green ELPs made of sustainable materials, which will be launched in the coming FY2022. These include four new vehicles in the popular Go! Go! Smart Wheels® line made from plant-based plastic, the Sort & Recycle Ride-on Truck™ made from reclaimed plastic, and the Choppin' Fun Learning Pot™ with vegetable accessories made from plant-based plastic. VTech has also sourced materials from responsibly managed forests certified by Forest Stewardship Council® for two new wooden toys, Touch & Learn Nature ABC Board™ and Interactive Wooden Animal Puzzle™. With regard to TEL products, hotel phones made from recycled plastic will be launched in FY2022.

As for the packaging of ELPs, currently over 94% of the packaging materials is recyclable, while about 85% of the packaging is made from recycled materials. VTech has also replaced the fossil-based blister packaging with plant-based alternative in all new ELPs packaging. In addition, we have eliminated plastic packaging in over 20% 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.

In order to support circular economy initiatives in our major markets for recycling our products and packaging in a responsible way, VTech has engaged in various post-consumer recycling programmes for our products and packaging. For examples, VTech has partnered with leading international recycling companies such as TerraCycle® in the US and Electronic Products Recycling Association in Canada. We have also followed the Waste Electrical and Electronic Equipment Directive in Europe by adding product recycling labels on the product packaging. As for the recycling of our packaging, VTech has participated in the recycling programmes organised 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 our ELPs for consumers' easy reference. VTech will continue to explore opportunities to extend our post-consumer recycling programmes to the rest of our markets.

VTech also continuously pursues innovative ways to make our operations more sustainable and environmentally friendly to preserve the natural environment. Through the implementation of green manufacturing programmes, which include the incorporation of 3Rs (Reduce, Reuse, and Recycle) principle into our manufacturing process, we continue to reduce energy and water consumption, minimise waste production, and reuse and recycle the natural resources. In FY2021, we achieved notable reductions per

production unit in Greenhouse Gas (GHG) emissions in our assembly factories by 15.6%, water consumption by 11.0%, non-hazardous waste by 10.3% and hazardous waste by 19.0% compared with FY2020. With the extended application of solar technology in our manufacturing and operating sites, we also increased the use of renewable energy by 44.6% compared with FY2020. We will continue to install more solar panels in our manufacturing sites to further increase the usage of clean energy.

As for our global supply chain, VTech has adopted a green logistic management approach and continued to choose the most eco-friendly transportation mode for delivering the incoming materials from suppliers and outgoing products to the customers. We continue to work with our logistic service providers and customers to consolidate shipping orders and maximise the loading capacity of each container. As for inland goods delivery, we are also increasing the use of rail freight instead of truck shipment in order to reduce the GHG emissions during the transportation. In recent years, VTech has also implemented decentralised warehousing strategy in our major markets such as the US, Canada and Australia to locate our local distribution centres close to our customers. It helps us not only reduce the delivery time for shipment of products to our customers, but also save fuel consumption and thus reduce GHG emissions during the transportation.

As VTech has approximately 25,000 employees working across 15 countries and regions, protecting the health and safety of our staff especially under the COVID-19 pandemic is always our top priority. In order to ensure that a safe working environment is provided at all VTech's workplaces, we have continued to implement various precautionary measures in our offices and factories following the local government and World Health Organisation recommendations, and offer work-from-home arrangement for the employees whenever necessary. These include provision of health protection and personal hygiene guidelines to our workers and staff, monitoring body temperatures of visitors and our employees at the workplaces, and maintaining social distance in the canteens and dormitories at our manufacturing sites.

VTech has also used its worldwide resources to collaborate with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various events across multiple countries. These included a global toy donation programme with over 4,400 electronic learning toys donated by VTech, and the "Save a Plate" fund-raising event to help lift struggling children out of hunger across the globe. Our employees in different countries have 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 2021, VTech will also donate USD1 to Save the Children for every baby monitor or toy sold through our online shops in Canada and Hong Kong, and every baby monitor sold through our online shop in the US.

Since the second half of the financial year 2021, VTech has been facing the challenges of the fluid global supply chain for delivery of materials and finished goods, which are driven by the severe shortage of electronic components from semiconductor manufacturers and vessel capacity constraints of shipping carriers. With our long-standing sustainability programme, which includes a risk management system in working with our critical suppliers and logistic service providers, together with the remarkable efforts devoted by our employees, we have been able to swiftly respond to these unpredictable threats and mitigate the suffering of our business. For the year ended 31 March 2021, VTech was also able to deliver record sales and net profit, although the global supply chain remains highly unstable in the coming financial year.

Our dedicated sustainability efforts have received local and international recognitions. VTech has continued to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index with score at AA- rating, and has also been included in the FTSE4Good Global Index for the 6th consecutive year. We have also achieved a rating of A in the Morgan Stanley Capital International (MSCI) ESG Rating. In addition, we have received the "Awards for Excellence in Sustainability" of the Hong Kong Corporate Governance Excellence Awards organised by the Chamber of Hong Kong Listed Companies for the fourth time. In recognition of our continuous contributions to the Hong Kong community, we have been recognised as the "Industry Cares Company" by Federation of Hong Kong Industries, and the "Caring Company" by The Hong Kong Council of Social Service for the 13th consecutive year.

The calendar year 2021 marks the 45th anniversary of VTech, an international company originated in Hong Kong, with leadership in technological innovation and vision to create sustainable value for the lives of people and protect the planet for the future generations. I would like to express my heartfelt gratitude to our stakeholders, in particular our employees and business partners, for the continuous support to facilitate VTech to pass through those turbulent and challenging times during our 45 years of journey. VTech will continue to make every effort to incorporate sustainability aspects into our business activities to achieve our sustainability targets in our Sustainability Plan 2025. We also strive to integrate economic growth, environmental protection and social responsibility in the business strategies of the Group, aiming to drive sustainable value for our stakeholders and the communities.

Allan WONG Chi Yun
Chairman
18 May, 2021

About vtech

VTech is the global leader in electronic learning toys from infancy through toddler and preschool[2] and the largest manufacturer of residential phones in the US. 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 and Malaysia, VTech currently has operations in 15 countries and regions. In FY2021, VTech has approximately 25,000 employees, including around 1,600 research and development (R&D) professionals in R&D centres in the United States, Canada, Germany, Hong Kong, Taiwan and China. This network allows VTech to stay abreast of the latest technology and market trends throughout the world, while maintaining a highly competitive cost structure.

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

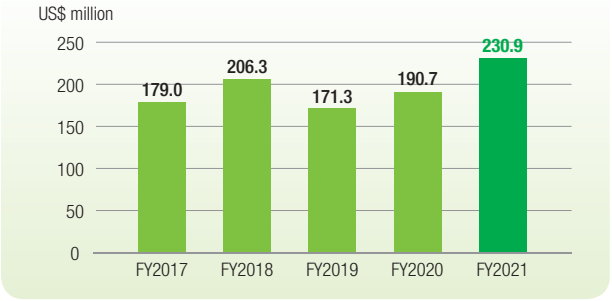
For the year ended 31 March 2021, Group revenue and profit attributable to shareholders of the Company were US$2,372.3 million and US$230.9 million respectively. At 31 March 2021, the Group had working capital and total assets of US$251.6 million and US$1,445.6 million respectively. The Group's total equity was US$731.1 million as at 31 March 2021.

Shares of VTech Holdings Limited are listed on The Stock Exchange (HKSE: 303). At 31 March 2021, the number of issued and fully paid shares of the Company was 252,129,133 shares.

For details of our financial performance, please refer to the financial highlights included in our Annual Report 2021 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



Revenue by Regions for the year ended 31 March 2021

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

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

2 *Sources: Ranking based on The NPD Group Retail Tracking Service for Projected US dollar sales in the US, Canada, France, Germany, the UK, Belgium, 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 2020.*

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 2020.

3 *The UN Global Compact asks companies to abide by its 10 principles, protecting the core values of the UN's human rights, labour standards, environmental and anti-corruption policies. See 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

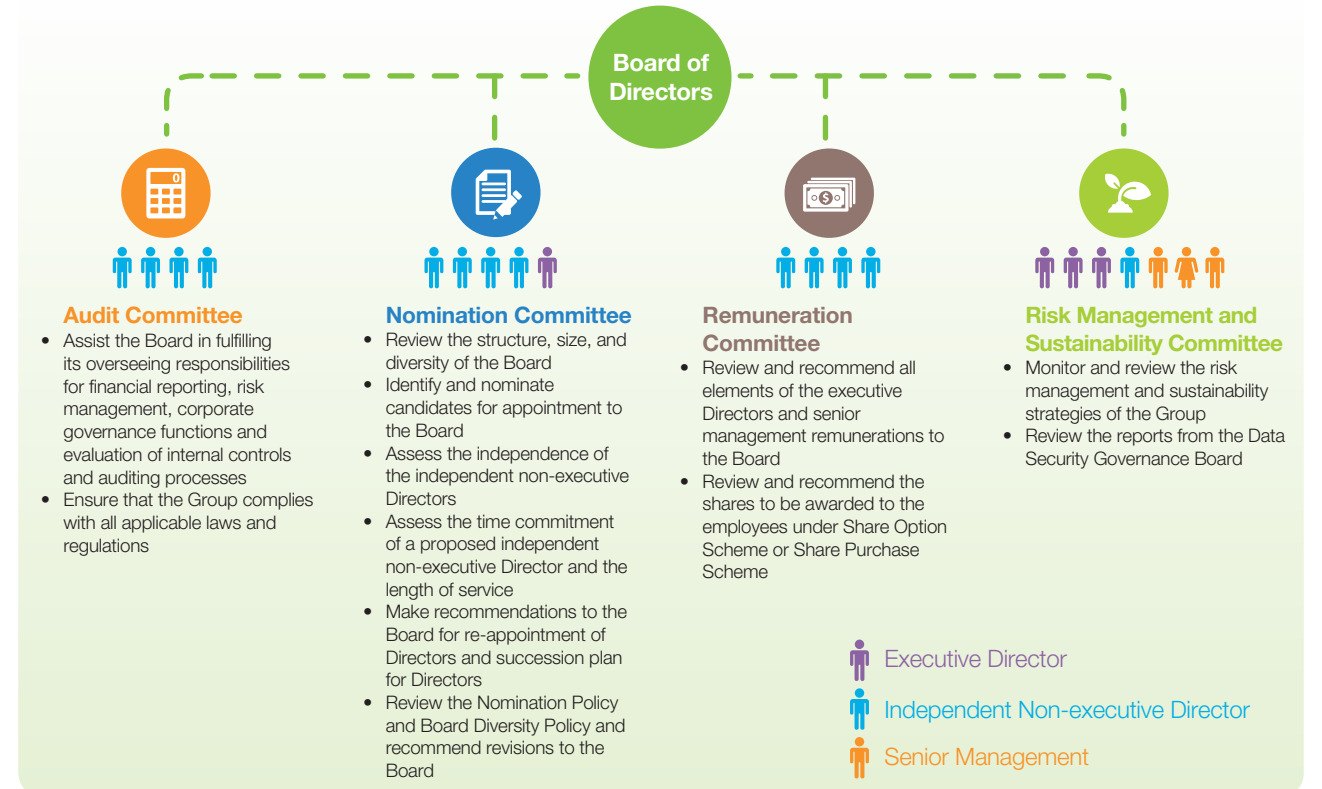
VTech Holdings Limited is incorporated in Bermuda and has its shares listed on the Stock Exchange. The corporate governance rules applicable to the Company are the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

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 87 of the Annual Report 2021. 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, re-election and recommendations.

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 2021 at www.vtech.com/en/investors/financial-reports/

Sustainability Foundation

VTech's Sustainability Management

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.

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

- 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 throughout the company

Product Responsibilities and Value Chain Management

- 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
- 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

- 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 supportive, pleasant and healthy workplace for our employees and foster a caring community in our working environment

Society

- Use our expertise and resources to support 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

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. Therefore, we have recently evaluated the relationship between the SDGs and our business and sustainability framework. We have mapped SDGs across our sustainability activities, and identified five primary goals which VTech is best positioned to contribute to and have the greatest impact as a global corporate citizen. The table below details how VTech is helping in achieving these five primary goals. Besides that, we believe that our business is supporting all 17 SDGs. Five sustainability pillars – Governance and Business Ethics, Product Responsibilities and Value Chain Management, Environment, Our People, and Society that are aligned with the 17 SDGs were set up accordingly.

Sustainability Foundation

Governance and Business Ethics

Goal 16: Promoting peaceful and inclusive societies for sustainable development is the most material goal for our sustainability pillar "Governance and Business Ethics".

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. We strive to contribute to SDG 16 in the area of governance and business ethics, by strengthening our effectiveness, accountability and transparency. To achieve these goals requires both broad ranging and in-depth governance structures and risk management processes.

We are committed to advancing our corporate governance practices so that we can not only ensure our long-term business success, but also contribute to more peaceful and inclusive societies.

Read more on pages 26-29.

Product Responsibilities and Value Chain Management

Goal 12: Ensuring sustainable consumption and production patterns is the most material goal for our sustainability pillar "Product Responsibilities and Value Chain Management".

VTech is committed to providing innovative solutions that enable sustainable consumption and production patterns. We require the same sustainable approach from our suppliers.

To understand the environmental and social impacts of our products, we regularly review the "hot spot" areas within the value chain and seek for continuous improvement.

We implement the principles of "Design for People" and "Design for Excellence" in order to offer products that can enhance the well-being of our customers and benefit the society. We strive not only to provide high quality products and comply with the highest international and local quality and safety standards, but also incorporate sustainability concepts into product design for the health and safety of our customers and to further improve our products to make them more sustainable and eco-friendly.

We also have a well-established Supply Chain Management System in place to ensure that we have a sustainable supply chain practice throughout the Company.

In FY2021, we developed a variety of green electronic learning products made from plant-based or reclaimed plastic and wooden products with materials sourced from responsibly managed forests certified by Forest Stewardship Council®. These new eco-friendly products will be launched in FY2022. We also engaged in various post-consumer packaging and product recycling programmes.

Read more on pages 30-38.

Environment

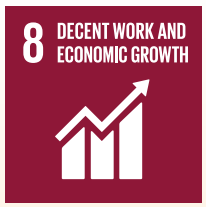
Goal 13: Taking urgent action to combat climate change and its impact is the most material goal for our sustainability pillar "Environment". VTech is dedicated to protecting the environment and supporting the fight against climate change to move towards a circular economy.

We have developed our "Climate Change Strategy" to assess how climate change could affect our business operations and minimise the potential impacts on our sustainable growth. We have implemented a high performance production chain to maximise our resources efficiency and improve the productivity while maintaining a green manufacturing and logistics practice. We have also launched many energy and resource saving projects to minimise the environmental impact from our operations and conserve the resources.

In FY2021, we achieved notable reduction in electricity consumption and thus lower carbon emission to the environment, with CO_2 emission per production output in our assembly factories and plastic plants reduced by 15.6% and 4.4% respectively compared with FY2020. We reduced the hazardous waste and non-hazardous waste per production output by 19.0% and 10.3% respectively compared with FY2020.

Read more on pages 39-51.

Our People



Goal 8: Promoting inclusive and sustainable economic growth, employment and decent work for all is the most material goal for our sustainability pillar "People". At the end of FY2021, we had approximately 25,000 people globally, creating business and employment opportunities all over the world.

We conduct our business in accordance with the internationally recognised ethical and responsible business practices. Providing a safe and healthy working environment for our people is of paramount priority for VTech. By conducting comprehensive health and safety training programmes, organising well-being activities and providing continuous improvement on the workplace facilities, we aim to provide a supportive, pleasant and healthy workplace for our employees, and to foster a caring community in our working environment. We have also established training programmes to develop and nurture talents. We are committed to workforce diversity to create a more inclusive environment at VTech.

We have achieved employee satisfaction rate above average level for seven consecutive years and the number of employees with service years longer than 5 years increased by 6% compared with FY2020. In FY2021, each employee engaged in annual average of 73.2 training hours.

Read more on pages 52-58.

Society

Goal 17: Revitalising the global partnership for sustainable development is the most material goal for our sustainability pillar "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. Through these initiatives, VTech can build our resilience, enhance our knowledge base and gain a sense of responsibility for the community. Social cohesion and trust are strengthened between the society and us, leading to the sustainable outcomes.

In FY2021, VTech collaborated with Save the Children, an international charitable organisation supporting marginalised and vulnerable children, to organise various events across multiple countries. We have also launched the first "Global Green Day" at our Hong Kong headquarters and various overseas offices to promote a healthy and green lifestyle in VTech and our communities.

Read more on pages 59-65.

Dialogue and Involvement 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.

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

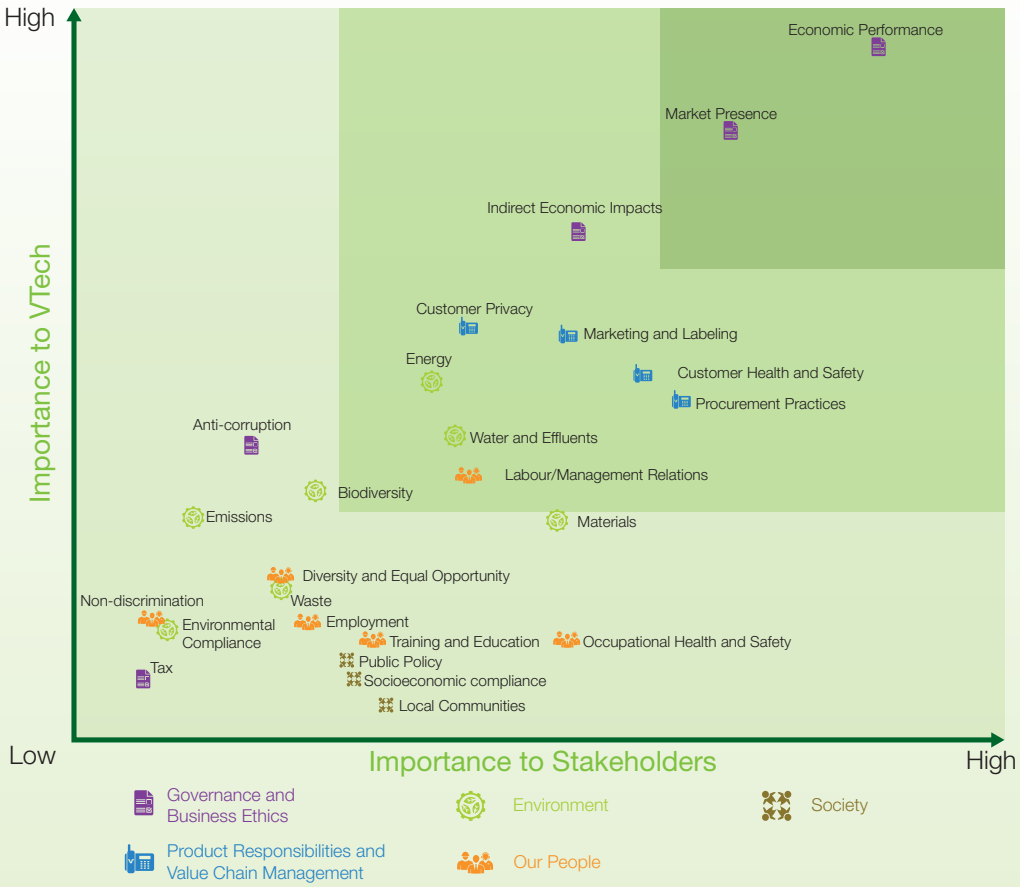
Stakeholders	Topics Concerned	Communication Channels	Frequency per year
Customers	• Production quality and improvements • Product safety, performance and life cycle • Operation in compliance with applicable law and regulations • Customer support • Financial performance • Sustainability strategies	• Online customer satisfaction surveys • Customer visits or meetings • Industry exhibitions and forums • Product training workshops • On-site visits at VTech's factories • Quarterly business review • Customer service hotline and email	Annually As required* As required* As required* As required* Quarterly On-going
Employees	• Employees' health and safety • Employee communication and engagement • Working 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

The material sustainability topics identified by the stakeholders were based on the results of the materiality assessment surveys conducted in FY2021. The results were mapped with the key sustainability topics assessed by VTech's senior management and illustrated in the following chart.

Chart of Materiality Assessment



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

The labelled topics that lie within the shaded area of the Chart are the most important items on our sustainable development identified by both VTech and the Stakeholders in the materiality assessment surveys. According to our survey results, 2 out of 46 topics were identified as the most important to our stakeholders and VTech, which are Economic Performance and Market Presence. This assessment could help us prioritise our corresponding sustainability activities and programmes to address their needs, as well as monitor our sustainability progress.

Besides, in accordance with the requirements of Core option of the GRI Standards, we have also covered all the material topics in our Sustainability Report 2021, 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	Shareholders	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 for the lives of people and protect the planet for the 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
- Established our four core areas on CSR: Environment, Employees, Shareholders and Community

FY2013

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

FY2014

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

FY2015

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

FY2016

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

FY2017

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

FY2018

- 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
- Continued to monitor our sustainability progress and implement relative measures according to VTech Sustainability Plan 2020

FY2020

- Incorporated the UN SDGs in the development of sustainability strategy
- Developed 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 forests

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[4] for six consecutive years. We also received a rating of A in the MSCI ESG Ratings assessment[5] and were assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. Our Sustainability Report 2020 received the "Award of Excellence in Sustainability" from the Chamber of Hong Kong Listed Companies. We also received the ESG Leading Enterprises Award and Leading ESG Initiative Award from Bloomberg Businessweek/Chinese Edition and the InnoESG Prize, which was co-organised by UNESCO HK Global Peace Centre, Rotarian Action Group for Peace and SocietyNext Foundation. We were also presented the Best ESG Report – Mid-cap – Grand Award in Hong Kong ESG Reporting Awards 2020. Additionally, we have been awarded the Caring Company by The Hong Kong Council of Social Service for thirteen consecutive years and the "Outstanding Caring Awards (Enterprise Group)" and "Best Social Impact Award (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 2020-2021

FTSE4Good Global Index

FTSE4Good

MSCI ESG Ratings A

MSCI

Sustainalytics Rating – Low Risk

SUSTAINALYTICS a Morningstar company RATED

Hong Kong Corporate Governance Excellence Awards – Award of Excellence in Sustainability

Hong Kong Corporate Governance Excellence Awards 2020

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

HERA

InnoESG Prize 2020

InnoESG Prize 2020

Outstanding Caring Awards (Enterprise Group) and the Best Social Impact Award (Enterprise Group) by Federation of Hong Kong Industries

INDUSTRY CARES 3+ 工業獻愛心

Award as Caring Company for the 13th Consecutive Year

10 years+ 商界展關懷 caringcompany

Equal Opportunity Employer Recognition Scheme – Equal Opportunity Employer Gold Award by Equal Opportunities Commission

Signatory of the Good Employer Charter 2020 and award as Family-Friendly Good Employer 2020 by Labour Department

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

好僱主約章 GOOD EMPLOYER CHARTER 2020

Award as Mental Health Friendly Supreme Organisation by Department of Health

精神健康友善機構 Mental Health Friendly Organisation

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

有心企業 HEART TO HEART COMPANY 2007-2021

Social Capital Builder Logo Award by Labour and Welfare Bureau

Social Capital Builder Awards 社會資本動力獎

Galaxy Awards – the Honors Award in Annual Reports – Print

galaxy HONORS

Annual Report Competition (ARC) Awards – Gold Award in Illustration, Silver Award in Interior Design and Bronze Award in Cover Photo/Design

ARC AWARDS

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

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

Sustainability Targets and Performance

FY2021 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 FY2021	FY2021 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 was 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 was 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 Pillar	Strategy Themes	Approaches		Targets for FY2021		FY2021 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	Introduce new ELP using bio-based plastic or recyclable plastic	The following products had been developed and would be launched in FY2022: – Four new vehicles in the popular Go! Go! Smart Wheels® series made from plant-based plastic – Sort & Recycle Ride-on Truck™ made from reclaimed plastic – Choppin' Fun Learning Pot™ with vegetables accessories made from plant-based plastic – Wooden toys: Touch & Learn Nature ABC Board™ and an Interactive Wooden Animal Puzzle™
					Apply waterborne paint for 15% of ELPs	Waterborne paint was applied on 90% of ELPs
				TEL	Study the application of bio-based plastic and green solutions for selected hotel phone models production	3 hotel phone models were selected to test the application of recycled plastic
					Adopt anti-bacteria technology on hotel phones launched to the market	Anti-bacteria feature was applied on two hotel phone models
					Gradually replace the use of solvent-based paint with waterborne paint for TEL products	Waterborne paint was applied on over 90% of TEL products
				CMS	Study the application of bio-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 10% of CMS designed products	Waterborne paint was applied on a new model

Sustainability Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2021		FY2021 Progress Update
Product Responsibilities and Value Chain Management	Product Innovation	Design for Excellence – Design for Environment		Undertake LCA analysis for 2 key products in TEL products and ELPs to reduce carbon footprint throughout the product life cycle		LCA analysis was performed for 2 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 all new ELP packaging	Waterborne paint was applied on all new ELP packaging
					Over 94% of packaging materials for new ELPs are recyclable, and over 85% of them are from recycled material	Over 94% of packaging materials for all ELPs was recyclable About 85% of packaging material for all ELPs was from recycled material
					Eliminate blister in 98% of ELP packaging and use bio-based blister on the new ELPs packaging	Blister was eliminated in 98% of ELP and Bio-PET was applied on all new ELPs packaging
					Minimise the size of the instructions leaflet of new ELPs to reduce paper consumption	Simplified instructions leaflet was under development stage and would be applied starting in FY2022
					Study “Easy to fold and flatten” design on packaging box for all new ELPs to reduce volume for waste disposed	After a thorough study, we recognised that engaging in recycling programmes would be more effective in reducing waste We had engaged in different packaging recycling programmes like”How2Recycle” in US, and “OPRL” in UK and the packaging recycling programme in Australia
				TEL	Phase out all plastic in 20% of baby monitor packaging	Over 20% 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 77.8% of all TEL packaging
				CMS	Use bio-degradable bags to replace Polyethylene (PE) bags for 15% of CMS designed product packaging	Bio-degradable bags were used for over 15% 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 Pillar	Strategy Themes	Approaches		Targets for FY2021	FY2021 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 2% compared with FY2020	Compared with FY2020, health and safety products sales increased by 6.1%
	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
				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	Analyze, 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 plant-based plastic or reclaimed plastic or FSC certified wood would be introduced to market in 2021; Bio PET Blister was applied on several ELP items; We had engaged in different post-consumer product recycling programmes
				Reduce GHG emission per production output in assembly factories by 2% compared with FY2020	Compared with FY2020, GHG emission per production output in assembly factories reduced by 15.6%
				Reduce GHG emission per production output in plastic factories by 2% compared with FY2020	Compared with FY2020, GHG emission per production output in plastic factories reduced by 4.4%
				Increase renewable energy use by 20% compared with FY2020	Compared with FY2020, renewable energy use increased by 44.6%
				Disclose scope 3 emission	We disclosed our scope 3 emission

Sustainability Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2021	FY2021 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 2% compared with FY2020	Compared with FY2020, electricity usage per production output in assembly factories reduced by 15.7%
				Reduce the electricity usage per production output in plastic factories by 2% compared with FY2020	Compared with FY2020, electricity usage per production output in plastic factories reduced by 2.9%
				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 2% compared with FY2020	Compared with FY2020, total water consumption per production output decreased by 11.0%
		Material, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Maintain the recycling rate of reusable materials at or above 75%	In FY2021, the recycling rate of the reusable materials was 80.8%
				Reduce amount of hazardous waste per production output by 1% compared with FY2020	Compared with FY2020, amount of hazardous waste per production output reduced by 19.0%
				Reduce amount of non-hazardous waste per production output by 1% compared with FY2020	Compared with FY2020, amount of non-hazardous waste per production output reduced by 10.3%
				Reduce material use per production output by 1% compared with FY2020	Compared with FY2020, material use per production output decreased by 2.7%
				Reduce packaging material used for finished goods per production output by 1% compared with FY2020	Compared with FY2020, packing material used for finished goods per production output reduced by 7.4%
	High Performance Production Chain	Implement more low cost automation projects and further strengthen the operational management to improve the production efficiency and productivity		Increase production output per worker by 4% compared with FY2020	Compared with FY2020, the production output per worker increased by 21.6%
	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 86.3%
				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 in US, Australia and Canada for efficient distribution to customers	We moved our distribution centre in Canada from Vancouver to Toronto in FY2021, which is closer to the distribution centres of our major customers

Sustainability Pillar	Strategy Themes	Approaches	Targets for FY2021	FY2021 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 FY2021, average employee satisfaction rate was above average
			Maintain average staff turnover rate at or below 10%	In FY2021, 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 FY2021, average training hours per employee was 73.2 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 3% compared with FY2020	Compared with FY2020, number of staff with years of service longer than 5 years increased by 6%
			Conduct diversity and inclusion awareness training in all operational sites for employee	Diversity and inclusion awareness trainings were conducted in major operational sites for employee
			Ensure that the percentage of women in all management positions is no less than 25%	In FY2021, the percentage of women in management positions was 24.6%
	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 0.013% in FY2021 which was above the target of 0.01% Despite this, the total lost hours reduced by 5.1% compared with FY2020
			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 2,592 in FY2021
	Collaborate with Local Charities		Ensure that the volunteering hours are no less than 23,000 hours	Total voluntary hours was 12,503 in FY2021 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 Hong Kong and China	We extended the programme to provide scholarship to 21 students from both China and Hong Kong universities in FY2021
	Nourish an Innovative Environment		Engage 100 students to participate in innovative activities or studies	We engaged with over 100 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	Organise VTech Green Day in our major operation locations	VTech Global Green Day was held for major operation locations including Hong Kong and overseas offices on 12 Mar 2021

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 FY2022		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	Develop more wooden toys and products made from plant-based plastic or reclaimed plastic	Replace all fossil based plastics with sustainable alternatives by FY2030
					Apply waterborne paint for 30% of ELPs	Apply waterborne paint for 80% of ELPs
				TEL	Launch selected hotel phone models made from recycled plastic	Apply plant-based plastic and green solutions for selected hotel phone models production
					Adopt anti-bacteria technology on hotel phones and cordless 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	Use waterborne paint for all TEL products
				CMS	Study the application of plant-based plastic for selected CMS designed products	Apply plant-based plastic for selected CMS designed products
					Use waterborne paint for 30% of CMS designed products	Use waterborne paint for 50% of CMS designed products

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2022		Targets for FY2025
Product Responsibilities and Value Chain Management	Product Innovation	Design for Excellence – Design for Environment		Undertake LCA analysis for 4 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 85% of ELP packaging	Apply waterborne paint for 85% of ELP packaging
					95% of packaging materials for ELPs is 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 packaging materials to be 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 ELPs by 30% to reduce paper consumption	Reduce paper consumption by 70% for instructions leaflet of all 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 all major markets
				TEL	Phase out all plastic in 40% of baby monitor packaging	Phase out all plastic in baby monitor packaging
					Extend the use of waterborne paint to all TEL packaging	Continue to use waterborne paint for all TEL packaging
				CMS	Use bio-degradable bags to replace Polyethylene (PE) bags for 30% 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 all 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 4% 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 Targets and Performance

Sustainability Pillar	Strategy Themes	Approaches		Targets for FY2022	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 4% 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 4% compared with FY2020	Reduce GHG emission per production output in plastic factories by 10% compared with FY2020
				Increase renewable energy use by 40% 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 4% 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 4% 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 4% 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 2% 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 2% compared with FY2020	Reduce amount of non-hazardous waste per production output by 5% compared with FY2020
				Reduce material use per production output by 2% 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 2% 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 8% 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 Pillar	Strategy Themes	Approaches	Targets for FY2022	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 6% 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 employee	Conduct diversity and inclusion awareness training in all operational sites for employee
			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 employee	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 200 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 ensures its corporate governance structure meets the applicable laws and regulations and industry best practice with effective internal control and risk management systems. We also uphold the highest ethical standards of business integrity and foster a culture of compliance throughout the Company.

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.

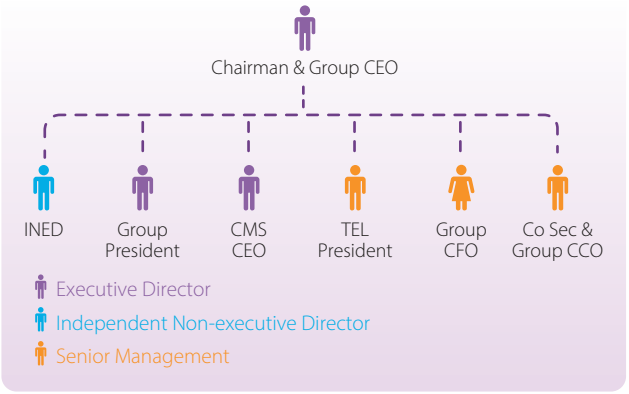
Corporate Governance

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 Executive 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 Group Chief Compliance Officer (Co Sec & Group CCO), 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.

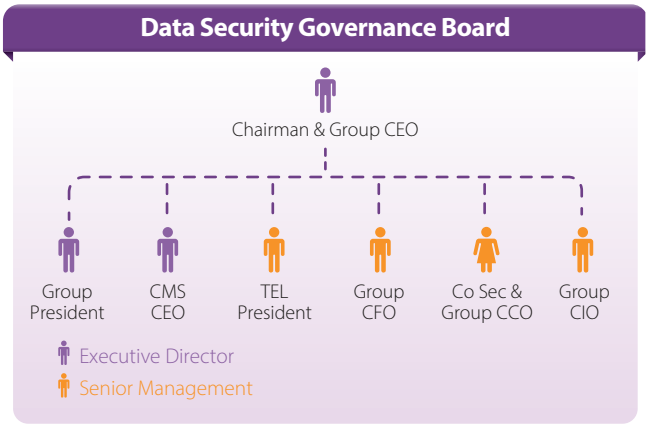
The Company maintains the Risk Register to record the major and identifiable risks in the critical functions in the operation of the Company. The Risk Register is reviewed by the RMSC on a biannual basis. At management level, department representatives of each key business unit/function maintain a risk register documenting the key risks and the response

measures of the relevant risk. To facilitate the review of the Risk Register by the RMSC, the Internal Audit Department will review the operation of the risk management framework, including the effectiveness of reporting to the highest levels, and the continuing operation of appropriate risk responses.

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 & Group CCO, 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 meeting.

ESG risk management and opportunities are integrated into our Sustainability Plan 2025. Please refer to pages 42-44 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 to resume our operations in an effective and timely manner. VTech's RMSC has developed an internal risk management structure at both the management and operational levels, which has clearly defined the roles and responsibilities in managing the potential risks in the respective areas, and set up procedures for the execution of our Business Continuity Plan (BCP) in the event of disruptions. At each of our key business functions, the management team who is responsible for BCM, consisting of the senior management at the operational level of the relevant departments, is given the responsibility for developing and executing the BCP to ensure the continuous operation of the critical and essential functions of the Company in the event of emergency or business interruption. We have adopted a four-step BCM framework to identify the events that could affect our operation, assess the identified risks, establish measures and controls to manage the impacts with recovery actions, and review the BCP for continuous improvement on a regular basis. 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 detail of the measures, please refer to page 58 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 prevent and detect cyber threats, VTech has implemented fit-for-purpose security systems and controls to proactively enhance 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.

To respond to threats and attacks, VTech has mechanisms in place for timely threat detection. We engage best-in-class penetration testing for our network-connected products before rollout. For internal systems, we also conduct security assessment regularly. Regular internal and external audits and risk assessment provide an extra eye on the threat detection.

To ensure preparedness, our staff undergo mandatory cyber attack awareness training and testing on a yearly basis and are subject to simulated phishing drills to maintain vigilance. We also carry out incidence response drills to ensure that our cross-department response team is ready.

BCM Framework of VTech

- **Step 1:** Identification of Potential Event of Disruption
- **Step 2:** Assessment of Identified Risks
- **Step 3:** Establish Measures and Controls
- **Step 4:** Monitor and Review the Effectiveness of BCP

Business Ethics

Code of Conduct and Whistleblowing Policy

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

VTech operates a Whistleblowing Policy in order to encourage and assist whistleblowers to disclose information relevant to misconduct, malpractices or irregularities through a confidential reporting channel 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 Policy and Anti-Corruption

Group policy prohibits VTech Group and its officers, employees and agents from giving or offering to give money or anything of value to government officials, political parties, party officials or candidates for political office in order to influence official acts or decisions of that person or entity, obtain or retain business, or secure any improper advantage. The Company does not make any donations to political parties in any country, but does not restrict employees from individual associations provided that there is no conflict of

interest to their role as a member of the association with role as an employee within VTech. Employees must not purport to represent the Company in any political forum and should not use the Company brand, time or assets to advance the interests of any political party or group.

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

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

Anti-Corruption Training to Directors and Staff

In FY2021, as part of our continuous professional development programme, we organised a one-day training session conducted by qualified professionals to include anti-corruption topic in response to the ESG reporting requirement under Listing Rules for the Directors, senior management and the relevant staff. It intends to give a brief introduction to certain rules and principles on anti-bribery offences and dealing with the Independent Commission Against Corruption of Hong Kong (ICAC) in Hong Kong.

We also invited a Senior Community Relations Officer from ICAC to give a talk on corruption prevention in Hong Kong. The aim of the talk is to provide guidance and insights in order to help our staff to understand the anti-corruption laws and uphold a high standard of integrity. Topics relating to common corruption pitfalls in the private sector and the roles of staff in corruption prevention were covered in the talk. For continuous learning purpose, we have also uploaded training materials on the eLearning platform.

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.

The 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 collect only for the purpose intended and notified. VTech will not sell the personal information to third party for any consideration.

As required by the Data Security Governance Board, a designated Data Protection Officer has been appointed to supervise 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 decision makers and business managers of different departments regularly involved in processing of person 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, 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 right policy, 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 strives not only to provide high quality products and comply with the highest product quality and safety standards, but also incorporate sustainability concepts into product design for the well-being of our customers and the society.

A Supply Chain Management System is also in place to ensure the implementation of sustainable supply chain practice throughout the Company.

Highlights

- Launched Learn & Groove Rainbow Lights Piano™ and Marble Rush Launch Pad Set for children's learning and development
- Introduced enhanced Baby Monitor app with parenting guide and new Senior VoIP Phone for the elderly
- Produced Health Monitoring System and Power Conversion Unit for VTech CMS's customers
- Developed a number of green electronic learning toys made from eco-friendly materials
- Engaged in various post-consumer products and packaging recycling programmes in major markets

VTech strives not only to provide high quality products and comply with the highest international and local quality and safety standards, but also incorporate sustainability concepts into product design in order to enhance the well-being of our customers and benefit the society. Our management approach continues to focus on two key management principles – "Design for 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 78.

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 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 a more eco-friendly product and packaging materials, reduce the use of materials and energy, maximise the use of reusable items and avoid disposing of recyclable materials to landfill during the product development stage.

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.

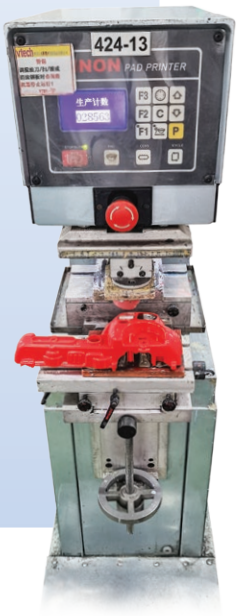
Through our "Every Component Counts" programme, our designers and engineers also make suitable adjustments for components and material reductions. In recent years, we have continued to embed the principle of "Compact Design" in our packaging design, choosing more environmentally friendly packaging materials 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 practice for our key products to compare the carbon footprint between the old and new models, and ensure that there is continuous reduction in carbon footprint of the new model. By embedding the eco-design principles and with continuous reduction in plastic materials and components usage, the carbon footprints of two new ELP and TEL models have reduced 3% and 1% 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 TEL products produced. The application of waterborne paint has greatly reduced emission of VOCs into the atmosphere during manufacturing process and improved air quality.

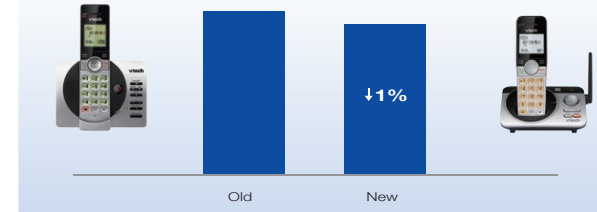
Starting from FY2019, we began to adopt plastic overmolding technology. It is a multiple injection molding process where multiple-coloured plastic components are being produced in a multiple molding cycle. The adoption of plastic overmolding technology allows us to minimise paint spraying process and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



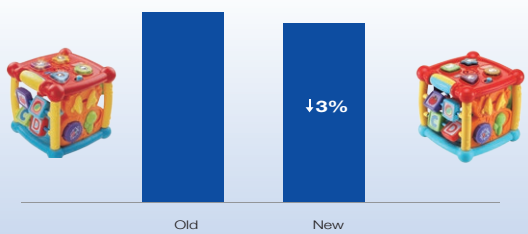
Inkjet printing technology has been adopted to substitute silkscreen printing and pad printing to reduce odor and VOCs emission during colouring process.

To further improve the working environment, Vacuum Plasma Treatment technology has been adopted to replace Polypropylene Water Spraying. This new approach has eliminated the spraying process and VOCs emissions.

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 made of bio-based plastics or reclaimed plastics, and wooden toys with materials sourced from responsibly managed forests certified by Forest Stewardship Council®. Besides these, we continue to extend the use of waterborne paints for our TEL products, ELPs and CMS designed products.

Recycled Plastic in Hotel Phones

In FY2021, pilot test for the application of recycled plastic resin from post-consumer polyethylene terephthalate (PET) plastic was in progress for our selected hotel phone models. The material not only exhibits good chemical resistance and well balanced properties, but also complies with the RoHS2 regulation.

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% of our ELP packaging materials is recyclable, while 90% of the cardboard used in the packaging is 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.

Green Electronic Learning Products

VTech will launch a variety of green electronic learning products in the coming financial year, which marks an important step for our sustainability commitment towards replacing fossil based plastics with sustainable alternatives by 2030. VTech's eco-friendly products include four new vehicles in the popular Go! Go! Smart Wheels® line made from plant-based plastic, and the Sort & Recycle Ride-on Truck™ made from reclaimed plastic. As for LeapFrog products, in addition to a new Choppin' Fun Learning Pot™ with vegetables and accessories made from plant-based plastic, VTech will source materials from responsibly managed forests certified by Forest Stewardship Council® for two new wooden toys, Touch & Learn Nature ABC Board™ and Interactive Wooden Animal Puzzle™.

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.

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.

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

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.

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

Manufacturing Process
- In-Process Quality Audit
- Outgoing Quality Control
- RoHS2 & REACH Control

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

After-Sales Quality Management
- Call Centre
- Warranty Service

Sustainability Pillars

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.

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

Temperature Cycle Test

ELPs Test Labs

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

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

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

CMS Test Labs

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

Abrasion Test

Design for People

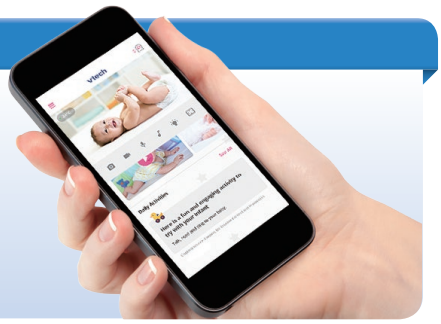
Addressing our customers' needs is our primary responsibility in the stage of product design. We continuously use our technological expertise to help improve the health and safety of our customers, which is our number one objective. We have developed a series of baby monitors that help parents take care 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.

Enhanced Baby Monitor app

VTech baby monitors are designed to help parents to remotely check on their babies with ease. VTech has upgraded the "MyVTech Baby 1080P" app to the "MyVTech Baby Pro" app. The new app features enhancements in user interface and experience. It has easy monitoring function with a new simple and intuitive look. Moreover, the upgraded app has a built-in "Parenting & Baby Health Info Center", which includes practical parenting suggestions for users and new parents.



Health Monitoring System

Health Monitoring System is designed to perform regular health check for its users. The device contains a sensor for capturing important user information, such as electrocardiogram, heart rate, respiration rate, blood pressure, blood oxygen saturation level and oral body temperature. It could also be linked up with a scale to track body mass index and body fat level. This device provides an alternative to the traditional doctor-patient relationship which the user could remotely monitor their health, receive reminders for medicine, connect to physicians via telephone consultation services, and get personalised medical reports and health plans.

Senior VoIP Phone

VTech Senior voice over internet protocol (VoIP) phone has been launched for the benefit of the elderly and the hearing-impaired. The big buttons, large screens with backlit and extra-loud ringers make calls easy to see and hear. Product features include 50-decibel Audio Assist®, 90-decibel extra-loud ringer, Smart Call Blocker, Visual Ringer, full-duplex speakerphone on handset and base, and photo-buttons for convenient speed dialing. The phone system is also expandable with useful lifestyle accessories, allowing the consumers to answer the door securely and call for help in case of emergency and ensuring that they will never miss any phone calls.

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.

Learn & Groove Rainbow Lights Piano™

The Learn & Groove Rainbow Lights Piano™ is a musical toy for kids to experience fun musical exploration. Using the mode selector dial, kids can explore different instrument sounds. It keeps them entertained with so many melody buttons to try and 17 delightful melodies to listen to. With 2 music sheet pages, kids can learn to play music following the pages. They can also press the piano keys to see the colorful projected starry sky, to learn numbers and colours in English and French.

Marble Rush Launch Pad Set

This colour-coded building set includes 89 building pieces and features a musical, light-show rocket ship, fast tracks and extreme launchers that easily connect together. Colour-coded blocks and an easy-to-follow guide help kids construct a variety of different builds or even create themselves. It encourages self-expression and creativity for young minds.

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.

In FY2021, VTech CMS produced the Power Conversion Unit for its customer, which combines the technology of solar energy generation and energy storage. The system enables efficient storing of solar power produced, and allows user to use the solar energy stored whenever it is needed.

Power Conversion Unit

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

Including the manufacturers of PCBs and other electronic components, over 82% of our major suppliers are from the local industries in China. Logistic providers form the bulk of the latter part of the supply chain. We recognise that extreme events can delay the supply of materials and given the nature of some of the major activities, may also pose social and environmental risks. In order to mitigate the risks to VTech and its customers, we have a Supply Chain Management System in place to monitor the suppliers' quality, as well as their sustainability performance to minimise the potential disruptions that might hinder the effectiveness of our supply chain.

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

We work closely with our approved suppliers, and encourage them to follow our key CSR initiatives, based on the requirements of the EICC, International Labour Organisation Conventions on Labour Standards, ISO 14001, and ISO 45001. We have also arranged regular CSR workshop for our key suppliers focusing on improving their energy efficiency and supply chain CSR management.

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. To ensure that we can fulfil our commitments and meet our statutory obligations, we design and implement policies, procedures and governance measures, which are coherent with the 10 UN Global Compact principles in relation to the protection of human rights, the elimination of forced labour and child labour, slavery and human trafficking in our business operations and supply chains.

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

While VTech does not require its suppliers to certify that materials incorporated into their products comply with the slavery and human trafficking laws of the countries where they, VTech's standard purchasing agreement includes requirements that our suppliers need to comply with all applicable laws, including laws that govern slavery, human trafficking, and other exploitative labour practices. VTech will cease business with any supplier who is found to have any form of modern slavery or forced labour in its supply chain.

Following the audit process, if there are any areas of non-compliance identified in the supplier's factories, the supplier is required to propose corrective actions with an implementation schedule in order to eliminate the identified deficiencies. Our teams follow up on the corrective actions to ensure that the areas have been improved and managed accordingly. We also provide training to suppliers on continuous improvement processes to facilitate their implementation of any corrective actions. In FY2021, we audited 244 suppliers. A small number of these were removed as approved suppliers due to their failures to meet VTech's required standards and no suppliers were removed due to negative environmental impacts. We have developed a more comprehensive supplier management programme to assess their performance by using supplier scorecard system in accordance with the VTech's CSR requirements for suppliers. We will also continue to work closely with our suppliers to further improve the manufacturing energy efficiency and social aspect of our upstream supplier chain. Through sharing our experience with suppliers, we believe that we can further reduce the carbon footprint of the components used in our products, and help our suppliers to improve their social and working conditions.

VTech's CSR Requirements for Suppliers

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

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

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

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

Conflict Minerals

VTech recognises its responsibility to source materials in an ethical, socially and environmentally responsible 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, including human rights infringements and environmental problems.

VTech requests its major suppliers to warrant that all materials and goods supplied to VTech do not and shall not contain tin, tantalum, tungsten, or gold (collectively "3TG") originated in the Congo or a neighboring country or countries or area considered to be conflict-affected or high-risk. VTech's major suppliers are also required to comply with the disclosure/audit requirements set forth in the US Conflict Minerals Law ("Disclosure and Audit Requirements"), and the due diligence work set forth in Due Diligence Guidance for Responsible Supply Chains from Conflict-affected and High-Risk Areas under EU-the Conflict Minerals Regulation ("Due Diligence Guidance").

In addition, VTech's major suppliers are required to ensure that all their vendors of materials procured for VTech also comply with the Disclosure and Audit Requirements and Due Diligence Guidance, and audit their vendors regularly in accordance with the standards prescribed under the Disclosure and Audit Requirements and Due Diligence Guidance to ensure their compliance. VTech's major suppliers also undertake to promptly report to VTech if any of the materials and goods supplied to VTech are found to contain 3TG.

VTech is in the process of establishing a conflict-free risk management system following the Due Diligence Guidance that prohibits the use of conflict minerals with the initiatives below:

1. Raise the awareness of suppliers on conflict minerals;
2. Identify and assess the risk on the use of conflict minerals in the supply chain;
3. Conduct due diligence and inspection on the information provided by the suppliers with identified and assessed risk;
4. Develop improvement plan for suppliers to prohibit the purchase of conflict minerals in the materials supplied to VTech.

Supplier Relationships

Due to the COVID-19 pandemic, we have conducted our annual supplier engagement workshop virtually. During the workshop, we offered hand-on training and resources to suppliers and provided guidance for them to meet our CSR requirements and achieve continuous improvement in their sustainability performance.

Collaboration with Suppliers For Waste Reduction

In FY2021, we started to collaborate with several suppliers to develop waste reduction plan. Containers of flux, Pledge® Furniture Care and polyamide are now collected and returned to suppliers for recycling. For chemical storage and transport, inner bags are added to avoid hazardous waste contamination to the containers which are now recycled by the suppliers.

Sustainability Pillars

Environment

VTech has developed "Climate Change Strategy" to assess and address the potential impacts of climate change on its sustainable growth through the implementation of high performance production chain, green manufacturing and sustainable logistic practices.

Highlights

- GHG emission per production output in our assembly and plastic factories decreased by 15.6% and 4.4% respectively compared with FY2020
- Hazardous and non-hazardous waste per production output reduced by 19.0% and 10.3% compared with FY2020
- Total water consumption per production output decreased by 11.0% compared with FY2020
- Renewable energy usage increased by 44.6% 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. 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 in China 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 FY2021 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 FY2021 for seven consecutive 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 requirement in a sustainable manner, VTech has functional teams comprising individuals from different product lines and departments across the organisation. Our environmental policy is reviewed annually to ensure that it is relevant and up to date.

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 address the misalignment and 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, from FY2020, VTech has started to disclose 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.

While climate change is bringing risks and challenges to our business, it also presents opportunities for us to align our strategies and action with the direction of change. We will continue to gear up and collaborate with suppliers and business partners to seize climate change opportunities through designing climate risk-related product and service, and supply chain innovations.

We have identified the climate change risks and opportunities over the short- (0-1 year), medium- (1-5 years), and long-term (5+ years).

		Short Term (0-1 year)	Medium Term (1-5 years)	Long Term (5+ years)
Risks	**Physical Risk**		**Acute Risk:** Extreme weather events, e.g. flood, tropical cyclone, breaking out of natural disasters *Impact on operation: Reduced revenue from decreased production capacity and supply chain disruption*	**Chronic Physical Risk:** This includes water shortage, changes in precipitation pattern and extreme variability in weather patterns *Impact on operation: Reduced revenue from decreased production capacity and supply chain interruptions*
	Transition Risk	**Policy and Legal Risks:** Enhanced emissions-reporting obligations *Impact on operation: Increase in operation cost, including higher compliance cost and, increased insurance premiums*	**Policy and Legal Risks:** New regulatory requirements in relation to climate change on operation, product and service *Impact on operation: Increased operation cost, change in revenue mix and sources resulting in decreased revenues, increase in product development costs*	**Policy and Legal Risks:** New regulatory requirements on implementation of carbon pricing mechanisms to reduce emission *Impact on operation: Cost of GHG emissions (carbon tax and/or GHG emissions trading scheme, abrupt and unexpected shifts in energy costs, increased operating costs, including higher compliance costs and increased insurance premiums)*
			Market Risk: Changing customer behavior: Decline in product competitiveness due to the use of unsustainable or non-reusable materials *Impact on operation: Reduced demand for goods and services due to shift in consumer preference, increase in production and product development costs to explore eco-friendly solutions for products and services*	**Policy and Legal Risks:** Climate change impact on the fluctuating socio-economic conditions and related political and economic risks is difficult to estimate especially over the long term *Impact on operation: change in revenue mix and sources resulting in decreased revenues*
			Reputation Risk: Increased stakeholder concern and their changing perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy (negative stakeholder feedback) *Impact on operation: Reduced revenue from decreased demand for goods and services*	

Climate-related Physical Risks

In medium term, physical risks including acute risk from extreme weather events such as flood, tropical cyclone, breaking out of natural disasters are identified. 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 the reduction in revenue from decreased production capacity and supply chain disruption.

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 policy and legal changes. In short-term, we anticipate that the responsible authority 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. As the requirement for companies to bear the cost of GHG emission, such as carbon tax and GHG emissions trading scheme, has been frequently advocated as a cost-effective instrument for reducing emissions, we will expect shifts in energy costs in the long term. Another risk from climate change is its resulted impact on the fluctuating socio-economic conditions and related political and economic risks which is difficult for us to estimate especially over the long term.

We are likely to face changing customer behavior and attitudes. Market risk in medium term has been identified as increasing number of customer will decline to purchase products that are made of unsustainable or non-reusable materials. A failure to overcome stakeholder concerns and their changing perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy can also damage our reputation.

These transition risks will lead to substantial cost increase, including operation cost, such as compliance cost and insurance premiums, and production and product development costs to explore eco-friendly solutions for products and services, as well as decreased revenues arising from change in consumers' preference.

	Short Term (0-1 year)	Medium Term (1-5 years)	Long Term (5+ years)
Opportunities	**Resilience Opportunity:** Developing adaptive capacity, including an improved organizational structure to handle updated policy and legal requirements *Impact on operation: Improvement on operating efficiency*	**Resource Opportunity:** Manufacturing and supply chain development that achieve sustainable use of energy and resources *Impact on operation: Reduction in procurement and manufacturing costs through efficiency gains and cost reductions*	**Resource Opportunity:** Use of more efficient production and distribution processes *Impact on operation: increased production capacity, resulting in increased revenues*
		Products and Services Opportunity: Development and/or expansion of low GHG emission products and services through R&D and innovation, thus better competitive position to address consumer preference *Impact on operation: Increased revenue through higher demand of eco-friendly products and services with lower GHG emissions)*	**Energy Efficiency Opportunity:** Reduced water and electricity usage and consumption *Impact on operation: reduced operating costs*
		Market Opportunity: Reputational benefits resulting in increased demand for goods and services *Impact on operation: Increased revenue through higher demand of eco-friendly products and services with lower GHG emissions.*	
		Energy Source Opportunity: Use of lower-emission or renewable sources of energy *Impact on operation: Reduced exposure to future fossil fuel price increases, returns on investment in low-GHG emission technology*	

Climate-related Opportunities

The pressures stemming from climate risk also create significant opportunities for VTech to align our strategies with the direction of climate change. To fully seize the opportunities and mitigate the above 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 continuously implement 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. Products and services with lower GHG emission will also be developed or expanded to address consumer preference through innovative research and development 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 increases. We aim to increase the use of renewable energy by 100% by FY2025 compared with FY2020.

Green Manufacturing

Energy

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:

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.

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

Enhance Production Efficiency of Machinery

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

Improve Energy Efficiency in Production Chain

- Manufacturing resource planning
- Low energy production process

Improve the Reuse and Recycle Rates of Resources

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

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 has started the use of renewable energy by installing solar panels on the rooftop of a dormitory and solar lamps in the operating sites. In FY2021, our usage of renewable energy increased by 44.6% compared with FY2020.

We will continue to apply solar technology in our operating sites, including the installation of solar panels on the rooftop of a factory building in FY2022.

Solar Panels

Application of Insulation Cotton

As the pipe of the air compressor connected to the production line is installed on the roof of the factory, it is exposed to direct sunlight. Large amount of condensed water is generated, leading to energy wastage to drain the condensed water. In FY2021, we applied insulation cotton on the pipe to reduce the sunlight exposure and thus the energy use.

We have also applied insulation cotton on the windows of the production floors to lower the room temperature, reducing our electricity consumption on air conditioning.

Replacement of Old Screw Chillers with New Magnetic Bearing Centrifugal Chillers

We have replaced the standard centrifugal chillers with the magnetic bearing centrifugal chiller. The magnetic bearings allow the compressor to operate without the use of oil for lubrication, which reduces energy losses due to friction and increases the heat transfer efficiency of the chiller. The magnetic bearing chiller improves the energy efficiency of air conditioning system while minimising the negative impacts of excess heat, noise and vibration.

Upgrade of the Circulating Water System and Exhaust Ventilation System

We have upgraded the circulating water system of air conditioning unit. Before the transformation, each air conditioner was connected to a separated water tank. In order to reduce the energy use of operating water tank, we have built a huge water tank to connect all air conditioning units.

We have also upgraded the exhaust ventilation system, leading to the reduction in energy consumption.

Improvement of the Surface Mount Technology (SMT) Facilities

Multiple separated ovens have been replaced by the new energy efficient vertical ovens. The new ovens not only consume less energy, but also require less time working with full power and thus the energy consumption reduces. Pipes have also been installed to exhaust the heat generated by the SMT facilities centrally. The installation of pipes has reduced the workshop temperature by 1 degree and thus the energy consumption of air conditioner.

SMT Facilities

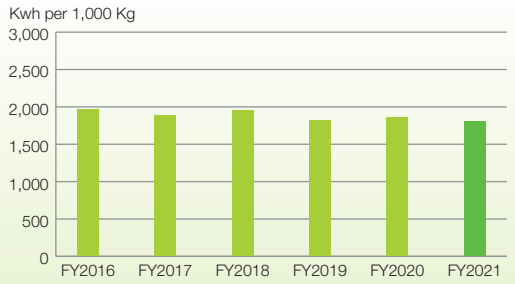
Energy Consumption and Carbon Emission

With our continuous efforts on implementation of many energy saving programmes, VTech's total electricity consumption per production output decreased by 13.0% compared with FY2020. In addition, our total energy consumption per production output in assembly and plastic factories decreased by 15.7% and 2.9% 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.

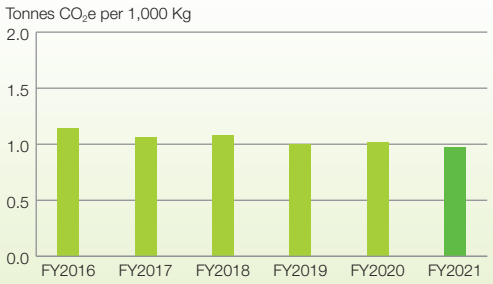
The use of energy is the major contributor of both direct (Scope 1) and indirect (Scope 2) emissions in VTech. With the target of minimising the environmental impacts, our energy conservation programmes and activities have made a notable reduction in the energy consumption and thus the carbon emissions. Direct emissions (Scope 1) only account for 4.96% 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 88,083 tonnes of CO_2e with emission per production output decreased by 13.1% 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 15.6% and 4.4% respectively compared with FY2020.

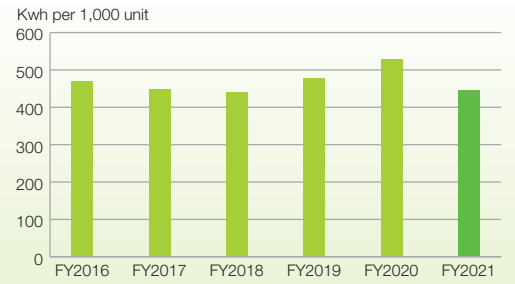
Electricity Used per Production Output (Manufacturing Facilities of Plastic Factories)



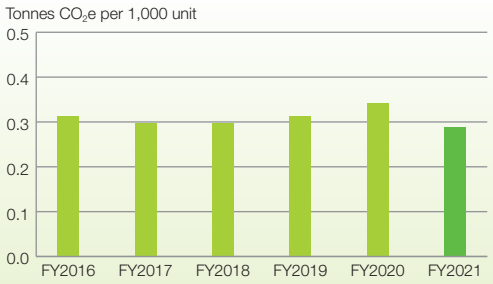
GHG Emission per Production Output (Plastic Factories)



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



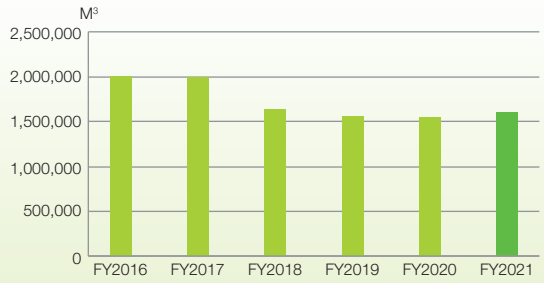
GHG Emission per Production Output (Assembly Factories)



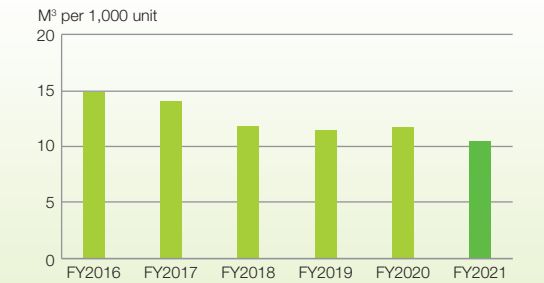
Water

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.

Total Water Consumption



Total Water Consumption per Production Output



Upgrade of the Water Supply System

We have started the upgrade of the water supply system which will be completed in FY2022. Before the enhancement, water at the pump room was supplied at fixed time interval. We have switched the water supply system to on-demand basis to reduce unnecessary water consumption.

Upgrade of the Water Tank

We have upgraded the facilities cooling system from cylinder shape water tank to rectangular prism water tower. The rectangular prism water tower is designed to improve the cooling efficiency and water evaporation has been reduced and thus the water consumption.

Reuse of Wastewater

We have started to collect wastewater at factory canteen for watering, gardening and cleaning. In addition, wastewater used for testing during the coffee production has been used for gardening.

In FY2020, we had started to filter and purify wastewater for production at our metal factory. In FY2021, we expanded the use of wastewater in more areas, including fire sprinkler, cooling tower and water curtain wall.

Water Infrastructures Improvement

At the lower air inlet of the cooling tower, the anti-sprinkler net has been installed to avoid water splashing out of the tower.

When the air conditioner operates, heat is generated and dissipated through the water tower. Thus, there is a cooling fan for reducing the temperature of hot water. In the past, whether the water was cool or hot, the fan kept running non-stop which led to water splash. A control system has been installed to monitor the usage of the cooling fan. The fan will stop running if the water is below a certain temperature, thus reducing the water splash.

With the extensive effort in our water saving programmes, we have managed to reduce total water consumption per production output by 11.0% compared with FY2020. Going forward, we will continue to explore 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 at material recovery centres. We also work closely with our suppliers by returning our plastic recyclables to suppliers for reuse. As a result, we could create a close-loop recycling system by increasing the use of recycled materials. We have achieved recycling rate of 80.8% as compared with 81.0% in FY2020 and the non-hazardous waste per production output reduced by 10.3% compared with FY2020.

In recent years, we have increased our internal reuse rate by taking the initiatives of eliminating the use of disposable cardboard boxes and dividers and replacing them with the durable plastic ones. Additionally, we also reuse plastic bags and cardboard dividers that are collected at our recycling centres as internal packaging materials in order to better utilise our resources.

Reuse and Recycling of Industrial Waste

In FY2021, we carried out several resource reuse projects. By recycling and reusing the industrial waste as our building materials, we reduced the consumption of raw materials for the new construction projects. Construction waste from the bridge demolition was used as building materials for the cargo platform extension. We also reused industrial waste to build the roof insulation board at the canteen's rooftop.

Reduction of Plastic Waste

In order to reduce the plastic waste generated in fabrication of jig and fixture, we have replaced the Computer Numerical Control machining on board panel with 3D printing.

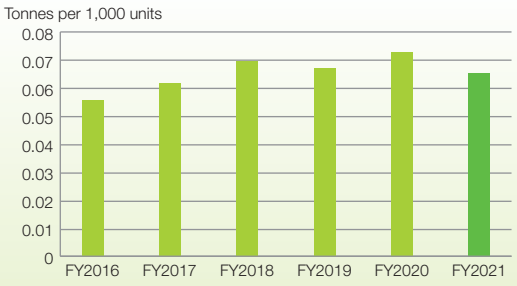
Reduction of Food Waste

In support of the nationwide "Clean Your Plate" Campaign, we have implemented initiatives to reduce food waste:

- Posters and stickers of the campaign were put on the table to educate workers about treasuring the food
- Food at canteen was served in smaller portion
- Employees were also encouraged to finish their first round of eating before refilling their plate
- New soup buckets were placed at the canteen where employees can take and add more soup according to their own preferences

"Clean Your Plate" Campaign

Non-Hazardous Waste per Production Output



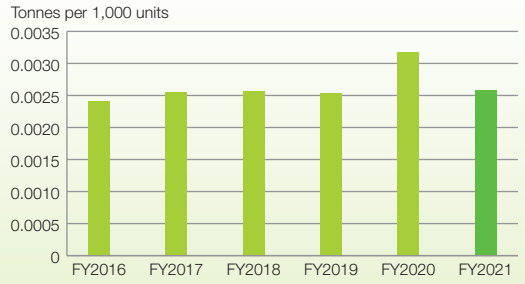
Hazardous Waste Management

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

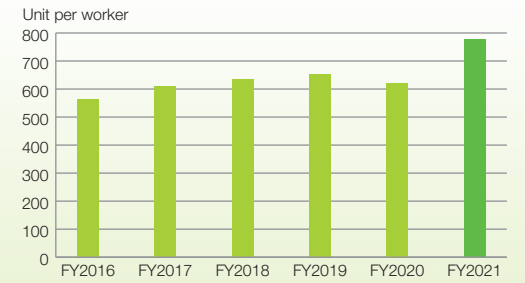


In FY2021, our total hazardous wastes generated from our operations including waste electrical and electronic items, waste chemicals and gas cylinders were 399 tonnes as compared to 422 tonnes in FY2020. Our total hazardous wastes per production output also decreased by 19% compared with FY2020.

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 FY2021, our production output per worker increased by 21.6%. 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.

Automatic Transformer Tester

The automatic transformer tester was designed to increase the quality and efficiency for printed circuit board assembling and functional testing, such as hi-pot test and over-voltage test.

USB Dongle Manual Assembly Automation

The manual assembly of USB dongle was automated. Robotic station on firmware download, functional testing and the laser marking processes were applied. It has also enhanced the manufacturing capability.

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 FY2021, 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.

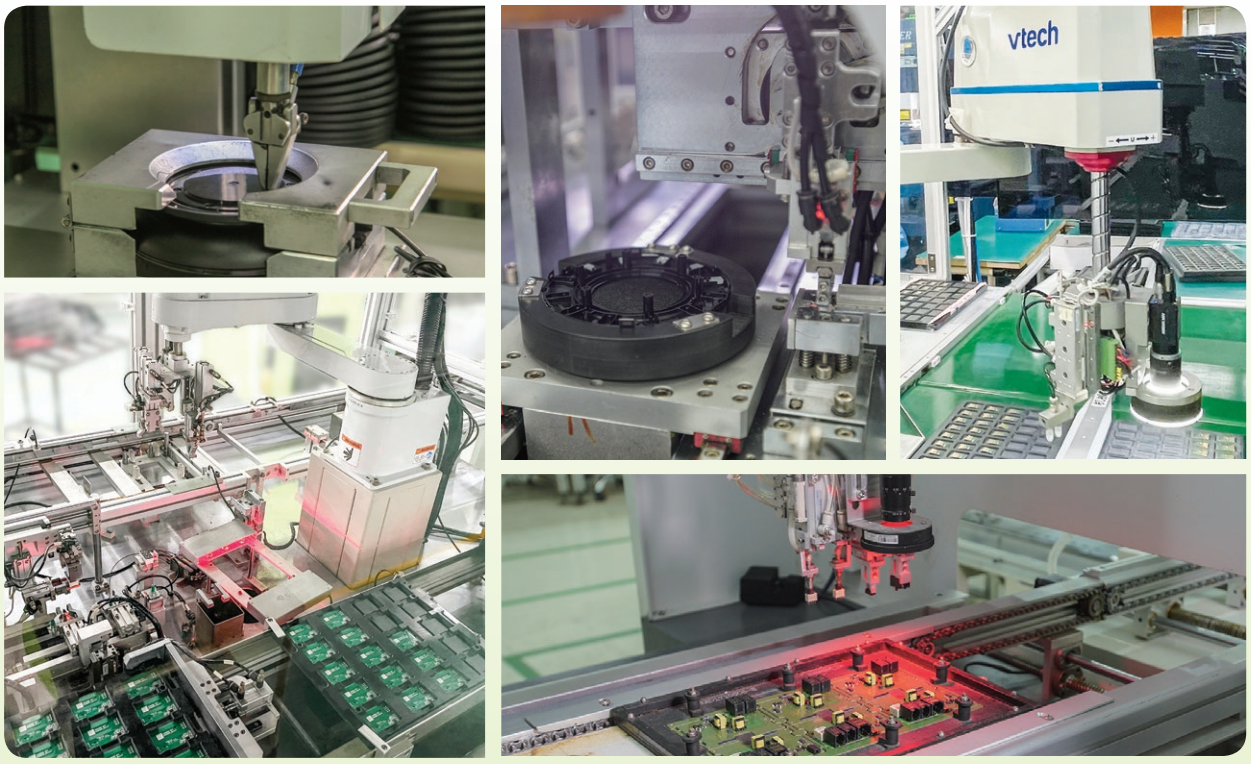
Key Button Assembly Automation

We automated key button assembly process by using the automatic camera device and the manipulator. This has enabled us to reduce the number of workers needed for this production process.

Automated Production Line

We set up an automated production line to produce printed circuit board assembly (PCBA) for home appliances. The components are automatically inserted into the PCBA by a robotic arm, and then selective wave soldering is used for precise soldering. Finally, the PCBA is automatically divided and the PCBA is picked and placed by the robotic arm for functional testing. The production capacity and quality of home appliances products have been greatly improved.

Lean Manufacturing and Low Cost Automation



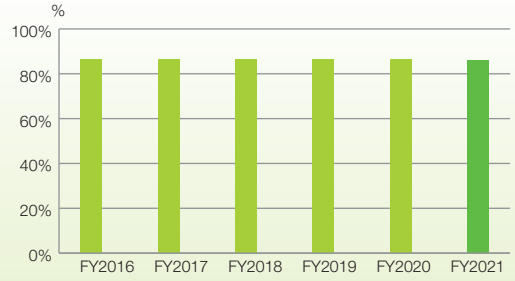
Sustainable Logistics Practice

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.

Our logistics team has kept on using our cargo measuring software (CargoWiz) to optimise the loading capacity of each container. In FY2021, we reached the average of 86.3% of loading capacity.

Container Loading Capacity



Sustainability Pillars

Our People

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

Highlights

- Implementation of various precautionary measures in workplaces for our people to fight against COVID-19
- Number of participants in staff activities increased by 10.6% compared with FY2020
- Average training hours per employee increased by 8.2% compared with FY2020
- Promoted diversity and inclusiveness in our workplaces

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

All our existing VTech assembly and plastic factories 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 supportive, pleasant and healthy workplace for our employees and foster a caring community 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.

Well-being and Creative Activities

To stay healthy and fit while keeping social distance in COVID-19 pandemic, VTech employees participated and completed the race distance of the Sowers Action Challenging 12 Hours Charity Marathon 2020 V-Run in which VTech was awarded the “Bronze Sponsor” for the event. VTech also made donation to the “Oxfam Trailwalker – Virtually Together” in which our employees had completed the race distance individually.

We implement health and wellness schemes through well-planned initiatives and promote the culture of wellness within the company to improve the physical and mental health of employees. In FY2021, our colleagues were treated to a head, neck and shoulder massage therapy from the Hong Kong Society for the Blind. We invited a group of qualified, visually-handicapped masseurs to provide massage services for our colleagues. Through this programmes, we have not only boosted employee wellbeing, but also contributed towards building a more inclusive society by involving the visually-impaired in our programme.

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 have organised different festive activities during the special time to develop and maintain the sense of mutual belonging among our employees. During the winter solstice, a tangyuan workshop was held to let our colleagues make tangyuan from scratch and enjoy the festival together. Moreover, we organised a small party to celebrate the Chinese New Year.

The number of participants in our staff activities has increased by 10.6% 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 initiatives and develop a wide range of training programmes for our employees.

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

In FY2021, we invited a certified project management professional to share the success recipe in project management. The course introduced the essential tools and techniques on the perspective of project practitioner and comprised theories, case studies, exercise and experience sharing. It has helped our colleagues to improve their project management skills and techniques in tackling day-to-day problems.

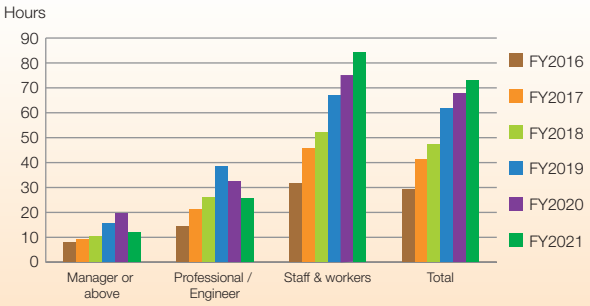
Global eLearning Platform

As Microsoft Office is commonly used in our daily work, we have launched various online courses 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.

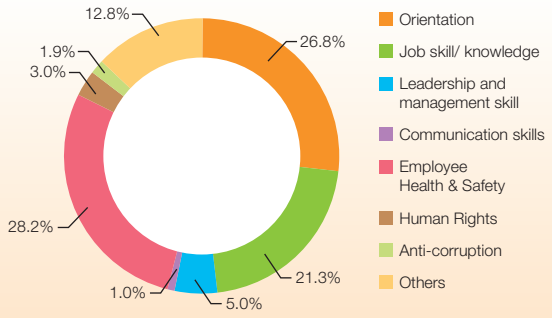
We also subsidise external professional courses for employees, and ensure that the development opportunities are equally open to staff at all levels. We have continuously adopted the succession plan in manufacturing sites, which allows us to explore the potential talents and provides opportunities to 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.

SA 8000 Internal Auditor Training

FY2021 Average Training Hours by Grade



FY2021 Training Hours by Type



Respect of Labour and Human Rights

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

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

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

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

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

Benefits and Wages – We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements of the country where employees are employed. We do not make any deductions from wages as disciplinary measure. Since the regulations of law enforcement for some of the sites that we operate are not fully established, collective bargaining in these sites could not be comprehensively attained. However, we strive to engage with our employees and understand their needs through different communication channels and conduct regular communication meetings to create direct 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. 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 the 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 recruiting 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. In FY2021, a speaker was invited to enrich our understanding of various groups and cultures.

Recognitions of Diversity and Inclusion Efforts

VTech is committed to embracing an equal and supportive working environment for our employees. In VTech, 99.6% 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 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.

Gender Diversity

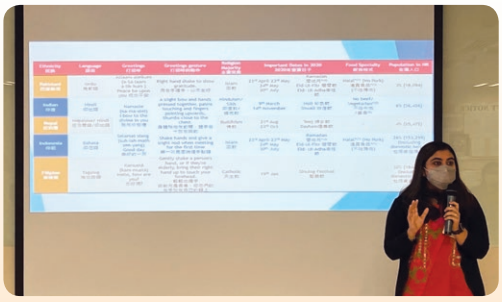
VTech believes a diverse and inclusive workforce makes us and the society stronger and more harmonious. Aligning with SDG 5 Gender Equality, we are committed to promoting greater work opportunities for women. We recognise the working contributions of women, who accounted for 41.8% of our workforce and held 24.6% 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 site 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.

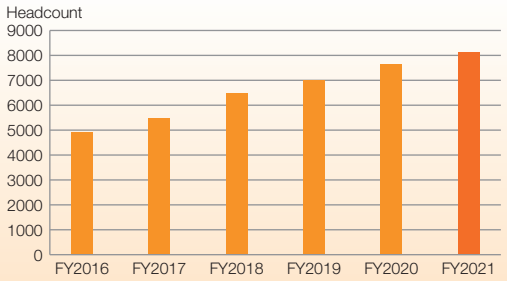
Racial Diversity and Inclusion

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 FY2021, we collaborated with Equal Opportunities Commission and Baptist Oi Kwan Social Service, a social enterprise which advocates multicultural education and provides services to ethnic minority youths. We invited an ethnic minority youth, representative from Baptist Oi Kwan Social Service to share her personal stories in transforming challenges into opportunities in breaking through racial barriers.



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 FY2021, 8,124 staff has worked at VTech for more than five years, increase of 6.0% 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

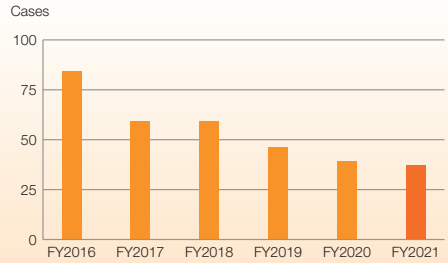
We are committed to not only upholding our responsibilities to put occupational health and safety of our employees as our top priority, but also protecting our contractors, customers and the general public against health and safety risks. All our existing VTech assembly and plastic factories in China 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 the 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.

Maintaining an accident-free workplace environment is always a challenge. 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, which reinforces the idea and awareness of occupational safety and fire safety for our employees.

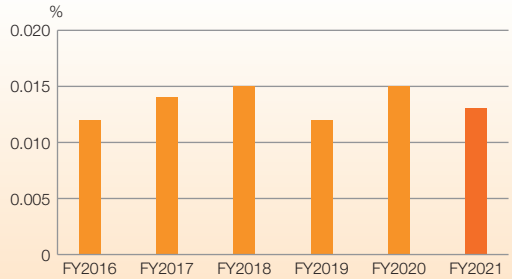
Our EHS teams are also responsible for building effective and open two-way communication channels for our staff to report work-related hazards and share constructive feedback so that staff are involved and consulted in the health and safety policy establishment.

The overall average health and safety training hours per employee increased by 8.9% compared with FY2020. In FY2021, our lost hour rate per working hour was 0.013%, which was lower than FY2020 of 0.015%. Our number of safety related incidents also decreased by 5.1% compared with FY2020 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.

Total Number of Work-related Injury Cases



Lost Hour Rate*



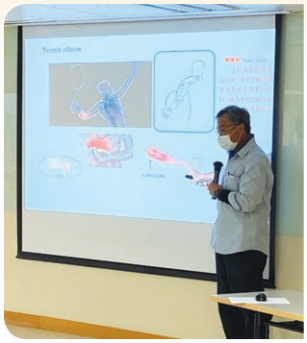
* *Lost hours is the total working hours that workers cannot attend work due to injuries in manufacturing operations*

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

Health and Safety Training in VTech

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

In FY2021, we invited Lockton Benefit Group to hold a talk on soft-tissue damage of the muscles, ligaments, and tendons as part of Wellness Month Series. Those injuries are commonly found in people who exert repetitive workload on soft tissues. The talk covered several topics, such as causes, symptoms, precaution and treatment of Tennis Elbow, Golfer's Elbow and Carpel Tunnel Syndrome. Tips were shared on how to reduce the risk of injuries and exercises were shown to relieve the pain.



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.

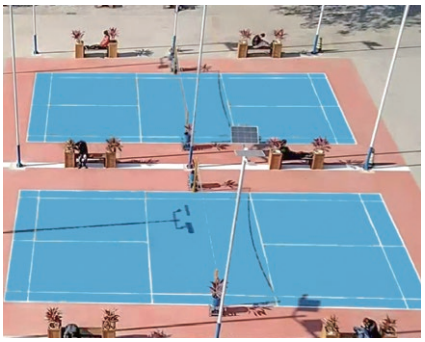
In Hong Kong office, we have continued to adopt flexible working hours and work-from-home arrangement when necessary. We have also monitored body temperatures for visitors and staff who enter the workplace, and encouraged staff to reduce or postpone all non-essential overseas travelling.

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.

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. In FY2021, we 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.



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.

Highlights

- Collaborated with Save the Children in organising various charitable events worldwide
- Extended VTech Scholarship Programmes to cover more universities in Hong Kong and mainland China
- Organised the first VTech Global Green Day

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 FY2021, we recruited over 2,500 volunteers and contributed over 12,500 hours in volunteering activities. The decrease in volunteering hours compared to FY2020 was mainly due to the social distancing policy implemented in various countries for COVID-19. Besides being recognised as the "Heart to Heart Company"

by the Hong Kong Federation of Youth Groups, VTech is the proud recipient of the "Outstanding Caring Awards (Enterprise Group)" and "The Best Social Impact Award (Enterprise Group)" presented by Federation of Hong Kong Industries in 2021. In addition, we have been awarded as a "Caring Company" by The Hong Kong Council of Social Service for the thirteen consecutive years in recognition of our relentless contribution to the Hong Kong community through various charitable activities. These awards are great encouragement for our continued voluntary work for the community.

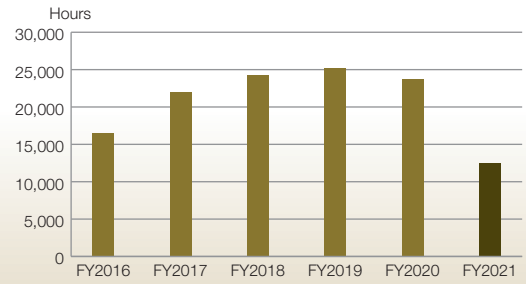
"Learn Through This" Campaign in Australia

We partnered with Save the Children and launched our "#LearnThroughThis" campaign in Australia. For every drawing that sent a message of hope and positivity to vulnerable families, we donated a toy to families in need during the COVID-19 crisis. Throughout the event, we received a total of 1,000 drawings and donated 1,000 toys to Save the Children.

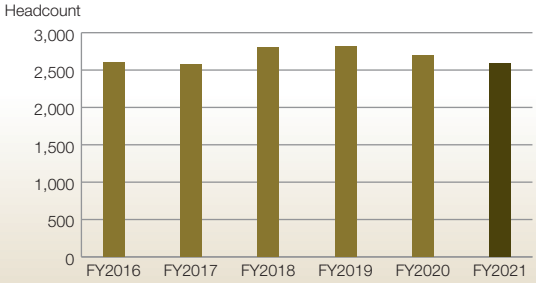
Donation to Healthcare Workers in Spain

As COVID-19 has continued to spread, we aim to support the healthcare workers who work long hours for the increasing number of patients. As most of them do not have time to spend with their family, we donated some toys to the healthcare workers in Severo Ochoa hospital in Madrid for their children to learn and play.

Volunteering Hours Contributed



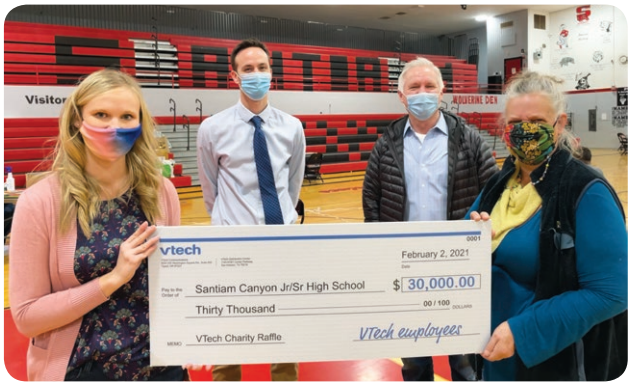
Number of Volunteers



Donation to Student Victims of Santiam Canyon Fires

Every year, VTech organises an employee charity raffle dedicated to benefiting children in our local communities. In FY2021, we devoted these efforts to the students of the Santiam Canyon in the state of Oregon.

Wildfires ravaged the Santiam Canyon and surrounding areas. Approximately 70 of the 315 students enrolled in the Junior or Senior High School lost their homes and everything they owned overnight. We presented the school with US$30,000 along with donations in kind, including new and gently used clothing as well as phones and baby monitors.



Donation to Red Nose

Red Nose is a national charity working to save little lives and support families impacted by the death of a baby or child. In FY2021, we made a cash donation of AUD40,000 and AUD10,000 worth of product donation to be used across Red Nose activity. We also supported the Red Nose Day to promote awareness for safe nursery habits.

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 Groups, Red Cross, Hong Kong Children and Youth Service, Tai Po Baptist Church Social Service, Greeners Action, St. James' Settlement, Hong Kong Young Women's Christian Association and Caritas Hong Kong. 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.

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 FY2021, VTech collaborated with Save the Children 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 Ethiopia and Nepal. Furthermore, every dollar donated by our employees was matched by an equivalent donation on the part of the company. We collected about 400 letters and a total of US$9,700 was donated to Save the Children.

Toy Donation

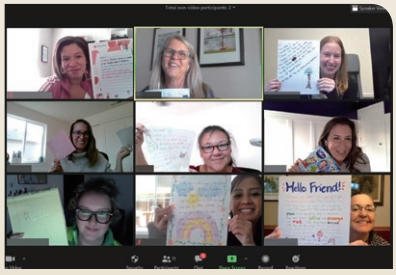
Under the global toy donation programme, over 4,400 electronic learning toys were donated to children in various countries around the world, including the US, Canada, the UK, Netherlands, Spain, Australia and Hong Kong. Through the donation of electronic infant and toddler learning toys, which include Sit-to-Stand Learning Walker™, Myla the Magical Unicorn™, and Go! Go! Smart Wheels® Ultimate Corkscrew Tower™, we hope to help children to learn while staying and playing at home.

Save a Plate

We hosted a global virtual table for employees around the world to join and connect at Christmas time. For every employee joining the event, we donated HK$100 to Save the Children to help lift struggling children out of hunger. We donated a total of HK$30,000 to Save the Children.

Ongoing Donation Event

For 12 months from December 2020 to November 2021, a donation of USD1 will be 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 also collaborated with local charities to support numerous charitable activities around the world. In FY2021, VTech's Chairman donated HK$5 million to support the construction of school buildings in China. We also made charitable and other donations of over USD213,000.

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 FY2021, 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.

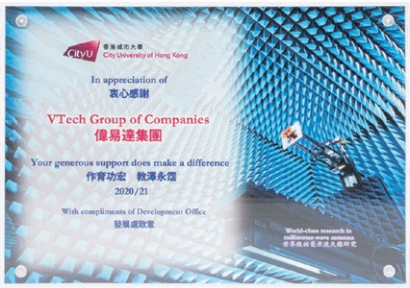
To attract potential candidates from local universities, we have joined the virtual career fair organised by The Hong Kong University of Science and Technology, The Chinese University of Hong Kong, The Hong Kong Polytechnic University, The Hong Kong Baptist University and The Open University of Hong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

VTech Management Trainees & Graduate Engineers Programme

Three management trainees have completed their first 18-month Generalist Scheme and further developed their career under 6-month Specialist Scheme. In addition, three graduate engineers have joined our 1-year programme to fast track their career. They will be involved in different aspects of the engineering projects to expand their skill set.

VTech Scholarship Programme

VTech Scholarship Programme was established in FY2018 to support the outstanding local and non-local undergraduates in their career development. In FY2021, we extended the programme to cover more universities in Hong Kong and China. 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, and 7 students from the Nanchang University, the Shantou University and the Dongguan University of Technology.



VTech Internships Programme – Experience Sharing by the Students

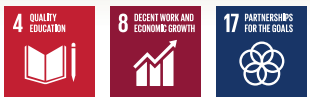
Corey Lee (VCO/Compliance)

"I was given the opportunity to assist in preparing the company's interim report and materials for directors' meeting, and reviewing legal documents. I have learnt to be detail-oriented and understand the importance of scrutinizing my work especially when the documents are required to be released to the public. Also, working with different departments allowed me to enhance my communication skills. It is definitely an interesting experience for me!"

Justin Woo (CMS/IT)

"I enjoy my internship at VTech very much and appreciate the trust and opportunity given to me. The memorable industrial experience has enriched my career life and I have gained lots of knowledge in my study field as well. The training scheme was both challenging and intensive. Through this internship, I have attained new and valuable experience in programming, and more importantly, the communication and problem-solving skills. This exceptional experience will no doubt shape my future endeavours. Finally, I would like to say thank you to my supervisor and VTech."

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.

"Draw my Dreams" Drawing Competition 2020

We partnered with Plan International Hong Kong and sponsored the 'Draw my Dreams' Drawing Competition. Over 780 kindergarten students and primary students had participated in the competition. To share participants' dreams with children in developing countries and encourage them to pursue their dreams, the winning drawings were exhibited at schools in Cambodia.

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 FY2021, we continued to partner with the Greener Actions to launch the "Lai See Reuse and Recycle Program 2021". To prevent wasting useful materials, we collected used and excess red packets from our employees for upcycling purpose.

Upcycling Workshop

To promote environmental protection and ecolifestyle, we partnered with St. James' Settlement to organise an upcycling workshop and centre tour at the Jockey Club Upcycling Centre. This is the first upcycling centre in Hong Kong that integrates rehabilitation professionals, designers, business circles, companies, organisations, schools, and the public.

During the workshop, tutors introduced basic sewing skills to the participants and guided them to create their own umbrella bags by recycling old umbrella and hotel towels.

VTech Global Green Day

In FY2021, we launched the first "Global Green Day" at our Hong Kong headquarters and overseas offices 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

Hong Kong office collaborated with New Life Psychiatric Rehabilitation Association to deliver a comprehensive green talk and introduce the environmental concepts. We also hosted a DIY workshop for colleagues to design their own bonsai using the biodegradable flower pot and make their own body scrubs with recycled coffee grounds.

Benelux

We invited guest speakers from Swip Swap, an online app which allows children to exchange toys in support of the circular economy. Our staff then discussed improvement actions on the sustainability performance during the talk. Furthermore, we held an auction to offer VTech products in our showroom. In total, we sold 16 items for EUR 300 and the money was donated to KiKa, a charitable organisation engaging in fighting child cancer.

China

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

Australia

To contribute to a clean environment, the Australia office partnered with Clean Up Australia and visited a local beach and park to pick up rubbish. We then celebrated our efforts with a vegan lunch including falafel, fresh fruits and raw coconut slice. These activities have allowed our team to bond while encouraging a healthy and green lifestyle and contributing to the local community.

France

Our France office invited Zero Waste Specialist to hold a presentation about the best practices of 3R (Reduce, Reuse and Recycle).

Spain

The Spain office carried out a presentation on the VTech sustainability plan and our new green products. We also run a successful recycling contest to promote repurposing recyclable materials. Furthermore, we collected 86 kg of food from our colleagues and donated to the Food Bank in Madrid for the vulnerable people.

Malaysia

We organised activities to promote green lifestyle in workplace, such as zero plastic bag, polystyrene and straw. In order to raise the awareness on sustainability, we decorated our new building with plants to create a nicer environment to work.

Germany

Our Germany office invited a healthcare professional to introduce the concept of sustainable and healthy lifestyle and provide suggestions on how we can apply the concept to our office and private lives. The professional explained the importance of healthy diet and demonstrated desk exercises for our colleagues.

US

Our US colleagues were encouraged to make a “Pledge to the Earth” and complete certificates committing to making changes through the year that support a healthy environment. Everyone received wildflower seeds to plant that provide essential pollen for bees. Colleagues may also submit photos of items that have been repurposed, or “upcycled” instead of being thrown out as junk. Photos were shared with other employees on an internal Social application to help encourage creative ideas and provide a sense of camaraderie.

UK

Our VTech product team gave a presentation on the new products made from sustainable materials and our sustainability progress and targets. In addition, we provided either a Succulent or Cacti kit for colleagues to start growing our own desk plants.

Key Performance Data

Items	GRI Indicator	HKEx Indicator	FY2016	FY2017	FY2018[11]	FY2019[11]	FY2020[11,12]	FY2021
Portion of senior management hired from local community[9]	202-2		98%	98%	98%	97%	96%	97%
Proportion of spending on local suppliers	204-1	B5.1	94%	88%	88%	86%	90%	88%
Material used by weight or volume (1000 Tonnes)	301-1		86.0	97.6	100.5	94.7	92.3	103.7
Energy use[1] (GJ)	302-1	A2.1	577,208	583,987	611,607	622,005	635,555	644,174
Energy from Diesel[1] (GJ)	302-1	A2.1	4,438	9,397	18,642	22,463	21,535	23,087
Energy from Gasoline[1] (GJ)	302-1	A2.1	5,170	6,098	6,021	5,666	6,394	5,808
Energy from Natural Gas[1] (GJ)	302-1	A2.1	35,050	30,409	33,190	30,515	28,514	26,430
Energy from Electricity[1] (GJ)	302-1	A2.1	532,551	538,082	553,754	563,361	579,111	588,850
Energy use[1] per production output (GJ per 1,000 unit)	302-3	A2.1	4.278	4.110	4.404	4.352	4.813	4.174
Energy from Diesel[1] per production output (GJ per 1,000 unit)	302-3	A2.1	0.033	0.066	0.134	0.157	0.163	0.150
Energy from Gasoline[1] per production output (GJ per 1,000 unit)	302-3	A2.1	0.038	0.043	0.043	0.040	0.048	0.038
Energy from Natural Gas[1] per production output (GJ per 1,000 unit)	302-3	A2.1	0.260	0.214	0.239	0.213	0.216	0.171
Energy from Electricity[1] per production output (GJ per 1,000 unit)	302-3	A2.1	3.947	3.787	3.988	3.941	4.385	3.815
Electricity used (Kwh)	302-1	A2.1	147,930,737	149,467,329	153,820,653	156,489,059	160,864,220	163,569,413
Electricity used per production output (Kwh per 1,000 unit)		A2.1	1,096	1,052	1,108[13]	1,095	1,218	1,060
Water comsumption[2] (meter cube)	303-1	A2.2	2,011,462	2,008,913	1,633,105	1,556,998	1,550,354	1,613,186
Water comsumption[2] per production output (meter cube per 1,000 unit)		A2.2	14.9	14.1	11.8	10.9	11.7	10.5
GHG emission Scope 1[3], (tonne of CO_2e)	305-1	A1.1, A1.2	5,948	4,326	5,791	5,015	4,617	4,367
GHG emission Scope 2[3], (tonne of CO_2e)	305-2	A1.1, A1.2	75,000	75,794	78,020	79,378	82,187	83,716
GHG emission Scope 3 (tonne of CO_2e)	305-3	A1.1, A1.2					6,243,385	7,016,864
GHG emission Scope 1[3], per production output (tonne of CO_2e per 1,000 unit)	305-4	A1.2	0.044	0.030	0.042	0.035	0.035	0.028
GHG emission Scope 2[3] per production output (tonne of CO_2e per 1,000 unit)	305-4	A1.2	0.556	0.533	0.562	0.555	0.622	0.542
GHG emission Scope 3 per production output (tonne of CO_2e per 1,000 unit)	305-4	A1.2					47.3	45.5
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	307-1		0	0	0	0	0	0
Injury[4] cases	403-2	B2.1	84	59	59	46	39	37
Lost Hours[5]	403-2	B2.2	8,256	9,869	9,788	7,310	9,235	8,766
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%
Injury rate per employee[6]	403-2		0.003	0.002	0.002	0.002	0.002	0.001
Injury rate per employee[6] – male	403-2		0.005	0.003	0.003	0.003	0.002	0.002
Injury rate per employee[6] – female	403-2		0.001	0.001	0.002	0.001	0.001	0.001
Absentee rate[7] (%) - overall	403-2		0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Absentee rate[7] (%) - male	403-2		0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Absentee rate[7] (%) - female	403-2		0.4%	0.4%	0.4%	0.4%	0.4%	0.4%

Items	GRI Indicator	HKEx Indicator	FY2016	FY2017	FY2018[11]	FY2019[11]	FY2020[11,12]	FY2021
Average training hours per employee	404-1	B3.2	29.1	41.4	47.4	61.8	67.7	73.2
Average training hours per employee – male	404-1	B3.2	28.8	43.6	50.0	64.3	70.3	78.3
Average training hours per employee – female	404-1	B3.2	29.5	38.0	43.5	57.9	63.7	65.1
Average training hours per employee – management[8] staff	404-1	B3.2	7.9	9.2	10.2	15.4	19.5	11.7
Average training hours per employee – Professional/Engineer	404-1	B3.2	14.2	21.0	26.0	38.3	32.5	25.7
Average training hours per employee – staff & workers	404-1	B3.2	31.8	45.6	52.2	67.1	75.2	84.3
Incidents of non-compliance with regulations on health and safety impact on products that result in a significant fine, penalty or warning	416-2		0	0	0	0	0	0
Incidents of non-compliance with regulations on product and service information and labelling that result in a significant fine, penalty or warning	417-2		0	0	0	0	0	0
Sales of banned products	102-2		0	0	0	0	0	0
Total monetary value of significant fines for non-compliance with laws and/or regulations in the social and economic area	419-1		US$0.7 million[10]	0	0	0	0	0
Total number of non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	419-1		0	0	0	0	0	0
Cases brought through dispute resolution mechanisms for non-compliance with laws and/or regulations in the social and economic area	419-1		1	0	0	0	0	0
Total hazardous waste produced (in tonnes)		A1.3	326.4	365.6	358.5	346.3	421.5	399.0
Total hazardous waste produced per production output (in tonnes per 1,000 unit)		A1.3	0.00242	0.00257	0.00258	0.00242	0.00319[14]	0.00259
Total non-hazardous waste produced (in tonnes)		A1.4	7,528	8,806	9,705	9,111	9,621	10,088
Total non-hazardous waste produced per production output (in tones per 1,000 unit)		A1.4	0.056	0.062	0.070	0.064	0.073	0.065
Total packaging material used for finished goods (tonnes)		A2.5	30,510.3	34,579.8	34,470.3	33,022.1	32,498.7	35,047.1
Total packaging material used for finished goods per production output (tonnes per 1,000 unit)		A2.5	0.226	0.243	0.248	0.231	0.246	0.227
Number of countries where VTech operates	102-4		11	13	13	14	14	15
Total number of operations	102-7		20	22	24	24	27	27
Revenue	102-7		US$1,856.5 million	US$2,079.3 million	US$2,130.1 million	US$2,161.9 million	US$2,165.5 million	US$2,372.3 million
Total debt	102-7		Nil	US$1.7 million	Nil	Nil	Nil	Nil
Total equity	102-7		US$525.0 million	US$584.7 million	US$646.6 million	US$607.0 million	US$601.5 million	US$731.1 million
Average number of employees – Total	102-7	B1.1	27,412	27,217	26,065	26,048	26,078	25,293
Average number of employees – Male	102-8	B1.1	16,583	16,565	15,725	16,016	15,613	14,724
Average number of employees – Female	102-8	B1.1	10,829	10,652	10,340	10,032	10,465	10,569
Average number of employees – Asia Pacific – Male	102-8	B1.1	16,352	16,227	15,415	15,718	15,307	14,414
Average number of employees – Asia Pacific – Female	102-8	B1.1	10,630	10,348	10,062	9,757	10,207	10,303
Average number of employees – North America – Male	102-8	B1.1	144	206	181	170	173	169
Average number of employees – North America – Female	102-8	B1.1	104	172	153	149	131	139

Key Performance Data

Items	GRI Indicator	HKEx Indicator	FY2016	FY2017	FY2018[11]	FY2019[11]	FY2020[11,12]	FY2021
Average number of employees – Europe – Male	102-8	B1.1	87	132	129	128	133	141
Average number of employees – Europe – Female	102-8	B1.1	95	132	125	126	127	127
Average number of full-time staff		B1.1	27,379	27,188	26,021	25,838	25,917	25,203
Average number of part-time staff		B1.1	33	29	44	210	161	90
Proportion of full time staff		B1.1	99%	99%	99%	99%	99%	99%
Percentage of female employees in the workforce			39%	39%	40%	39%	40%	42%
Percentage of female in management position			22%	25%	25%	26%	24%	25%

Note:

1. *Energy value for fuels are obtained from GRI G3 Guide*
2. *Water consumption data includes water usage data from manufacturing facilities in China and Malaysia and offices in China and overseas*
3. *VTech's GHG objectives and targets are set and tracked relative to a base year of FY2020.*
4. *Injury types accounted for include: Vehicle Accident, Falling Object Injury, Machines Entanglement, Cutting Injury, Falling from heights, Collapse Injury, Burnt injury, Chemical injury, Collision injury, Electric shock*
5. *Total working hours that workers cannot attend work due to injuries in manufacturing operations*
6. *The frequency of injuries relative to the number of employees. Minor (first-aid level) injuries are included.*
7. *Number of days the employees are absent from work over total hours scheduled to be worked*
8. *Staff with grade above supervisor level*
9. *The location of operation sites*
10. *On 8 January 2018, US FTC announced the settlement with VTech for the cyber-attack incident in FY2016. Without admit any liability, VTech paid a civil penalty of US$0.7M.*
11. *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.*
12. *The report scope was expanded with the acquisition of our production facilities in Malaysia*
13. *The unfavourable change in the company performance data per production output was due to the expanded scope as described in note 11 above as the components output of the Metal factory were not included in the per-production-out data calculation.*
14. *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*
15. *Certain data for prior years were restated for fair comparison of the performance data.*

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 2021 (the Report). The Report highlights VTech's major sustainability commitments and performance in terms of environmental, social and economic sustainability from 1st April 2020 to 31st March 2021.

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.

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 and the ESG Guide of the SEHK;
- The Report illustrates VTech's sustainability performance in a structured, balanced and consistent 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 2021

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

General Standard Disclosures		
GRI Indicator	**Description**	**Location and Notes**
GRI 102: General Disclosures 2016		
Organisational Profile		
102-1	Name of the organisation	About this Report
102-2	Activities, brands, products, and services	Page 4
102-3	Location of headquarters	About this Report
102-4	Location of operations	Page 4
102-5	Ownership and legal form	Page 4
102-6	Markets served	Page 4
102-7	Scale of the organisation	Page 4
102-8	Information on employees and other workers	Page 4
102-9	Supply chain	Pages 37-38
102-10	Significant changes to the organization and its supply chain	About this Report
102-11	Precautionary Principle or approach	Page 27-29
102-12	External initiatives	Page 4
102-13	Membership of associations	Page 68
Strategy		
102-14	Statement from senior decision-maker	Pages 2-3
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Pages 28-29
Governance		
102-18	Governance structure	Page 5
Stakeholder Engagement		
102-40	List of stakeholder groups	Page 11
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 5.5% 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 10-11
102-43	Approach to stakeholder engagement	Pages 10-11
102-44	Key topics and concerns raised	Pages 12-13

General Standard Disclosures		
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	Page 12
102-47	List of material topics	Page 13
102-48	Restatements of information	Page 68
102-49	Changes in reporting	Page 68
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 70-73
102-56	External assurance	About this Report
Material Topic Disclosures		
Economic		
GRI 201: Economic Performance 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
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 12-13
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 203: Indirect Economic Impacts 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Pages 59-65
103-3	Evaluation of the management approach	Pages 59-65
203-1	Infrastructure investments and services supported	Pages 59-65
GRI 204: Procurement practice 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Pages 37-38
103-3	Evaluation of the management approach	Pages 37-38
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 12-13
103-2	The management approach and its components	Pages 48-49
103-3	Evaluation of the management approach	Pages 48-49
301-1	Materials used by weight or volume	Key Performance Data
GRI 302: Energy 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Pages 44-46
103-3	Evaluation of the management approach	Pages 44-46
302-1	Energy consumption with the organisation	Pages 44-46, Key Performance Data
302-3	Energy intensity	Pages 44-46, Key Performance Data

Appendix

Material Topic Disclosures		
GRI Indicator	**Description**	**Location and Notes**
GRI 303: Water and Effluents 2018		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Page 47
103-3	Evaluation of the management approach	Page 47
303-1	Interactions with water as a shared resource	Page 47, Key Performance Data
303-2	Management of water discharged-related impacts	Page 47, Key Performance Data
303-5	Water consumption	Page 47, Key Performance Data
GRI 305: Emissions 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Pages 44-46
103-3	Evaluation of the management approach	Pages 44-46
305-1	Direct (Scope 1) GHG emissions[1]	Key Performance Data
305-2	Energy indirect (Scope 2) GHG emissions[2]	Key Performance Data
305-3	Other indirect (Scope 3) GHG emissions[3]	Key Performance Data
305-4	GHG emissions intensity	Key Performance Data
GRI 307: Environmental Compliance 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Pages 39-51
103-3	Evaluation of the management approach	Pages 39-51
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 12-13
103-2	The management approach and its components	Pages 37-38
103-3	Evaluation of the management approach	Pages 37-38
308-2	Negative environmental impacts in the supply chain and actions taken	Pages 37-38
Social – Labour and Human Right Policy		
GRI 402: Labour/Management Relations 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Page 55
103-3	Evaluation of the management approach	Page 55
402-1	Minimum notice periods regarding operational changes	Employees in Spain, France and Malaysia which is accountable for 5.5% 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.

Material Topic Disclosures		
GRI Indicator	**Description**	**Location and Notes**
GRI 403: Occupational Health and Safety 2018		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Pages 57-58
103-3	Evaluation of the management approach	Pages 57-58
403-1	Occupational health and safety management system	Pages 57-58
403-2	Hazard identification, risk assessment and incident investigation	Pages 57-58
403-3	Occupational health services	Pages 57-58
403-4	Worker participation, consultation, and communication on health and safety	Pages 57-58
403-5	Worker training on occupational health and safety	Pages 57-58
403-6	Promotion of worker health	Page 53
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 57-58
403-9	Work-related injuries	Pages 57-58, Key Performance Data
GRI 404: Training and Education 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Page 54
103-3	Evaluation of the management approach	Page 54
404-1	Average hours of training per year per employee	Page 54, Key Performance Data
Social – Product Responsibilities		
GRI 416: Customer Health and Safety 2016		
103-1	Explanation of the material topic and its Boundary	Pages 12-13
103-2	The management approach and its components	Page 35
103-3	Evaluation of the management approach	Page 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 12-13
103-2	The management approach and its components	Page 34
103-3	Evaluation of the management approach	Page 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 12-13
103-2	The management approach and its components	Page 29
103-3	Evaluation of the management approach	Page 29
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 12-13
103-2	The management approach and its components	Pages 28-29
103-3	Evaluation of the management approach	Pages 28-29
419-1	Non-compliance with laws and regulations in the social and economic area	Key Performance Data

1 *Direct (scope 1) – GHG emissions come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organization.*
2 *Indirect (Scope 2) – GHG emissions that result from the generation of purchased or acquired electricity, heating, cooling and steam consumed by the organisaton.*
3 *Indirect (Scope 3) – Indirect GHG emissions not included in energy indirect (Scope 2) GHG emissions that occur outside of the organisation, including both upstream and downstream emissions.*
In this report, Scope 3 emission only included GHG emission data from ocean shipment of contractors engaged by VTech.

Stock Exchange ESG Guide Index

Aspects	Disclosure		Location and Notes
A. Environmental			
A1. Emission	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *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 46, Key Performance 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 49, 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 48, Key Performance Data
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Pages 24, 44-46
	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 48-49
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 46, Key Performance Data
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	Page 47, Key Performance Data
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Pages 24, 44-46
	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 47
	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 39-41
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Pages 39-51
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 39-51
	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 39-51
B. Social			
Employment and Labour Practices			
B1. Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 53 and Page 55
	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.	We maintain average staff turnover rate at or below 12%
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 57-58

Aspects	Disclosure		Location and Notes
B2. Health and Safety	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Page 57, 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 57-58
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.*	Page 54
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 54
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 54, Key Performance Data
B4. Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Page 55
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 55
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 55
Operating Practices			
B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Pages 37-38, 41
	KPI B5.1	Number of suppliers by geographical region.	82% 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 37-38
	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 37-38
	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 37-38, 41
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 30-38
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Key Performance Data
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Pages 33-34, Key Performance Data
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 29
	KPI B6.4	Description of quality assurance process and recall procedures.	Pages 33-34
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 29
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.	Pages 28-29
	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 FY2021
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Pages 28-29
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Staff: Pages 28-29, 54 Director: A training is provided by qualified professional to the directors on the topic Foreign Corrupt Practices Act in FY2021.
Community			
B8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 59
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 59
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Pages 59-65

TCFD Index

In FY2020, VTech starts 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, 26-27
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Our RMSC has also formed the Sustainability Sub-Committees 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, 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 recognize that climate change is a serious risk, and, as a result, our Sustainability Plan 2025 is set and approved by the RMSC, to ensure our continuous improvement programmes and approaches on sustainability would be carried out effectively and consistently.	Pages 6, 42-44
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, development of low emission goods and services via R&D, and sustainable use of energy and resources are considered opportunities. In the long term (5 years+), it will be essential to adopt a more energy efficient production and distribution processes, and continuously mitigate GHG emissions.	Pages 42-44
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 striking to combat climate change and reduce carbon emission, and have been continuously working on minimizing our impact on the environment.	Pages 42-44
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	VTech 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 24, 42-44
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.	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 42-44

TCFD recommendation	Disclosure	Reference
b) Describe the organization's processes for managing climate-related risks.	Risks are formally identified and recorded in the risk register for key operations. The risk register is updated regularly and risk exposure and mitigation performance are reviewed biannually. The RMSC held two meetings during the financial year to review the Group's business and sustainability risk management and internal control systems and their effectiveness.	Pages 26-27
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.	Pages 26-27
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 24
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scope 1: 4,367 tonnes of CO_2-e Scope 2: 83,716 tonnes of CO_2-e Scope 3: 7,016,864 tonnes of CO_2-e As of FY2021, scope 3 emission only included GHG emission data from ocean 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 24.	Pages 19, 24, 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
IATF 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 on the use of Hazardous Substance
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Regulation on 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
FSC	Forest Stewardship Council®
Safety Standards of TEL Products	
UL 60950	Safety standards for US Market
EN 60950	Safety standards for European countries
CCC	China Compulsory Certification
UL	Underwriters Laboratories

ELPs

Environmental Standards of ELPs	
RoHS2	Restrictions on the use of Hazardous Substance
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Waste Electrical and Electronic equipment
CP65	California Proposition 65: Safe Drinking Water and Toxic Enforcement Act
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 on Safety of Toys
ISO 8124	Safety of Toys
CCPSA	Canada Consumer Product Safety Act

CMS

Environmental Standards CMS products	
RoHS2	Restrictions on the use of Hazardous Substance
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Waste Electrical and Electronic equipment
Energy Star ® eco-label	Certified Energy Saving Products
CP65	California Proposition 65: Safe Drinking Water and Toxic Enforcement Act
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 60950	Safety standards for US Market
EN 60950	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) 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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