VTech Holdings Limited

HKSE: 303

vtech

Sustainability Report 2017

About this Report

VTech published its first Sustainability Report for the financial year 2013. The purpose of the report was not only to communicate our sustainability strategies, management approaches and performances with our stakeholders, but also comprehensively introduce our ongoing activities for our sustainable development towards the societies and environment in which we operate.

VTech considers sustainability as a direction for our long-term development. In our Sustainability Report 2017, we not only continued to follow the Core option of the Global Reporting Initiative (GRI) Sustainability Reporting G4 Guidelines (G4 Guidelines) and its principles of balance, comparability, accuracy, timeliness, clarity and reliability, but also made reference to the Stock Exchange of Hong Kong Limited (the Stock Exchange) Environmental, Social and Governance (ESG) Reporting Guide (ESG Guide)[1] to define our report content. In order to identify and assess the material concerns of our stakeholders, we have also conducted materiality assessment surveys through a number of stakeholder engagement activities to determine the factors that have material impacts on our sustainable growth, and included them in the summary of our sustainability strategies and targets.

Reporting Period and Scope

The scope of this report includes data and activities from our headquarters in Hong Kong, our three manufacturing facilities in China and overseas sales offices, unless specifically stated otherwise. During the financial year 2017 (FY2017), VTech has completed the acquisition of LeapFrog Enterprises Inc (LeapFrog), a very strong educational toy brand in the industry and Snom Technology GmbH (Snom), the pioneer and a leading brand of professional and enterprise Voice over Internet Protocol (VoIP) telephones. VTech also acquired the fixed assets from Kenny Precision Products (Shenzhen) Company Limited for the production of high precision metal tooling and parts. There were no other significant changes in VTech's operation locations, share capital structure, or our supply chain structure.

Reporting period: FY2017 (1 April 2016 to 31 March 2017), as per the financial period of our Annual Report 2017. The Sustainability Report is issued on an annual basis.

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

Assurance

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

Reference Guidelines

GRI G4 guidelines
Stock Exchange ESG Guide

Full details of the VTech Sustainability Report 2017 are available on https://www.vtech.com/en/sustainability/

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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

About this Report

VTech Approach

VTech Sustainability Activities

VTech Sustainability Performance

Chairman's Message

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

The financial year 2017 (FY2017) marked the 40th anniversary of VTech, which was also a challenging year for the Company as we have completed three strategic acquisitions during the year. These included LeapFrog, a strong educational toy brand in the industry; Snom, the pioneer and a leading brand of professional and enterprise Voice over Internet Protocol telephones; and the acquisition of the fixed assets from Kenny Precision Products (Shenzhen) Company Limited for the production of high precision metal tooling and parts. The integration of these newly acquired businesses has also facilitated VTech to achieve its record revenue in FY2017.

With our continuous business development and global expansion, VTech recognises the responsibility to ensure that all our staff and business activities, including those employees and facilities joining VTech through the recent acquisitions, are following the same international statutory requirements regarding the environmental, social and ethical standards across the Company. As part of our consolidation programme after the acquisition, our sustainability sub-committees comprising key employees from the Company's different product lines and relevant departments, have also integrated and aligned our sustainability strategies and management systems to ensure that they could be carried out effectively and consistently throughout the Company and our global supply chain.

At VTech, we have also developed our sustainability management systems and measures around the needs of our stakeholders. We engage with our stakeholders by conducting materiality assessment surveys every year to identify and address their material issues and concerns on our sustainable development. Based on the results of the stakeholder

surveys, we continue to focus our sustainability resources and efforts on the five key areas – product responsibility and innovation, environmental protection, workplace quality, sustainable operating practices and community investment.

VTech's Sustainability Report 2017 is our 4th annual Sustainability Report which has not only identified our short-term and long-term sustainability targets for the financial year 2018 to 2020 (FY2020), but also highlighted our performance progress and achievements for the year, with actions and programmes to be implemented towards our long-term goals in FY2020. I am also pleased to report that with our dedicated sustainability resources and efforts, VTech Holdings Limited continues to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index and the FTSE4Good Global Index, and is once again selected as one of the top 100 most sustainable companies in Asia and ranked seventh in Hong Kong according to Channel NewsAsia, CSR Asia and Sustainalytics.

As the global leader in electronic learning products and cordless telephones, VTech strives to develop and supply high quality and innovative products for the well-being of our customers and benefits of the society. These included our new series of soother baby monitors and smart home monitoring devices for the customers' health and safety, and eco-friendly products for the environment. Our electronic learning products such as Touch and Learn Activity Desk™ Deluxe and Scoop and Learn Ice Cream Cart™, are also designed to inspire children's curiosity and love of learning throughout their early development stage.

VTech also continues to devote its efforts to preserving the natural environment for future

generations. Through our high performance production chain and green manufacturing programmes, we have achieved notable reduction in electricity consumption and thus lower carbon emission to the environment, with CO_2 emission per production output reduced by 7.9% compared with the previous financial year. As a global Company with approximately 27,000 employees and operations in 13 countries and regions, we are also committed to providing a decent and safe working and living environment for our employees, and strive to achieve international Corporate Social Responsibility standards across the Company.

As a responsible corporate citizen, it is equally important for us to serve the diverse needs of the community. In FY2017, we have recruited over 2,500 volunteers and developed various volunteering programmes on "Support People in Need" and "Collaborate with Local Charities", aiming at supporting social and charity activities on children education, poverty alleviation and local philanthropy. We also provide training opportunities for students and nourish an innovative environment for young generation through our sponsorship programmes.

The 40th anniversary of VTech marked an important milestone in our journey. As the Company enters into its 5th decade, we will continue to make every effort to incorporate sustainability aspects into our business strategies and activities. We also strive to balance the impacts of economic growth, environmental protection and social responsibility in our strategic business plan, aiming to drive sustainable value for our stakeholders and the communities.

Allan WONG Chi Yun
Chairman
16 May, 2017

About vtech

VTech is the global leader in electronic learning toys from infancy through toddler and preschool[2] and the world's largest manufacturer of cordless telephones. It also provides highly sought-after contract manufacturing services. Our product lines include electronic learning products (ELPs), telecommunication (TEL) products, and contract manufacturing services (CMS).

With headquarters in the Hong Kong Special Administrative Region and state-of-the-art manufacturing facilities in China, VTech currently has operations in 13 countries and regions. In FY2017, VTech has approximately 27,000 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.
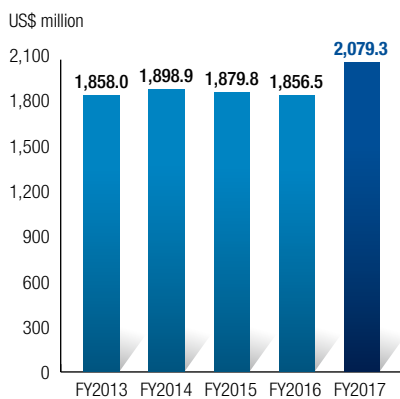
For the year ended 31 March 2017, Group revenue and profit attributable to shareholders of the Company were US$2,079.3 million and US$179.0

million respectively. At 31 March 2017, the Group had working capital and total assets of US$190.9 million and US$1,060.0 million respectively. The Group's total equity was US$584.7 million as at 31 March 2017.
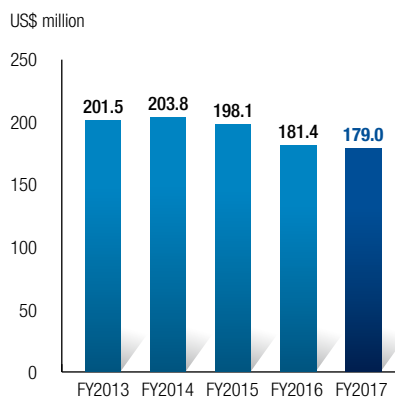
Shares of VTech Holdings Limited are listed on The Stock Exchange (HKSE: 303). At 31 March 2017, the number of issued and fully paid shares of the Company was 251,182,133 shares.

For details of our financial performance, please refer to the financial highlights included in our Annual Report 2017 at: https://www.vtech.com/en/investors/financial-reports/
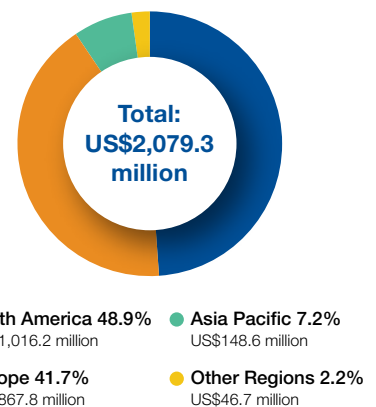
Group Revenue in Last 5 Years

US$ million

FY2013	FY2014	FY2015	FY2016	FY2017
1,858.0	1,898.9	1,879.8	1,856.5	2,079.3

Profit Attributable to Shareholders of the Company in Last 5 Years

US$ million

FY2013	FY2014	FY2015	FY2016	FY2017
201.5	203.8	198.1	181.4	179.0

Revenue by Regions

for the year ended 31 March 2017

Total: US$2,079.3 million

- North America 48.9% US$1,016.2 million
- Asia Pacific 7.2% US$148.6 million
- Europe 41.7% US$867.8 million
- Other Regions 2.2% US$46.7 million

At VTech, we manage our business in accordance with a number of key external charters. We adhere to and implement policies that are coherent with 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   Source: NPD Group, Retail Tracking Service and 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 toddler electronic learning, toddler figures, playsets and accessories, preschool electronic learning, electronic entertainment (excluding tablets) and walkers for the 12 months ending December 2016

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

Corporate Governance and Risk Management

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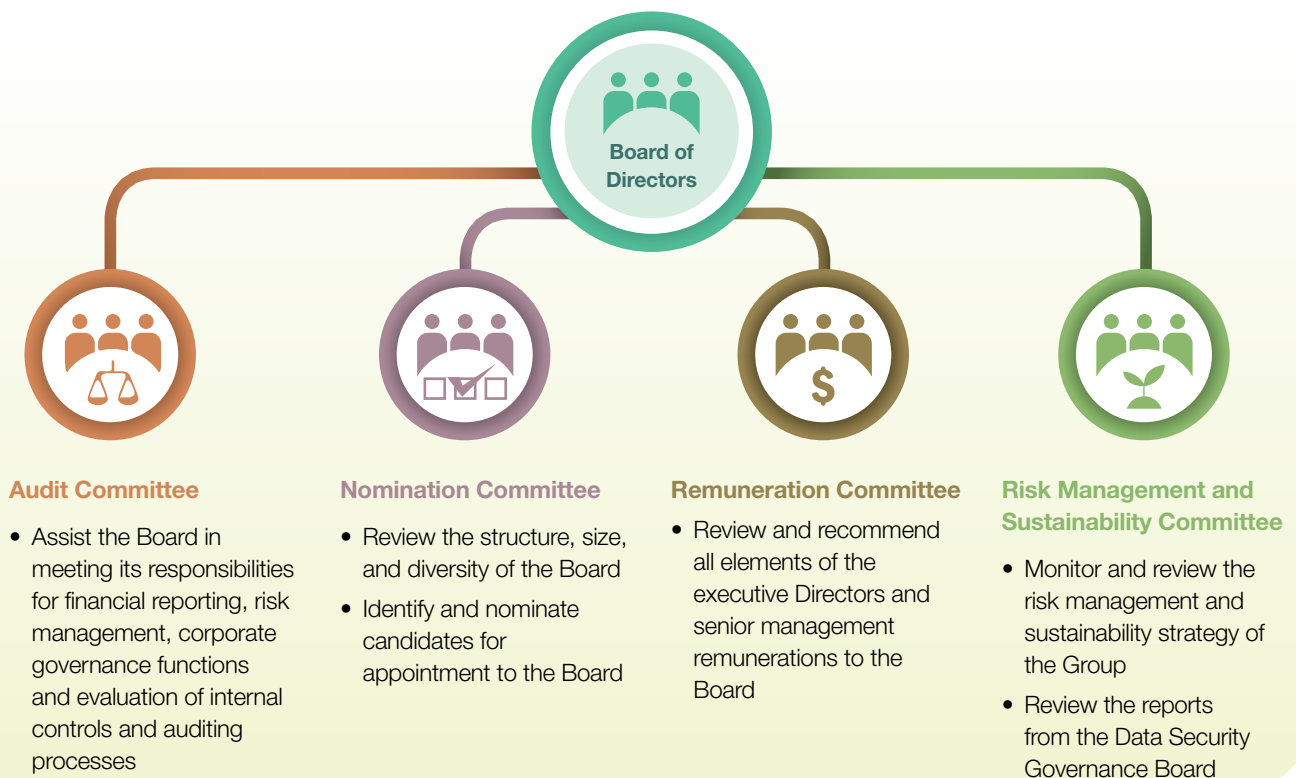
Corporate Governance

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

Board of Directors and its Committees

The Board of Directors (the Board) comprises three executive directors of the Company (Directors) and three independent non-executive Directors. Their names and brief biographies can be found in the section "Biographical Details of Directors" on page 40 of the Annual Report 2017. The Board focuses on the formulation of business strategy and policy, and control. Matters reserved for the Board are those affecting the Company's overall strategic policies, finances and shareholders. These include, but are not restricted to, deliberation of business plans, risk management, internal controls, announcement of interim and final results, dividend policy, annual budgets, major corporate activities such as material acquisitions and disposals, and connected transaction.

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

Board of Directors

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Risk Management and Sustainability Committee

- Monitor and review the risk management and sustainability strategy of the Group
- Review the reports from the Data Security Governance Board

For details of our corporate governance, please refer to the corporate governance section included in our Annual Report 2017 at http://www.vtech.com/en/investors/financial-reports.

Code of Conduct and Whistleblowing Policy

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

VTech operates a Whistleblowing Policy in order to encourage and assist whistleblowers to disclose information relevant to misconduct, malpractices or irregularities through a confidential reporting channel. Any cases are referred to the Chief Compliance Officer (CCO), who will review the complaints and determine the appropriate mode of investigation and any subsequent corrective action. All reported cases are handled by the company with care and the concerns are investigated in a fair and proper manner. The Chief Compliance Officer reviews the nature and status of complaints received on a quarterly basis, and reports the results of his review of the complaints to the Audit Committee on a biannual basis.

Business Integrity Policy and Anti-Corruption

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

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

Risk Management

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

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

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

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

VTECH APPROACH

Privacy and Information Security

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

In order to gain trust from our stakeholder, the security of their personal information is important to us.

VTech acknowledges the importance in handling the personal information carefully. We have policies in place to monitor how the personal information of our stakeholders is collected, used and managed. The personal information is usually collected from our online shop, authorised dealer or agents and media channels for enquiries and complaints whenever necessary to provide services to the stakeholders.

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

Protection of Intellectual Property Right

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

VTech's Sustainability Management

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

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

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

Risk Management and Sustainability Committee

Sustainability Sub-Committees

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

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

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

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

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

Sustainability Progress and Targets

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

VTech Sustainability Progress

During our sustainability journey since FY2006, VTech has successfully developed our sustainability strategies with a vision to design, manufacture and supply innovative and high quality products in a manner that minimises any impact on the environment, while creating sustainable value for our stakeholders and the communities in which we operate.

FY2006 to FY2011

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

FY2012

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

FY2013

- Refined the CSR management structure to a holistic sustainability framework, focusing on :
  1) Product Responsibility & Innovation,
  2) Environmental Protection,
  3) Workplace Quality,
  4) Sustainable Operating Practices, and
  5) Community Investment

- Renamed VTech's Risk Management Committee to Risk Management and Sustainability Committee at the Board of Directors level

- Set up VTech sustainability management sub-committees, comprising key employees from the Company's different product lines and relevant departments

FY2014

- Defined VTech sustainability vision and strategies

- Published our first Sustainability Report following the Core option of GRI G4 Guidelines

FY2015

- Set up an internal database to better monitor our sustainability data and targets

- Published our annual sustainability report following the Core option of GRI G4 Guidelines and Stock Exchange ESG Guide

- Developed VTech Sustainability Plan 2020

FY2016

- Closely monitor our sustainability progress and work along with the VTech Sustainability Plan 2020

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

FY2017

- Completed the acquisition of LeapFrog, Snom and fixed assets of Kenny Precision Products (Shenzhen) Company Limited

- Integrated and aligned sustainability strategies and management systems to the newly acquired businesses

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

Awards and Recognitions in FY2017

With our dedicated sustainability resources and efforts, VTech continues to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index and FTSE4Good Global Index[4] in FY2017. VTech is also among the top 100 most sustainable companies in Asia and ranked seventh in Hong Kong according to Channel NewsAsia, CSR Asia & Sustainalytics.

Additionally, we have been awarded the Caring Company by The Hong Kong Council of Social Service for the ninth consecutive year, and also the Industry Cares Company 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

FTSE4Good Global Index

Channel News Asia Sustainability Ranking

Award as Caring Company for the 9th Consecutive Year

Award as Industry Cares Company by Federation of Hong Kong Industries

Award as Family Friendly Employer by Family Council

Award for Breast Feeding Support by Family Council

2nd Top Participation Award in AXA Streetathon 2016 & 2017

Golden Corporate Participation Award in Sowers Action Challenging 12 Hours 2016

2nd Runner-up in Run for Paralympians Cup 2017

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

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

VTECH APPROACH

VTech Sustainability Plan 2020

In order to ensure that our continuous improvement programmes and approaches on sustainability could be carried out effectively and consistently throughout the Company and in a sustainable manner, we have established a Sustainability Plan 2020 which covers FY2016 to FY2020. We have also identified our short-term goals with programmes and activities to be achieved in the financial year 2018 (FY2018).

Strategy Themes				Approaches		Targets for FY2018	Targets for FY2020
Product Responsibility & Innovation	Design for People			Continue to use our technological expertise to design and provide products to enhance the well-being of our customers and benefit the society		Increase the total sales of health and safety products by 15% compared with FY2014	Increase the total sales of health and safety products by 20% compared with FY2014
	Design for Excellence			Continue to ensure that all products are compliant with the international quality and safety standards		Zero product recalls, fines or penalties relating to non-compliance with regulations	Zero product recalls, fines or penalties relating to non-compliance with regulations
				Follow the Life Cycle Analysis (LCA) Guideline, aiming to reduce the carbon footprint in each new generation of the products		Undertake LCA analysis for 2 key products in TEL products and ELPs to reduce the carbon footprint throughout the product life cycle	Undertake LCA analysis for 10 key products in TEL products and ELPs to reduce the carbon footprint throughout the product life cycle
Environmental Protection	High Performance Production Chain			Implement more low cost automation projects and further strengthen the operational management to improve the production efficiency and productivity		Increase production output per worker by 12% compared with FY2014	Increase production output per worker by 20% compared with FY2014
						Continue to monitor the progress of our energy saving programmes and conduct weekly patrols to eliminate unnecessary energy consumption	Project Progress
	Green Manufacturing	Energy Consumption and Carbon Emissions	Reduce energy consumption and thus the carbon emissions			Reduce Greenhouse Gas (GHG) emission per production output by 12% compared with FY2014	Reduce GHG emission per production output by 20% compared with FY2014
						Reduce the exhaust gas emission by installing sensor valve in the pressure and vacuum generator	Reduce the electricity usage in manufacturing facilities per production output by 20% compared with FY2014
						Continue to adopt the hydraulic servo control technology in our existing injection moulding machines	
		Water	Reduce water consumption and improve effluent treatment			Continue to promote water saving campaigns throughout the Company	Reduce total water consumption by 5% compared with FY2014
						Reduce the volume of the water tanks in the lavatory, in order to reduce the overall water discharge	

Strategy Themes		Approaches		Targets for FY2018	Targets for FY2020
Environmental Protection	Green Manufacturing	Materials, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Reduce the use of paper for printing product manuals and promote the use of digital manual that can be easily accessed through the Company website	Maintain the recycling rate of the reusable materials at or above 70%
				Study the feasibility of end-of-life product collection and recycling scheme	
				Continue to collect and analyse the internal reuse and recycling rate	
				Maintain the recycling rate of the reusable materials at or above 70%	
		Logistics	Reduce the environmental impact from shipment of products	Continue to keep track of the average loading capacity of each container shipment	Maintain the average loading capacity of each container shipment at or above 80%
				Maintain the average loading capacity of each container shipment at or above 80%	
				Continue to improve the consolidation of shipment volumes and shipping orders with our business partners	Maximise the usage of ocean and rail freight for long distance and inland shipments respectively
Workplace Quality	Communication and Staff Relations	Enhance our good staff relations through various communication channels and staff activities		Continue to encourage open communications at all levels of the Company and facilitate employees to voice their opinions through various communication channels	Maintain employee satisfaction at or above average level based on the employee satisfaction survey
				Continue to provide different types of staff activities for our employees	Maintain average staff turnover rate at or below 12%
				Maintain average staff turnover rate at or below 12%	
	Advancement in Careers	Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech		Continue to review the training needs of staff, evaluate the training content and increase the number of training courses for the career development of our employees	Maintain average training hours per employee at or above 20 hours
	Respect of Labour and Human Rights	Respect the labour and human rights of all our employees with clearly defined human resources management policies		Continue to update our human resources management policies in accordance with the latest statutory requirements	Increase number of staff with years of service longer than 5 years by 10% compared with FY2014
				Continue to provide training and conduct employee surveys in the areas of labour and human rights	

VTECH APPROACH

Strategy Themes		Approaches	Targets for FY2018	Targets for FY2020
Workplace Quality	Environment for Our People	Provide a supportive, pleasant and healthy workplace for our staff and foster a caring community in our working environment	Continue to add new health and safety training courses and workplace stretching exercises to all workers	Maintain the loss of working hours due to injuries in manufacturing facilities at or below 0.01%
			Perform monthly Environment, Health and Safety (EHS) internal audit	Zero work related fatality case
			Continuously upgrade the facilities in the living areas of the factories	Maintain employee satisfaction at or above average level based on the employee satisfaction survey
Sustainable Operating Practices	Business Continuity Management	Mitigate the potential operational risks and increase our resilience capability to resume the operation in an effective and timely basis	Annual risk registry update and assessment. Continue to raise the awareness of information security and privacy amongst our employees at all levels through related training programmes	Annual risk registry update and assessment
	Supply Chain Management and Procurement Practice	Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's CSR requirements	Measure suppliers' sustainability performance	Ensure our suppliers meet our CSR standards
			Continue to review our sustainability audit scope and conduct annual audit for all major suppliers	Develop an e-procurement platform to interact with suppliers in a more consistent and eco-friendly manner
	Climate Change Policy	Ensure our business strategies are not only accounted for longer term trajectory of climate change, but also sufficiently flexible to respond to the inevitable changes in the business environment	Disclose our total GHG emissions annually and review VTech's Climate Change Policy with reference to the international and local standard	Disclose our total GHG emissions annually and review VTech's Climate Change Policy with reference to the international and local standards
Community Investment	Support People in Need	Use our expertise and resources to support the communities in which we operate	Provide volunteer trainings to employees	Increase the total number of VTech volunteers to 2,000 and total voluntary hours by 10% compared with FY2014
	Collaborate with Local Charities		Continue to encourage more employees to participate in local charitable events	Collaborate with corporate philanthropies and participate in more local charitable events
	Provide Training Opportunities for Young People		Collaborate with local colleges to establish manufacturing courses for local engineering students	Sponsor local science activities for young people and provide science scholarship for local technical institutes
	Nourish an Innovative Environment		Partner with local educational institute and support innovative science events	Establish funding for innovative technology research and science studies
	Develop a Healthy and Green Community		Increase the number of healthy dishes options at canteens	Provide (weekly) healthy menu for employees to choose at VTech canteen
			Organise Green day to promote green lifestyle among employees	Organise VTech green day (in all operation locations)
			Organise various recycling workshops and participate in local green activities	

Stakeholder Engagement

Stakeholder Engagement Approach

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

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

The selection of stakeholder groups is determined by the RMSC in conjunction with the Sustainability Sub-Committees. In FY2017, we have selected a number of representative customers and suppliers from the Company's different product lines, a range of employees from all levels in the Company, our major shareholders and investors, and communities with whom we were actively involved. As part of our annual review process, we also engaged our stakeholders through their preferred communication channels to conduct our materiality assessment surveys.

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

VTECH APPROACH

A summary of the stakeholder groups, the topics concerned, and the communication channels with frequency are listed in the following table.
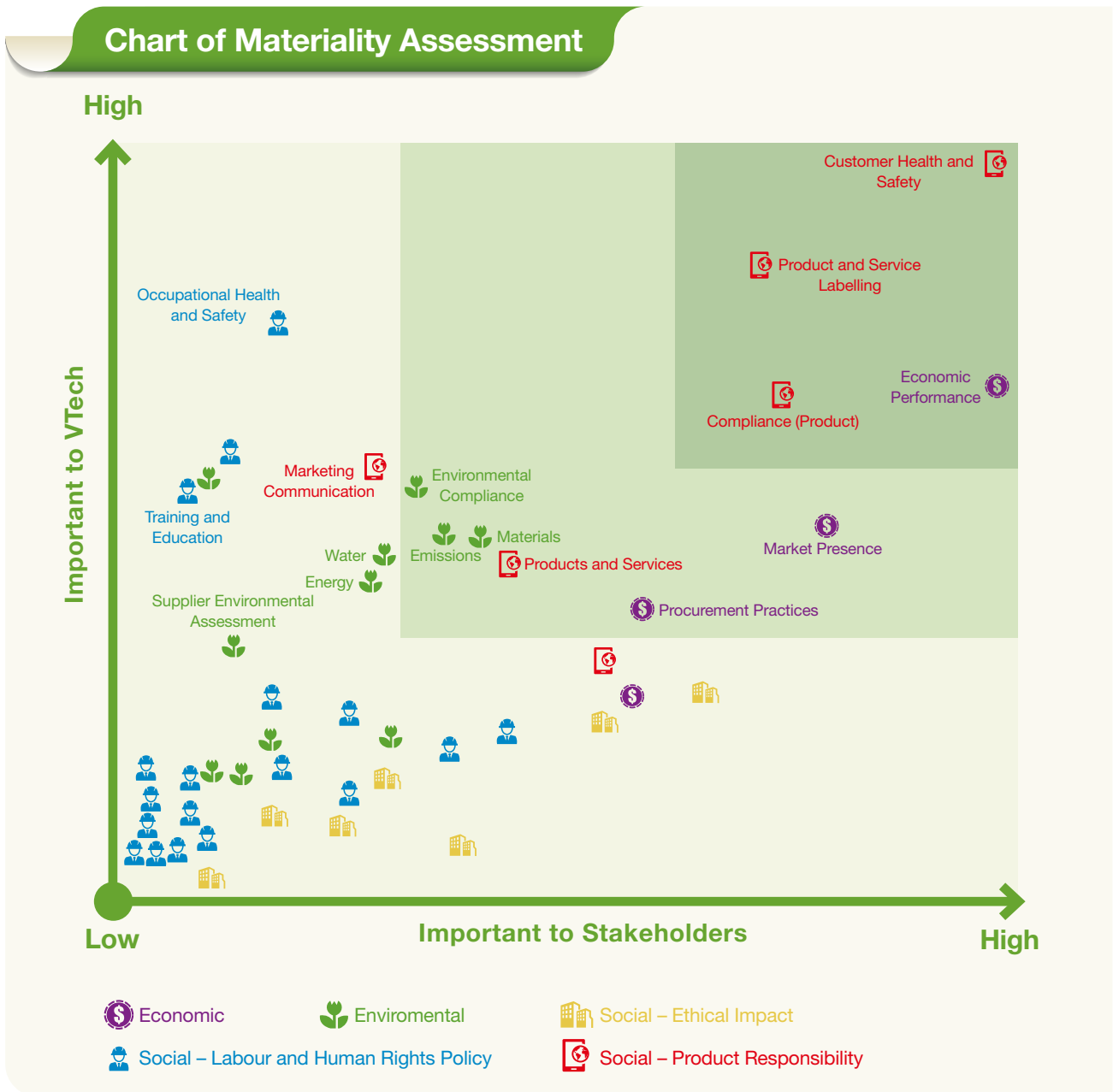
Stakeholders	Topics Concerned	Communication Channels	Frequency per year
Customers	• Production quality and improvements • Product safety, performance and life cycle • Operation in compliance with applicable law and regulations • Customer support • Financial performance • Sustainability strategies	• Online customer satisfaction surveys • Customer visits or meetings • Industry exhibitions and forums • Product training workshops • On-site visits at VTech's factories • Quarterly business review • Customer service hotline and email	Annually As required* As required* As required* As required* Quarterly On-going
Employees	• Employees' health and safety • Employee communication and engagement • Working condition and welfare • Career development and training • Business performance • Product safety • Operation in compliance with applicable law and regulations	• Employee engagement surveys • Monthly social events with employees • Newsletter • Performance reviews • Regular management meeting with staff representatives • Career and product training • Occupational health and safety training • Suggestion box, hotline, emails, notice board and briefing sessions	Quarterly Monthly Quarterly Annually On-going On-going On-going On-going
Shareholders	• Return on investment • Strategic plans • Operation in compliance with applicable law and regulations	• Annual and interim results announcement events • Annual and interim reports • Regular meetings and correspondence • Sustainability report	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 aspects identified by the stakeholders were based on the results of the materiality assessment surveys conducted in FY2017. The results were mapped with the key sustainability aspects assessed by VTech's senior management and illustrated in the following chart.

Chart of Materiality Assessment

High

Important to VTech

Customer Health and Safety

Product and Service Labelling

Occupational Health and Safety

Economic Performance

Compliance (Product)

Marketing Communication

Environmental Compliance

Training and Education

Materials

Emissions

Water

Energy

Market Presence

Products and Services

Supplier Environmental Assessment

Procurement Practices

Low   Important to Stakeholders   High

Economic

Enviromental

Social – Ethical Impact

Social – Labour and Human Rights Policy

Social – Product Responsibility

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

The labelled aspects 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, 4 out of 46 topics were identified as the most important to our stakeholders and VTech, including Customer Health and Safety, Economic Performance, Product and Service Labelling and Product Compliance. This practice could help us prioritise the corresponding sustainability issues, as well as monitor our sustainability progress.

VTECH APPROACH

Besides, in accordance with the requirements of Core option of the GRI G4 Guidelines, we have also covered all the material aspects in our Sustainability Report 2017, including the Key Performance Indexes (KPIs) which are most representative and effective in reflecting our project progress, and our management approach to address each material aspect with related sustainability activities and case studies.

We have also defined the boundaries of each material aspect to determine whether the impact of the item is within or outside of VTech in the following table:

Category	GRI Aspect	Aspect Boundary	
		Within VTech	Outside of VTech
Economic	Economic Performance	✔	
	Market Presence	✔	
	Procurement Practices	✔	✔
Environmental	Materials	✔	
	Energy	✔	
	Water	✔	
	Emissions	✔	
	Compliance	✔	✔
	Supplier Environmental Assessment	✔	✔
Social – Labour Practices and Decent Work	Occupational Health and Safety	✔	
	Training and Education	✔	
Social – Product Responsibility	Products and Services	✔	
	Customer Health and Safety	✔	
	Product and Service Labelling	✔	
	Marketing Communications	✔	
	Compliance	✔	✔

Product Responsibility & Innovation

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

Highlights

- Sales of Health and Safety Product increased by 29.7% compared with FY2016
- Smart Home Device, Baby Soother, Wireless Video Baby Monitor and Wireless Smart Headphones were launched during the year
- Touch & Learn Activity Desk Deluxe and Scoop and Learn Ice Cream Cart were introduced for children's learning and development
- VTech CMS produced the new eco-friendly product - Solar Charger

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

Design for People

Addressing our customers' needs is our primary responsibility in the stage of product design. We continuously use our technological expertise to help improve the health and safety of our customers, which is our number one objective. We have developed a series of baby soothers that help parents take care of their babies. We have partnered with the local broadband service leader to enhance the performance of our smart home device. We have also launched unique wireless smart headphones that help users stay fit and connected at all times. 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.

Wireless Smart Headphones

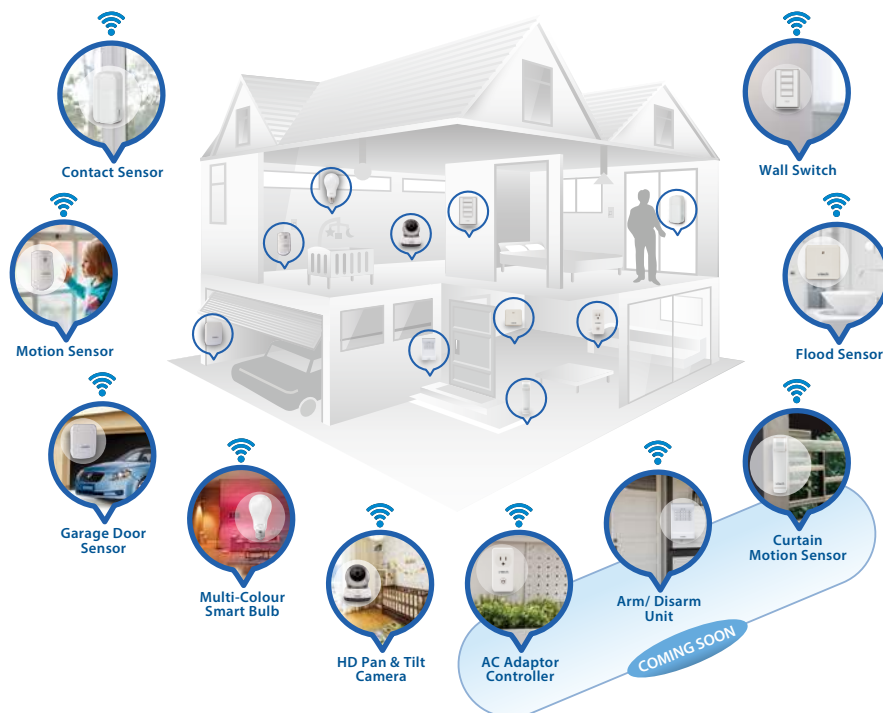More people enjoy not being disturbed while listening to music, especially when they are on the run. A smart powerful microcomputer could definitely make one's life much easier, while enjoying the luxurious audio quality. VTech continues to use its technical expertise and resources to help our customer bring innovative ideas to life, by producing the one-of-a-kind personalised smart device.

The waterproof earpiece is featured with a health tracker, keeping track of users' health performances such as heart rate. With the option of noise cancellation, users could enjoy the luxurious acoustic effect from their favourite music. The built-in sensors in this smart device also allow users to give commands to this earpiece with customised gestures and movements, such as nod heads to accept phone calls and shake heads to decline the call.

Wireless Smart Headphones

VTECH SUSTAINABILITY ACTIVITIES

Contact Sensor

Motion Sensor

Garage Door Sensor

Multi-Colour Smart Bulb

HD Pan & Tilt Camera

AC Adaptor Controller

Arm/ Disarm Unit

Curtain Motion Sensor

Wall Switch

Flood Sensor

COMING SOON

VTech Smart Home Device – The one-stop solution that let you stay connected with ease

In FY2017, our smart home device has received the gold prize in the category of telecommunications products at the Electronic Industries Award 2016. VTech used advance technologies to upgrade the Internet Protocol (IP) hub – the Connected Home Gateway that can connect different devices and household gadgets via IP network (LAN and Wi-Fi), Voice Network (DECT), as well as Ultra-Low-Energy network

(ULE), allowing users to stay connected and manage their household in a more flexible and reliable manner.

With the excellent and reliable fibre-optic broadband network provided by a Hong Kong local internet service provider, users could enjoy home telephone service in crystal clear High Definition (HD) Voice and are provided with our smart sensors and devices. They can also enjoy a variety of Over-The-Top entertainment boxes provided by the internet service provider.

VTech Baby Monitor Series

The safety and well-being of babies are the major concerns to the parents. VTech is committed to providing parents with a wide range of reliable baby monitors with all the necessary safety features that help keep track of their babies and give parents the peace of mind they need. In FY2017, we have taken a step forward and launched a new product line, the baby soothers, which ease babies to sleep with sweet songs and sounds and soft-glow night light.

Wireless HD Video Baby Monitor with 5" Touch Screen, Pan and Tilt Camera

VTech VM991 Wi-Fi Pan and Tilt HD Video Monitor lets parents view their babies from virtually anywhere. The high-definition camera uses home Wi-Fi connections to capture babies' movements and sounds which parents can pan, tilt and zoom the camera by swiping and pinching the touchscreen parent unit at home or remotely from a smart device. This allows parents to enjoy further peace of mind.

Baby Soother Myla The Monkey™ Portable Soother

A new best chubby friend, which could put the little ones to sleep anywhere they go. This portable soother features calming melodies and gentle soothing nature sounds, including trickling stream that could relax the babies even when they are on the road. With the rechargeable batteries and auto shut-off features, this cute companion would always have enough energy to provide dreamy naptime atmosphere for the babies.

Baby Soother Wyatt the Whale™ Storytelling Soother

This little whale turns any room into a dreamy oasis in an instant. Apart from playing gentle lullabies and soft soothing nature sounds like trickling streams and crickets on a summer night, this soother also has 10 preloaded stories that could help put babies to sleep. Parents could also download new and classic tales by using the free app or even go imaginative and record their own fairytales to build a special bond with their babies. Best of all, the night light projects a starry scene to help baby relax, night after night.

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.

On 4 April 2016, VTech has completed the acquisition of LeapFrog, which is a very strong educational toy brand in the industry. The acquisition allows VTech to offer the broadest portfolio of products that enhance the education and development of children around the world.

Touch & Learn Activity Desk Deluxe

The Touch & Learn Activity Desk Deluxe by VTech is a three-in-one desk with interactive activity cards that is expandable for more fun and discovery. The desk features an interactive desktop and five pages to explore that are filled with engaging content including letters, numbers, music, colours and more. Choose from eight expansion packs that each focuses on a specific curriculum like nursery rhymes, reading skills, animals and numbers. It also transforms from a desk into an easel and chalkboard with plenty of storage space for art supplies to encourage play and discovery. The LED display illustrates letter and number stroke order and how to draw basic shapes. For even more fun, the toddler can play with the toy telephone or listen to fun tunes on the music player.

Scoop and Learn Ice Cream Cart

Scoop and Learn Ice Cream Cart could help children develop different skills, while learning their favourite ice cream flavors. By slotting in the smart learning cards into the cash register, the little cart would give out simple visual and audio instructions for children to learn and place the correct ice-cream scoops into the cone in the right order.

Along with the serving counter, children could also add the tasty toppings for their customers. This toy set gives the opportunities for the children to build their memory, develop their listening skills and simple motor skills and learn to be patient through role play. Once the children open their shop, they could also learn the responsibility for running the shop.

VTECH SUSTAINABILITY ACTIVITIES

Solar Charger

Eco-Friendly Products

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

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

VTech's CMS has also produced a high performance portable solar charger for our customers. When the solar charger is fully charged by the power of the sun,

it can provide enough power for various small electronic devices, i.e. mobile phones and cameras. Additionally, this solar charger also features a built-in lamp, which provides users with bright light wherever they go and helps them stay connected day and night.

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 51.

Design for Quality

VTech is committed to designing and manufacturing products that meet the highest international and local health and safety standards. All VTech products follow robust specifications on banned and restricted substances. Our products, including TEL products and ELPs, sold in the US and Europe are RoHS2 (Restriction of Hazardous Substances) compliant, and our products sold in Europe comply fully with REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals). We have implemented a stringent quality control system, from all materials, components, machines and equipment, operational techniques and methods to the final products assessment, to ensure that the use of all materials and manufacturing processes are compliant with both international and local standards and requirements.

VTech Quality Control System

Upholding the highest quality standards of our products, except for our newly acquired manufacturing facilities from Kenny Precision Products (Shenzhen) Company Limited in Liaobu, Dongguan, China with operations starting from January 2017, all VTech's manufacturing facilities for TEL products, ELPs and CMS are all certified with ISO9001. VTech has implemented a comprehensive quality management system framework to set up quality assurance policies and procedures to address the product quality and reliability on a regular basis, as well as improve the work efficiency. By going through the incoming materials inspection, we could ensure all selected parts and components comply with international and local standards before mass production, whereas the in-process quality audit could constantly improve our manufacturing process, production efficiency and consistency. Our finished goods 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

Incoming Materials	Manufacturing Process	Finished Products	After-Sales Quality Management
• New Component Evaluation • Supplier Quality Audit • Incoming Materials Inspection • RoHS2 & REACH Control	• In-Process Quality Audit • Out-Going Quality Control • RoHS2 & REACH Control	• Product Reliability (Product Testing) • Hardware Evaluation • Software Evaluation • Human Factor Evaluation	• Call Centre • Warranty Service

proactively on all reported cases in a timely manner by carrying out reviews, evaluations and investigations, followed by immediate corrective or preventive actions to satisfy our customers' preferences.

VTech Quality Laboratories

To improve the quality, durability and performance of our products, we have set up our in-house product testing laboratories (labs) at the manufacturing sites of our three product lines. All our products must go through reliability tests during different design stages. The comprehensive tests provide data for our engineers to improve the quality and reliability during the stages of production, transportation, storage and throughout

the intended product life cycle under a wide range of use conditions. Ongoing reliability test is also conducted during the mass production stage on a sampling basis to detect any anomalies or changes that may occur in the design, supply chain or production process that adversely changes field reliability performance of our products.

The reliability lab of TEL products is designed based on the international requirements and standards, and our UL Safety Lab is the first telecommunication manufacturing facility to comply with UL 60950 in Guangdong. Our in-house physical and chemical laboratory of ELPs is a China National Accreditation Service (CNAS) certified laboratory for ASTM

F963 & EN71-1 (specific test items) standards since 2011 and complies with ISO 17025 standards. Equipped with advanced testing instruments, our in-house chemical laboratory is also able to test specific chemicals such as heavy metals and phthalates. Samples of our VTech products are also sent to independent safety testing labs before they are brought to market to ensure that they meet the highest levels of international and local quality and safety standards.

TEL Products Test Labs

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

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

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

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

CMS Test Lab

Measurement & Reliability Lab
- Temperature Humidity Environmental Stress Test
- Vibration Test
- Salt Spray Corrosion Test
- Connector Insertion Cycling Test
- Abrasion Test
- Switch On-Off Cycling Test
- XRF Spectrum Analysis
- Melt Flow Index Analysis
- Automated 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
- Water Ingress Test
- Wire Load Swing Test

Abrasion Test

Automated 3D Dimension Measurement

Audio Lab

VTECH SUSTAINABILITY ACTIVITIES
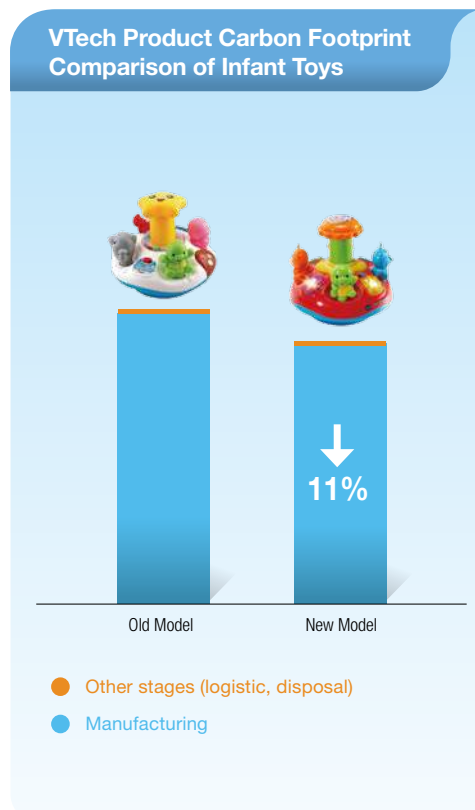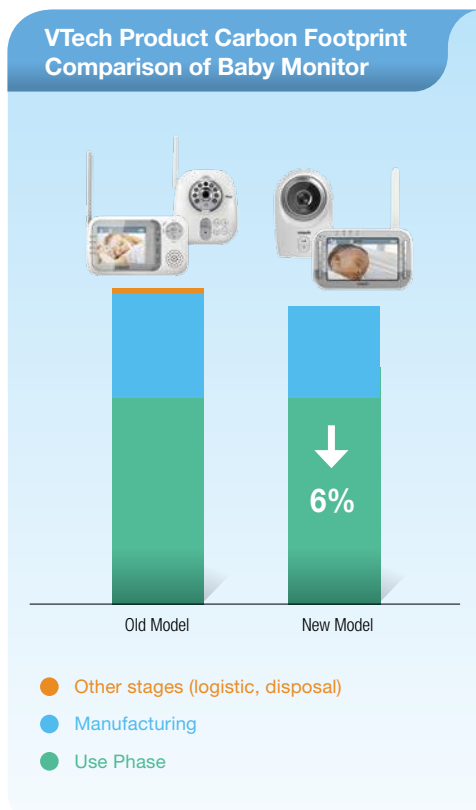
Design for Environment

VTech's products are designed to minimise our environmental impacts throughout the whole product life cycle from cradle to grave. With the compliance of RoHS2 and REACH standards, we aim to use minimum permitted hazardous substances and chemicals in all ELPs and TEL products. We also follow the LCA principle from the beginning of the product design to different stages of production chain. Our designers and engineers are required to follow the requirements on the LCA checklist to select a more eco-friendly product and packaging materials, reduce the use of materials and energy, maximise the use of reusable items and avoid disposing of recyclable materials to landfill during the product development stage. We initiated our "Every Component Counts" principles since 2008 and we have made continuous improvements in the reductions of material 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. For example we chose to use PP (Polypropylene) plastic instead of ABS (Acrylonitrile Butadiene Styrene) plastic for some of our ELPs and used 100% recyclable cardboard as the packaging materials for all ELPs.

We continue to incorporate eco-design principles from the manufacturing phase of the production life cycle to the product usage in the end user's home. Every year we conduct LCA practice for our key products to compare the carbon footprint between the old and new models, and ensure that there is continuous reduction in

carbon footprint of the new model. By embedding the eco-design principles and with continuous reduction in plastic materials and components usage, the carbon footprints of the following two new ELP and TEL models have reduced 11% and 6% respectively compared with the old generation.

We have also successfully launched our first TEL product that uses waterborne paint. Compared to the traditional solvent base paint, the application of waterborne paint substantially reduces the usage and emission of Volatile Organic Compounds to the atmosphere both in the product itself and in the manufacuring process, which also improves our productivity and air quality at our workplace. This provides our customers with more eco-friendly choices.

VTech Product Carbon Footprint Comparison of Baby Monitor

Old Model | New Model

↓ 6%

- Other stages (logistic, disposal)
- Manufacturing
- Use Phase

VTech Product Carbon Footprint Comparison of Infant Toys

Old Model | New Model

↓ 11%

- Other stages (logistic, disposal)
- Manufacturing

Environmental Protection

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

Highlights

- Production output per worker increased by 10.5% compared with FY2016
- CO_2 emission per production output decreased by 7.9% compared with FY2016
- Electricity consumption per production output decreased by 6.1% compared with FY2016

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

As an environmentally conscious company, VTech strives to operate its manufacturing processes and facilities in a manner that minimises the impacts to the environment, and ensure that our operations are compliant with all the relevant environmental, legal and statutory requirements. By implementing the high performance production chain, we have improved our resources efficiency and productivity while maintaining our green manufacturing practice. Through the adoption of the green logistic management approach, and choosing the most eco-friendly transportation mode for delivering our incoming materials from suppliers and outgoing products to our customers, we have also further reduced our GHG emissions.

Sustainable Manufacturing Process

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

High Performance Production Chain

Two key principles – "produce for quality" and "produce for efficiency" are the main drivers for our manufacturing process improvement. In FY2017, our production output per worker increased by 10.5% year over year. We have been implementing the low cost automation and lean manufacturing management to maximise our resources efficiency and improve our productivity without compromising the quality of our product, while aiming to reduce the potential environmental impacts throughout the manufacturing process.

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

### Production Output per Worker

Unit per worker
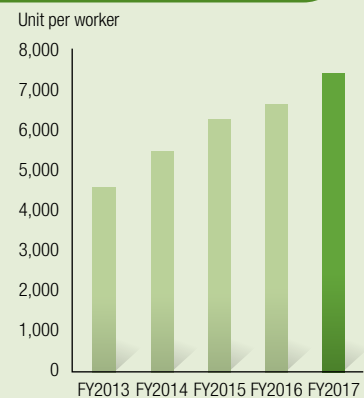
each production stage while reducing the handling time in each process and increasing the flexibility for production. It shortens the through-put time and minimises the idle time during the process.

In FY2017, we have optimised the use of Automated Optical Inspection (AOI) system by enhancing the software programming of the system and redesigning the machine loading base. This has improved the flexibility of AOI system, allowing the inspection of two different PCBs at the same time.

VTECH SUSTAINABILITY ACTIVITIES

Additionally, we have incorporated the ergonomics and human factors in developing flexible mobile workstations in some of our assembly production lines to avoid unnatural movements and heavy lifting, increasing the overall productivity. The mobile workstations featured with rotating table tops and roller conveyors, which are designed to help employees to reach the parts and equipment that they need with minimum motions. The set-up of these workstations has improved the conveyance of bulky objects from one workstation to another, while improving the flow along the assembly and product inspection process.
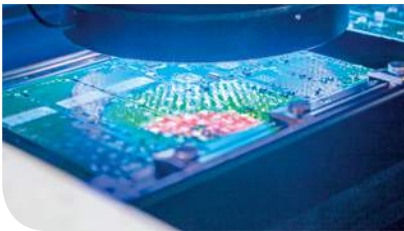
Automated Optical Inspection System

High Performance Production Chain

Low Cost Automation

VTech has dedicated its efforts to incorporate Low Cost Automation into the production chain. In order to fulfil the market demand, we have started to introduce our in-house-developed mechanical and electrical devices that are "fit for use" in FY2015. These devices have improved our production efficiency and consistency, as well as enhanced the flexibility of the manufacturing process. This includes automatic solder dispensers, glue dispensers, screw fastening machines, auto box folding machines, robotic arm for assembly and automatic locator for positioning the components. These devices not only create less labour intensive working environment, but also make significant improvements in the quality of our products. In FY2017, we continued phasing out the traditional machineries and increased the application scale of these in-house-developed devices to further optimise the manufacturing process.

We have incorporated the vibratory feeders and the automatic locator into the preformer, to align the small components in the same orientation before being sent to the assembly line. This smart device could configure the position of those small components and ensure all parts are symmetrically placed in the perfect position. Our workers do not have to fiddle with the components when they mount them together with other parts, which saves significant amount of handling time and simplifies the components handling of the assembly process.

We have also developed our in-house designed automatic PCB marking system, where a laser machine will etch barcodes or QR codes onto the PCBs per system instruction. The application of the non-contact laser etching could increase the quality and durability of the barcodes marked on the products. With the application of laser marking, it helps us and our end-users to improve the traceability as it can identify the final products through different work orders. By setting up this system along our SMT production line, the PCBs can be delivered to the SMT modules directly through the conveyor belts after marking, achieving a more smooth production flow and also ensuring a high level of traceability.

At wave-soldering production line, we have developed auto-insertion machine in-house to handle unique components, replacing manual component insertion.

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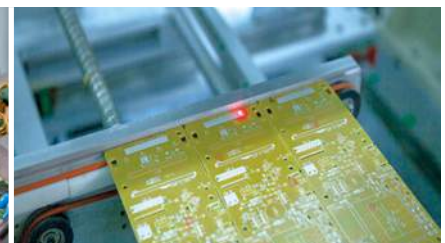
Green Manufacturing

VTech has continuously worked with different government bodies to minimise the environmental impact of our production facilities. Our TEL products manufacturing site was awarded the "Hong Kong – Guangdong Cleaner Production Excellent Partners" under the scheme jointly launched by the Hong Kong Productivity Council and Guangdong Provincial Government

in 2016. It was also recognised as the "Clean Production Enterprise in Guangdong Province" by the Guangdong Provincial Government and "Dongguan Environmentally Friendly Enterprise" by the Dongguan, Guangdong Province Environmental Protection Bureau in China. In addition, all our existing manufacturing sites of our TEL products, ELPs and CMS are certified with the ISO 14001 standard for environmental management, demonstrating that we are committed to continuous improvement on environmental protection.

The Dongguan Economy & Information Technology Bureau launched an energy programme to encourage corporate and manufacturers to take the initiative of managing the energy consumptions. Our TEL products manufacturing site has also taken part in this programme since FY2015, along with the implementation of our energy saving and management projects. In return, our TEL production site was rewarded with credit for participation in this programme.
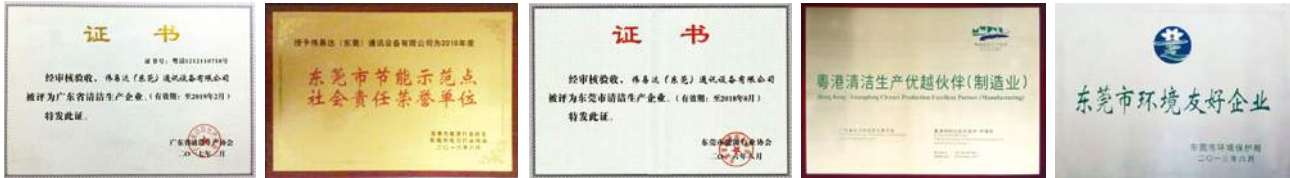
Awards and Recognition in our TEL Manufacturing Site

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

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

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

Energy and Resources Management

Our Resource Efficiency and Conservation Team (RECT) at each manufacturing site has been making significant achievements in monitoring the energy saving progress through the implementation of our resources saving projects. The RECT includes our production floor managers, equipment technicians and internal energy analysts. They ensure our resources are well utilised at the operational level by focusing on the following areas:

Plan and Monitor the Resources Saving Programmes	**Improve Energy Efficiency in Production Chain**	**Enhance Production Efficiency of Machinery**	**Improve the Reuse and Recycle Rates of Resources**
• Develop energy and resources saving projects • Maintain the energy and resources monitoring system • Perform energy and resources usage analysis	• Manufacturing resource planning • Low energy production process	• Assess the energy efficiency and utilisation rate of the machineries • Continuously upgrade low efficiency machines	• Promote internal reuse of materials • Continuously improve the waste management programme

VTECH SUSTAINABILITY ACTIVITIES

Energy Monitoring System

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

Energy Saving Programmes in Manufacturing Process

As VTech manufacturing facilities mainly consist of assembly and plastic injection plants, electricity is the major energy resource in our production process. Therefore, the majority of our energy saving projects focus on reducing our electricity consumption.

Installation of Air Compressor

In FY2017, we have installed a set of 50HP air compressor in one of our manufacturing sites to interconnect the system between the high pressure facilities production floors and Computer Numerical Control (CNC) facilities in order to reduce the pressure and energy demands on the production floor.

Blowguns Remodelling

Thousands of blowguns are used during the manufacturing process in order to carry out cleaning and drying and blow off excessive material during the process. However, the process of creating the compressed air through the blowguns will consume a considerable amount of energy. In order to optimise our resources use and generate the optimal amount of compressed air, the RECT has tested the blowguns and remodelled the blowguns by replacing the original nozzles with the smaller sized ones. The applications of the new nozzles have generated noticeable savings on the energy consumption and increased the overall efficiency.

Energy Patrol Team

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

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

Energy Consumption

With our continuous efforts on improving the production efficiency in our manufacturing sites, our total energy consumption per production output and the electricity consumption per production output in FY2017 decreased by 7.4% and 6.1% respectively, compared with FY2016.

Moreover, our energy patrolling and energy saving programmes have made a significant contribution in the energy

Energy Consumption
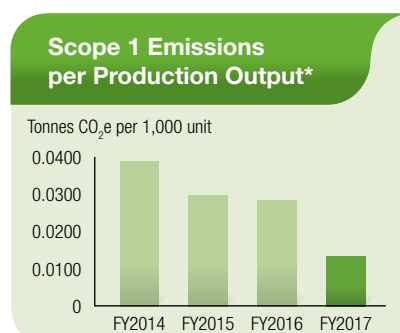
GJ

| | Electricity | Natural Gas | Diesel |
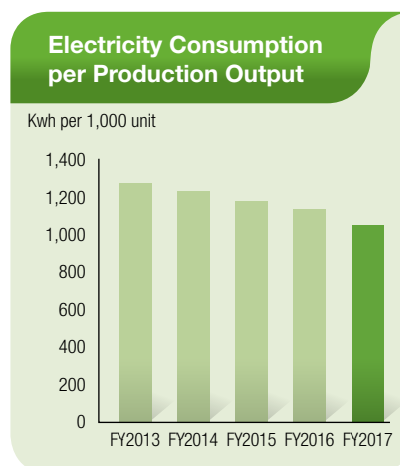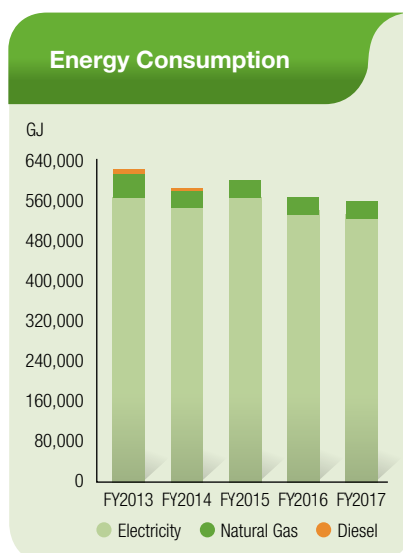
reduction. We will continue to promote resources conservation programmes in the living and working areas of our factories, without compromising the provision of a comfortable and pleasant living environment for our employees.

Carbon Emissions

The use of energy is the major contributor of both direct (Scope 1) and indirect (Scope 2) emissions in VTech. With the target of minimising the environmental impacts, our energy conservation programmes and activities have made a notable reduction in the energy consumption and thus the carbon emissions. Direct emissions (Scope 1) only account for less than 2.0% 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.

In FY2017, our total Scope 1 and Scope 2 emissions were 102,455 tonnes of CO_2e. Besides keeping a small amount of diesel usage for our back up electricity

Electricity Consumption per Production Output

Kwh per 1,000 unit

Scope 1 Emissions per Production Output*

Tonnes CO_2e per 1,000 unit

* VTech started collecting relevant data in FY2014

generators, we have completed replacing the diesel with natural gas at the canteens of our manufacturing sites, resulting in a reduction of Scope 1 emissions by 49.8% compared with FY2016. We had also managed to reduce Scope 2 emissions per production output by 6.1% and natural gas usage by 19.0%.

Scope 2 Emissions per Production Output

Tonnes CO_2e per 1,000 unit
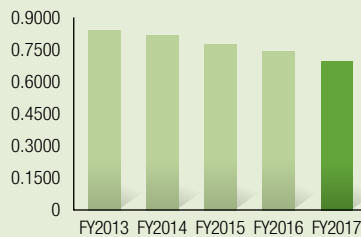
Water

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. To control water pollution, VTech continuously reinforces waste water treatment by strictly following ISO14001 requirements, carrying out measurements of required items, in order to meet the waste water standards in ISO14001.

The waste water is mainly generated from workers' living activities. In order to increase the awareness of conserving water resources, we have been carrying out various water saving campaigns at dormitories and manufacturing sites. With the extensive effort in our water saving programmes, we have managed

to reduce total water consumption and total water consumption per production output by 0.5% and 7.8% respectively.

Total Water Consumption per Production Output
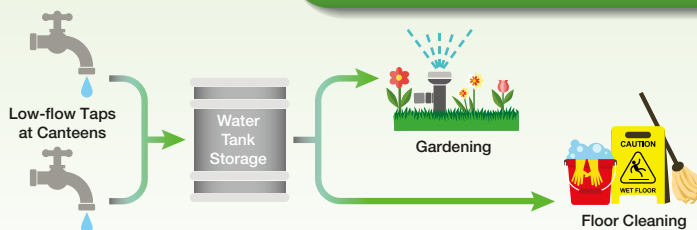
M^3 per 1,000 unit
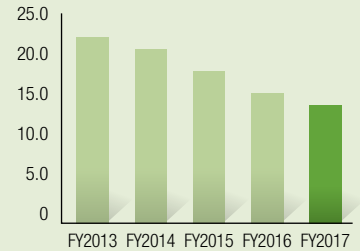
Rainwater Harvest System

We are committed to finding ways to reduce the use of freshwater and utilise our water resources in a sustainable manner. In FY2017, we have installed a rainwater harvest storage tank with a capacity of 400,000 litres at the tunnel entrance of our TEL manufacturing site.

Moreover, we also have a rainwater harvest storage tank with a capacity of 20,000 litres in the new dormitory facilities at CMS manufacturing site. The rainwater is directly collected from the tanks and then reused for watering our gardens, green roofs and toilet flushing.

Water Tank Storage

Watering Garden or Green Roof

Toilet Flushing
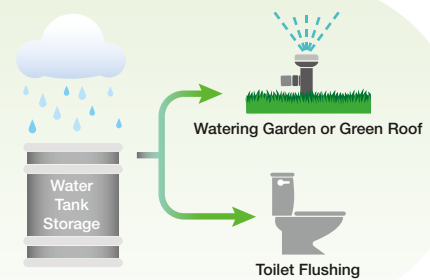
Low-flow Taps and Water Recovery System at Canteen

Low-flow Taps at Canteens

Water Tank Storage

Gardening

CAUTION WET FLOOR

Floor Cleaning

We have replaced the taps with the low-flow taps to avoid water wastage at the canteens of our ELP manufacturing site. In addition, water used for washing fruits and vegetables at canteen is also reused for gardening and floor cleaning purposes.

Materials, Waste and Recycling

VTech aims to operate our factories with maximum resources efficiency by minimising the materials used throughout the manufacturing process and increasing the recycling rate and the use of reusable materials. We keep track of the materials that we use, aiming to minimise unnecessary waste of materials from the product design, downsize the PCB rims and reduce the

use of packaging materials. Throughout our production, we have also installed machineries and devices to further reduce the consumption of excessive parts and materials. In FY2017, total packaging material used and total packaging material used per 1,000 production output were 34,580 tonnes and 0.2 tonnes respectively.

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. Our recycling rate increased from 75% in FY2016 to 78% in FY2017.

VTECH SUSTAINABILITY ACTIVITIES

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.

Non-hazardous Waste per Production Output

Tonnes per 1,000 unit

FY2015	FY2016	FY2017

(chart values: 0.075, 0.060, 0.045, 0.030, 0.015, 0)
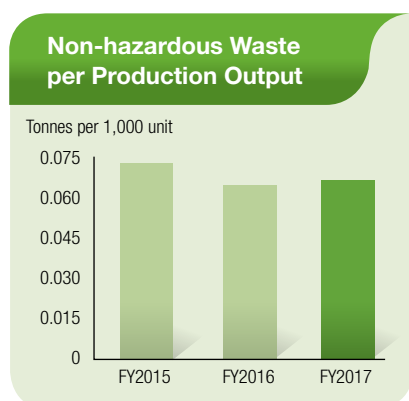
Hazardous Waste Management

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

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

strive to achieve our goals by following the best practices:

- Provide clear work instructions and protection equipment for employees at all times
- Ensure employees have attended the hazardous waste and chemical management training before getting on board
- Hazardous wastes are stored in rigid and articulated containers that are acid and solvent resistant. Hazardous wastes are also delivered in isolated truck and spark arrested solvent vehicle within the site
- Storage units for storing the hazardous wastes are specially constructed to prevent exposure, spillage, fire and explosion at isolated area within the site
- Hazardous wastes are categorised and stored in corresponding sections within the storage units
- Conduct hazardous waste and chemical spill drill every year
- Hazardous waste will be disposed of and handled by Government authorised hazardous waste disposal companies
- Disposal of wastes with approvals granted by the Environmental Protection Division of local government

In FY2017, a total of 320.9 tonnes of hazardous wastes was produced including the disposal of waste electrical and electronic items, waste chemicals and gas cylinders. Compared with FY2016, we have reduced our hazardous wastes
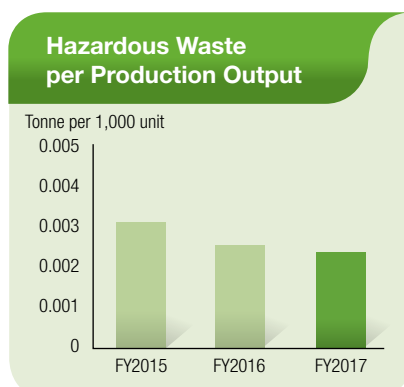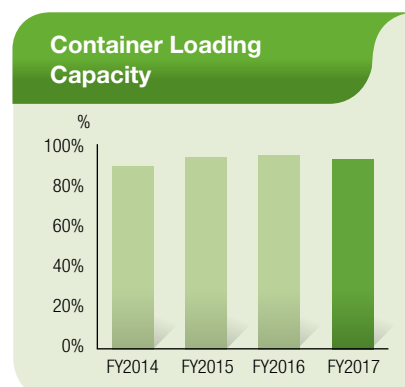
produced and hazardous wastes produced per production output by 1.7% and 25.2%, respectively.

Sustainable Logistic Chain

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

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

Our logistics team has kept on using our cargo measuring software (CargoWiz) to optimise the loading capacity of each container. In FY2017, we have reached the average of 86.0% of loading capacity for each container shipment.

Hazardous Waste per Production Output

Tonne per 1,000 unit

FY2015	FY2016	FY2017

(chart values: 0.005, 0.004, 0.003, 0.002, 0.001, 0)

Container Loading Capacity

%

FY2014	FY2015	FY2016	FY2017

(chart values: 100%, 80%, 60%, 40%, 20%, 0%)

Workplace Quality

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

Highlights

- FY2017 marked the 40th anniversary of VTech with various activities held to share our joy with employees
- Number of participants in staff activities increased by 4.4% compared with FY2016
- Average training hours per employee increased by 42.3% compared with FY2016
- The overall health and safety training hours per average employee increased by 175.9% compared with FY2016 and we did not have any work related fatality case

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

To ensure that our facilities operate with the highest international standards on social responsibility, health and safety, all our existing VTech manufacturing facilities are certified with the international Occupational Health and Safety Management Systems (OHSAS 18001) and Social Accountability (SA 8000), and ELPs with ICTI CARE (Caring, Awareness, Responsible, Ethical) process 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 – "**C**ommunication and Staff Relations", "**A**dvancement in Careers", "**R**espect of Labour and Human Rights", and "**E**nvironment for Our People" (CARE).

Communication and Staff Relations

To ensure the effectiveness of our workplace management system, we 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 people.

Communication and Staff Relations

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

Advancement in Careers

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

Staff Communication

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

Employee engagement surveys and meetings are also conducted in our

Respect of Labour and Human Rights

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

Environment for Our People

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

VTECH SUSTAINABILITY ACTIVITIES

manufacturing facilities on a regular basis to receive feedback from our employees. All information, opinions and suggestions gathered from employees 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 relationship 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 explore a variety of activities that VTech could offer its employees. In FY2017, we cooperated with family friendly cooking studio. Through the participation of the activities, our employees learnt about the culture of different cuisines and enjoyed the cooking experience while sharing their delicious and healthy dishes. We have also organised Ukulele playing classes, which provide new ways of relieving stress through picking up an easy-to-learn musical instrument.

In order to build a healthy living and working environment for our employees, our Staff Association continues to organise various sports activities for our employees including the Dragon Boat Race, AXA Hong Kong Streetathon, Oxfam Trailwalker and Standard Chartered Hong Kong Marathon, rafting trip and Sower Action Challenging 12 Hours. Our VTech Dragon Boat team has participated in the Dragon Boat Race for over 10 years and brought another third runner-up trophy for VTech in FY2017. The number of participants in our staff activities has increased to over 286,000 in FY2017.

Rafting Trip for our Employees

In FY2017, we have organised a rafting trip for our employees in Xuan Zhen. Over a hundred of employees participated in this fast-flowing and exciting adventure.

40th Anniversary Celebration Activities

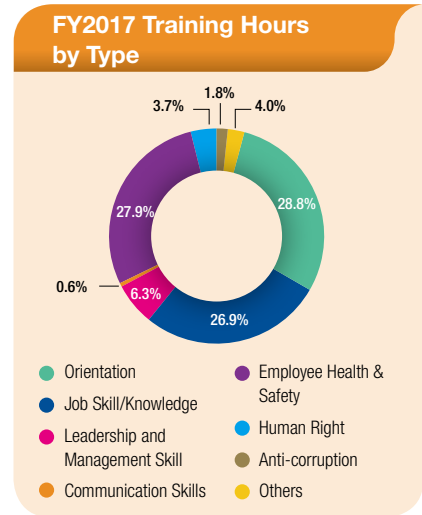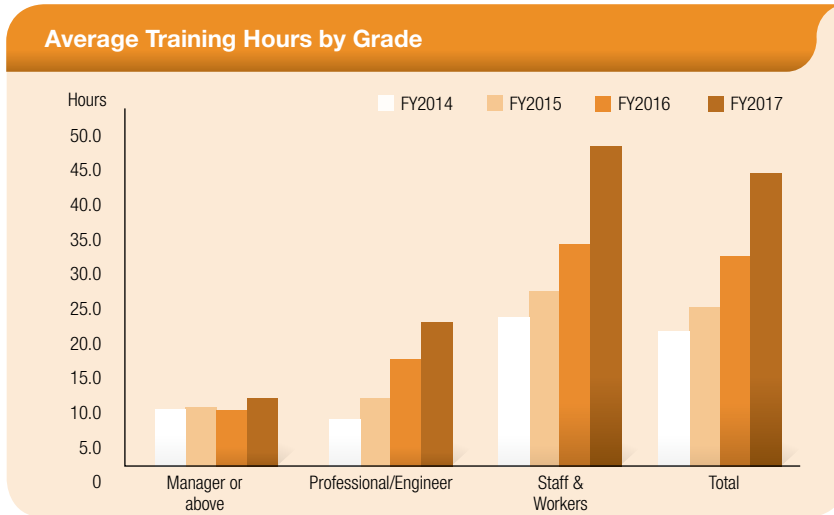To celebrate the 40th year anniversary for VTech, we have organised various staff activities for our employees. Over 15,000 employees together with their families participated in the exclusive tours at Ocean Park Hong Kong and Chimelong Paradise Guangzhou, China. Our employees and guests also enjoyed local delicacies and drinks with live music, memorable entertainment and souvenirs at the 40th anniversary dinner.

Staff Activities and Sport Events

Average Training Hours by Grade

Hours

Legend: FY2014, FY2015, FY2016, FY2017

	Manager or above	Professional/Engineer	Staff & Workers	Total

Y-axis: 0, 5.0, 10.0, 15.0, 20.0, 25.0, 30.0, 35.0, 40.0, 45.0, 50.0

FY2017 Training Hours by Type

- 28.8% Orientation
- 26.9% Job Skill/Knowledge
- 6.3% Leadership and Management Skill
- 0.6%
- 27.9% Employee Health & Safety
- 3.7%
- 1.8%
- 4.0% Others

Legend:
- Orientation
- Job Skill/Knowledge
- Leadership and Management Skill
- Communication Skills
- Employee Health & Safety
- Human Right
- Anti-corruption
- Others

Advancement in Careers

The Training and Development (T&D) team from the Human Resources Department at VTech encourages our employees to develop and advance their careers in our Company. We also 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 FY2017, our T&D team has added a number of training programmes that aim to expand leadership skills and horizons. We have also launched a number of effective project management training workshops for managers and supervisors. Through the workshops, they can increase knowledge on cost allocations, effective time management and resources planning as well as methods on setting achievable goals to motivate team members.

To provide a supportive and harmonious workplace culture, we have developed a series of communication training courses to help our employees express themselves, understand and respect their colleagues. Through these training courses, employees can learn to effectively deliver diverse and quality ideas with different perspectives at work.

In FY2017, we have taken necessary measures to raise the awareness of information security and privacy amongst our employees at all levels. We have arranged a series of training workshops for our employees to get a better understanding on precautionary actions to avoid future cyber-attacks. Moreover, we have held Intellectual Property Protection seminars that provide an overview of the key intellectual property rights and local intellectual property law for our employees.

In FY2017, we have included the Psychological Wellness training into our training programme which focuses on the psychological health and well-being of our employees. Our employees learnt to understand themselves better and their needs to ease their mind by expressing themselves through different stress relief tools, creating positive thinking and attitudes at work.

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.

VTECH SUSTAINABILITY ACTIVITIES

Respect of Labour & 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. There are no clear regulations for law enforcement on collective bargaining at some of the sites that we operate. 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.

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. No case of misconduct was reported during FY2017 and we are committed to upholding the professional ethical conduct and the highest level of integrity.

To ensure equal job opportunities are provided to any gender. We have organised child care courses and

upgraded the nursery facilities in our manufacturing site to better support the working mothers in VTech. In FY2017, we were awarded the "Award for Breastfeeding Support" by Family Council for our support to breastfeeding mothers in our Hong Kong office.

VTech is committed to embracing an equal and supportive working environment for our employees. In VTech, 99.9% of our employees are recruited by the Company with full time employment contracts, whereas 98% of our senior management staff is 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.

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 FY2017, more than 5,500 staff worked at VTech for more than five years. The Company also presents "Distinguished Staff Award" and "Distinguished Team

Year of Service Longer than 5 Years

Headcount
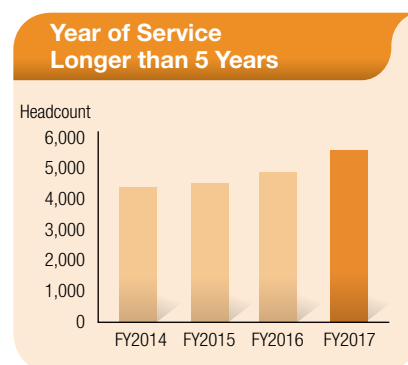
Long Service Award

Distinguished Team Award

Award" for recognition of the outstanding performances and accomplishment achieved by our employees and teams.

Environment for Our People

We always put workplace safety as our number one priority in our workplace environment. All our existing manufacturing facilities comply with national and international health and safety standards. In addition, except for our newly acquired manufacturing facilities from Kenny Precision Products (Shenzhen) Company Limited in Liaobu, Dongguan, China with operations starting from January 2017, all our factories are certified with OHSAS 18001. We also have EHS teams at all our manufacturing sites to conduct regular health and safety audit, and provide different training programmes for our people.

Maintaining an accident-free workplace environment is always a challenge. Our EHS teams at manufacturing sites have established a comprehensive

and intensive health and safety training programme to increase the awareness of workplace safety. These programmes include compulsory regular fire drills practices, occupational injury prevention training, fall prevention training, workplace safety training and tests such as chemical usage, machinery safety and forklift operation, which reinforces the idea and awareness of occupational safety and fire safety for our employees. Our EHS teams also perform regular health and safety audits to analyse any potential causes or

impacts of workplace hazards, as well as monitor our safety practices among the cross functional teams. In FY2017, the overall health and safety training hours per average employee increased by 175.9%. Our loss of working hours and lost hour rate per working hour were 9,869 hours and 0.014% respectively, which were higher than FY2016. Our number of safety related incidents, however, reduced by 31.0% compared with FY2016 and we did not have any work related fatality case.

Loss of Working Hours*
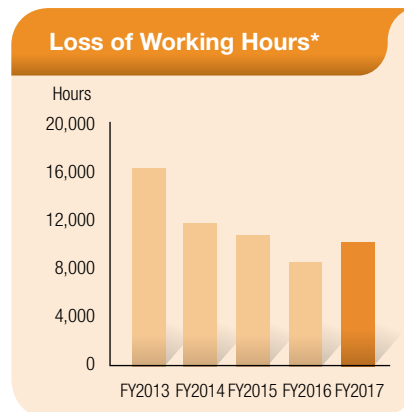
Hours

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

Lost Hour Rate per Working Hour**

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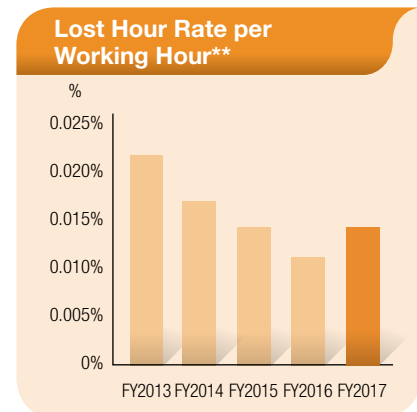
** Lost Hour Rate per Working Hour was calculated as Total Number of Lost Hours / Total Hours Worked

Health and Safety Training in VTech

Besides occupational safety, we have also been promoting healthy living amongst the Company. In FY2017, we have carried out an occupational health workshop with registered nurse, introducing the symptoms and precautions of hidden health issue to our employees.

Health and Safety Training in VTech

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, decent medical facilities and a wide range of leisure and recreational facilities.

Living Environment and Recreational Facilities
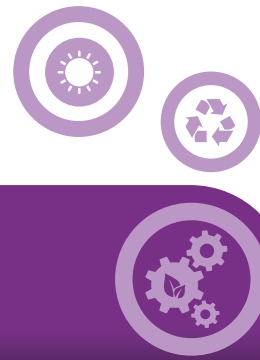
Sustainable Operating Practices

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

Highlight

- Total GHG emission per production output decreased by 7.9% compared with FY2016

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

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

Business Continuity Management

Business Continuity Management (BCM) is important for ensuring that we always have a smooth business operation. Our BCM programme not only helps us to identify and mitigate our potential operational risks, but also increases our resilience capability to resume our operations in an effective and timely manner. VTech's RMSC has developed an internal risk management structure at both the management and operational levels, which has clearly

defined the roles and responsibilities in managing the potential risks in the respective areas, and set up procedures for the execution of our Business Continuity Plan (BCP) in the event of disruptions. At each of our key business functions, the management team who is responsible for BCM, consisting of the senior management at the operational level of the relevant departments, is given the responsibility for developing and executing the BCP to ensure the continuous operation of the critical and essential functions of the Company in the event of emergency or business interruption. We have adopted a four-step BCM framework to identify the events that could affect our operation, assess the identified risks, establish measures and controls to manage the impacts with recovery actions, and review the BCP for continuous improvement on a regular basis.

| 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 |

Sustainable Supply Chain Management

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

Including the manufacturers of PCBs and other electronic components, over 88% 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 OHSAS 18001. We have extended the topics covered in our regular audit to further improve the energy efficiency of our suppliers base. Our suppliers are required to sign the agreement on Conflict Minerals, i.e. Tantalum, Tungsten, Tin, Gold, etc. to ensure all metals used in the manufacturing process of VTech's products do not originate from Conflict Region.

Prior to placing any orders with a supplier, we engage with them in order to understand any risks they may pose to VTech and request them to follow our supplier CSR agreement. This is reviewed by our procurement team and each supplier is given a risk category

Supplier Relationships

VTech hosts Supplier Day on a regular basis. We strive to maintain a good relationship with our suppliers and establish the VTech CSR initiatives in our supply chain to ensure that our suppliers recognise our procurement practices and requirements. We also provide training to suppliers on our continuous improvement programmes

to facilitate their understanding of our standards and requirements. In FY2017, we invited more than 70 suppliers to the event. We also share our business plan, research and development plan, and strategy and emphasise our expectations to our suppliers.

VTech's CSR Requirements for Suppliers

Labour	Environment	Ethical Standards	Health and Safety
• Freely Chosen Employment • Child Labour Avoidance & Protection of Young Workers • Working Hours • Wages and Benefits • Humane Treatment • Non-Discrimination • Decent Working and Living Environment	• Environmental Permits and Reporting • Pollution Prevention and Resources Reduction • Hazardous Substances • Waste Water and Solid Waste • Energy Efficient Manufacturing Process	• Business Integrity • Anti-Corruption • Code of Conduct • Disclosure of Information • Procurement Practice	• Occupational Safety • Emergency Preparedness • Occupational Injury and Illness • Industrial Hygiene • Physically Demanding Work • Machinery Safety

rating. All new suppliers need to go through a comprehensive supplier audit to ensure they meet VTech's CSR and quality standards. For critical safety-related components and materials, we will conduct examinations at early stage of our manufacturing process to identify any non-compliance issues and implement corrective actions in a timely manner.

Following the audit process, if there are any areas of non-compliance identified in the supplier's factories, the supplier is required to propose corrective actions with an implementation schedule in order to eliminate the identified deficiencies. Our teams follow up on the corrective actions to ensure that the areas have been improved and managed accordingly. We also provide training to suppliers on continuous improvement processes to facilitate their implementation of any corrective actions. In FY2017, we audited 314 suppliers. A small number of these were removed as approved suppliers due to their failures to meet VTech's required standards and no suppliers were removed due to negative environmental impacts. In FY2018, we will be working closely with our suppliers to further improve the manufacturing energy efficiency and social aspect of our upstream supplier chain. Through sharing our experience with suppliers,

we believe that we can further reduce the carbon footprint of the components used in our products, and help our suppliers to improve their social and working conditions.

Climate Change Strategy

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

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

As part of our climate change strategy, we are dedicated to reducing our GHG emissions by minimising the energy consumption from our daily operation through our various energy and resources saving programmes. We have also been working closely with our suppliers and customers to reduce the carbon emissions through enhancing our environmentally friendly product designs, green logistic practices and carbon reduction programme.

VTech acknowledges that the extreme weather caused by climate change could affect our business in various ways. We have established our Climate Change Strategy in order to prepare for downside risk, maximise upside opportunities, and ensure our business strategies are not only following the longer term trajectory of climate change, but also sufficiently flexible to respond to the inevitable changes in the business environment. VTech also encourages our procurement team to explore eco-friendly materials and equipment. By choosing the right materials and equipment, we can ensure the product quality whilst further reducing the GHG emission generated through the manufacturing process. VTech continuously reviews our approach on climate change to enhance our resilience in response to the associated risks and opportunities.

VTech Carbon Management Approach

Supply Chain

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

Operations

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

Customers

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

Communities

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

Community Investment

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

Highlights

- Volunteering hours increased by 29.0% compared with FY2016
- 2nd Top Participation Award in the AXA Hong Kong Streetathon 2016 and 2017
- 2nd runner-up in the Run for Paralympians
- 1st runner-up and 2nd runner-up in the category 26 km and 42 km Corporate team for Sowers Action respectively
- Golden Corporate Participation Award in Sowers Action Challenging 12 Hours 2016

As a responsible corporate citizen, VTech uses its expertise and resources to support the communities in which it operates in various ways. In FY2017, VTech continues to focus on the following five key areas for our community investment which was developed in FY2015.

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 in need	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 supporting crowd control at community events. In FY2017, we have recruited over 2,500 volunteers and contributed over 23,500 hours in volunteering activities. Besides being presented with the "Heart to Heart Company" by the Hong Kong Federation of Youth Groups, VTech has also been awarded the "Caring Company" by The Hong Kong Council of Social Service for the ninth consecutive year in recognition of our continuous contribution to the Hong Kong community through various charitable activities. These awards are a great encouragement for our voluntary works for the community.

Volunteering Hours Contributed

Hours

FY	Hours
FY2013	~2,000
FY2014	~2,500
FY2015	~17,000
FY2016	~19,000
FY2017	~25,000
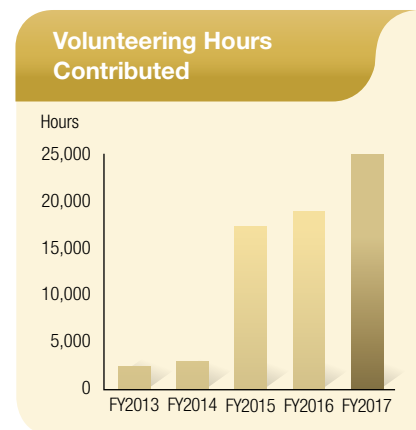
VTECH SUSTAINABILITY ACTIVITIES

VTech Book Corner

In FY2016, VTech established the "VTech Book Corner" Programme aiming to provide fun and innovative learning experiences to children in the remote areas. In FY2017, we continued this meaningful programme by building more VTech Book Corners for the local schools in remote areas, and donating many story books and educational toys for the students.

To further improve the learning environment as well as the health of the school children in those remote areas, we have also provided them with desk lamps and shoes.

Movember Foundation in Canada

This is the third year that our volunteers took part in one of the fund raising campaigns run by Movember Foundation in Canada, addressing the common health issues and raising money for cancer research. VTech has raised more than CAD 8,000 for this event in FY2017.

Collaborate with Local Charities

VTech has been working with a number of local charities to build a harmonious relationship within our community. We have been working closely with our partners including Hong Kong Federation of Youth Group (HKFYG), Red Cross, Hong Kong Children and Youth Service, Tai Po Baptist Church Social Service (TPBCSS) and Greeners Action. Through our long-term commitments to various charitable activities, we aim to bring positive impacts to the community. Every year, Red Cross sets up a temporary blood donation station at our Hong Kong office to encourage our employees to make blood donation. Moreover, our volunteers have also arranged regular visits to elderly homes and local cultural and ecology tours for children.

During the mid-autumn festival, VTech usually gives out moon cakes to all employees as gifts for celebrating the traditional festival. In FY2017, we partnered with the Hong Chi Bakery and presented our employees with the tasty moon cakes. In FY2017, our employees participated in the Oxfam Trailwalker 2016, Sowers Action Challenging 12 Hours 2016, AXA Hong Kong Streetathon, and Standard Chartered Hong Kong Marathon 2017.

Our Sowers Action Team won the 1st runner-up and 2nd runner-up in the category 26 km and 42 km Corporate Team respectively. We received the 2nd Top Participation Award in the AXA Hong Kong Streetathon in both 2016 & 2017 and were presented the Golden Corporate Participation Award in Sowers Action Challenging 12 Hours 2016. VTech was also the 2nd runner-up in the "Run for Paralympians" organised by Standard Chartered Hong Kong Marathon 2017. We also collaborate with local charities to support various charitable activities around the world. In FY2017, we have made charitable and other donations of over US$235,500 in FY2017.

VTech's Community Involvement in China

Visiting the Elderly

Standard Chartered Hong Kong Marathon 2017

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 FY2017, we have established the IE engineering programme with Nanchang University, Shantou University and Dongguan University of Technology, providing workplace health and safety courses, theory courses on manufacture engineering, production line management and product design. We also provide practical training sessions for the students, helping them to gain better understanding on the concepts of smart manufacturing by putting the theory into practice. We have also offered internship opportunities for over 100 engineering college students, helping them to gain working experience and develop their job skills. Apart from providing internship opportunities for the local engineering students, we also offer various internship opportunities for local college students at our headquarters in Hong Kong, which help students from different backgrounds to make connections with peer groups and explore their interest and abilities through real-life learning experience.

VTech's Internships

"I had a very enjoyable summer internship at VTech over the last two months. Although I am studying economics and accountancy, I had the chance to work in the legal department, where I learnt a lot from the team.

My colleagues were very friendly and patient in teaching me to complete different tasks. They not only gave me clear guidelines and instructions, but also spent time to explain the details to me, which helped me understand the tasks better and allowed me to complete the tasks in a timely manner. Moreover, they were always willing to accept new ideas and put them into practice.

I had a very fruitful summer at VTech and it is the most enjoyable job that I have ever had."

Tse Yuk Chun, Gabriel

Nourish an Innovative Environment

In order to nourish an innovative environment and stay ahead of the latest trends and developments in the industry, VTech has supported various technology forums and participated in a number of trade associations around the world. We primarily engage as members and collaborate with the others on the industry projects to help develop the industry and technology standards. As in the previous years, we continued to sponsor the Business of Design Week 2016, which provides a unique platform for the designers and intellectuals to exchange ideas, innovative design and technology.

In FY2017, VTech had associated with the Hong Kong Children and Youth Services to arrange nature exploration tours for local primary school students. The students were invited to take part in the interactive environment and nature tour, enhancing their knowledge of the nature of science.

VTech's Manufacturing Workshop

VTech organised manufacturing workshops and exchange activities with schools, such as providing opportunities for students from MIT Entrepreneurship and Maker Skills Integrator Program to understand the innovative technology behind the manufacturing process.

Exploration Tours for Primary School Students

Plant Tour for Students from MIT Entrepreneurship and Maker Skills Integrator (MEMSI) Program

VTECH SUSTAINABILITY ACTIVITIES

Develop a Healthy and Green Community

VTech not only dedicates its efforts to minimising the environmental impacts from our operations, but also participates in different community events to develop and promote a healthy and green lifestyle within VTech and the community.

To support a sustainable lifestyle, we had established the organic farm in one of our manufacturing sites a few years ago, where employees could practise their urban farming techniques and enjoy the low carbon living experience during their break time. Moreover, we continue to support the Green LUCK Banquet of Green Monday and follow the three principles – no waste, no shark fin and one vegetarian dish at our annual dinner. We also continue to sign up the pledge for Earth Hour and partner with the Greeners Action in the Red Packets Recycling Scheme to encourage the recycling of materials.

Biodiversity

In FY2017, we partnered with one of the local green groups, Ecobus and engaged in their coastal cleanup campaign, providing opportunities for our employees to understand the cause of threat to our marine environment. This programme promotes the concept of ocean conservation amongst our employees and takes another step forward in protecting our ecosystem.

Our volunteer teams participated in the local tree planting activities at the suburbs, which aim to expand native species by providing sustainable habitats, as well as further strengthen the stability of our ecosystem.

Healthy lifestyle at VTech

VTech has provided a wide range of outdoor activities and training programmes for our employees to enjoy life out of work, such as hiking trips, Tai Chi lessons and Trail Run training programme taught by professional athlete trainers.

Green Urban Living Workshop

In order to provide opportunities for our employees to get a better understanding of the ecosystem and biodiversity, we have organised a green urban living workshop at our headquarters. Through this workshop, the environmentalist guest speaker addressed the environmental impacts arising from our daily routines and provided useful tips for our employees, which encouraged them to start developing a sustainable lifestyle.

During the workshop, employees were given the chance of making biodegradable detergents out of excessive materials, taking simple steps to contribute in ocean conservation.

Tai Chi Lesson

Trail Run Training

Coastal Cleanup Campaign

Tree Planting Campaign

VTech Organic Farm

FY2017 Targets and Progress Updates

Strategy Themes	Approaches			Targets for FY2017	FY2017 progress update
Product Responsibility & Innovation	**Design for People**	Continue to use our technological expertise to design and provide products to enhance the well-being of our customers and benefit the society		Increase the total sales of health and safety products by 10% compared with FY2014	Health and safety products sales grew by 135.6% compared with FY2014.
	Design for Excellence	Continue to ensure that all products are compliant with the international quality and safety standards		Zero product recalls, fines or penalties relating to non-compliance with regulations	In FY2017, we had no case on product recalls, fines or penalties relating to non-compliance with regulations.
		Follow the Life Cycle Analysis (LCA) Guideline , aiming to reduce the carbon footprint in each new generation of the products		Undertake LCA analysis for 2 key products in TEL products and ELPs to reduce the carbon footprint throughout the product life cycle	We had performed LCA on one new TEL product and one ELP.
Environmental Protection	**High Performance Production Chain**	Implement more low cost automation projects and further strengthen the operational management to improve the production efficiency and productivity		Increase production output per worker by 8% compared with FY2014	Production output per worker increased by 31.5% compared with FY2014.
				Continue to monitor the progress of our energy saving programmes and conduct weekly patrols to eliminate unnecessary energy consumption	We had carried out various energy reduction projects in FY2017, such as installing air compressor and remodelling blowguns.
	Green Manufacturing	Energy Consumption and Carbon Emissions	Reduce energy consumption and thus the carbon emissions	Reduce Greenhouse Gas (GHG) emission per production output by 8% compared with FY2014	GHG emission per production output decreased by 15.9% compared with FY2014.
				Continue to upgrade the ventilation system and perform re-layout of the air conditioning ducts of the production floors	After a thorough study, it was recognised that more electricity can be saved by installing the air compressor.
				Continue to adopt the hydraulic servo control technology in our existing injection moulding machines	We continue to adopt the hydraulic servo control technology and expect to complete the project within 5 years.
		Water	Reduce water consumption and improve effluent treatment	Continue to promote water saving campaigns throughout the Company	In FY2017, with our continuous effort to promote water saving campaign throughout the Company, our total water consumption decreased by 19.2% compared with FY2014.
				Install water recovery system and low-flow taps in canteens	Water recovery system and low-flow taps were installed at the canteen of ELP factory. We had also installed 2 rainwater harvest systems at two manufacturing sites for reducing the consumption of freshwater.

VTECH SUSTAINABILITY PERFORMANCE

Strategy Themes		Approaches		Targets for FY2017	FY2017 progress update
Environmental Protection	**Green Manufacturing**	Materials, Waste and Recycling	Recycle materials to minimise waste and conserve resources	Continue to implement automation process in the material recycling station of our factories to improve the recycling efficiency	We had made continuous improvements in our recycling rate. Compared to FY2014, our recycling rate had increased to 78%.
				Continue to collect and analyse the internal reuse and recycling rate	We have been collecting the internal reuse and recycling rate for further analysis.
		Logistics	Reduce the environmental impact from shipment of products	Continue to keep track of the average loading capacity of each container shipment	We have continued to use cargo measuring software to optimise the loading capacity. In FY2017, our cargo loading capacity was maintained at 86%.
				Continue to improve the consolidation of shipment volumes and shipping orders with our business partners	We have continued to improve the consolidation of shipping volume and shipping orders and maintain our loading capacity at 86%.
Workplace Quality	**Communication and Staff Relations**	Enhance our good staff relations through various communication channels and staff activities		Continue to encourage open communications at all levels of the Company and facilitate employees to voice their opinions through various communication channels	VTech has regularly provided updates for employees and conducted employee satisfactory survey.
				Continue to provide different types of staff activities for our employees	We had offered new staff activities for employees, such as ukulele class, new excursion tours and team building activities. In FY2017, we increased the number of participants in our staff activities by 4.4 % to 286,000 compared with FY2016.
	Advancement in Careers	Foster a continuous learning environment and encourage employees to develop and advance their careers in VTech		Continue to review the training needs of staff, evaluate the training content and increase the number of training courses for the career development of our employees	We have reviewed the training need of the staff and based on the feedback from our employee, we have added the new training courses such as Intellectual Property Protection and Psychological Wellness.
	Respect of Labour and Human Rights	Respect the labour and human rights of all our employees with clearly defined human resources management policies		Continue to update our human resources management policies in accordance with the latest statutory requirements	HR policies have been updated regularly with reference to the latest statutory requirements.
				Continue to provide training and conduct employee surveys in the areas of labour and human rights	In FY2017, we had provided over 1,127,900 hours of training to our employees.
	Environment for Our People	Provide a supportive, pleasant and healthy workplace for our staff, and foster a caring community in our working environment		Continue to add new health and safety training courses and introduce workplace stretching exercises to all workers	We had added new health and safety training courses, and workplace stretching exercise at different production floors. Health and safety training per headcount has increased by 175.9% compared with FY2016.
				Perform monthly Environment, Health and Safety (EHS) internal audit	We have continued to conduct monthly EHS internal audit and reinforced the ergonomic technique at workstation.
				Continuously upgrade the facilities in the living areas of the factories	We had upgraded the facilities in the living areas of our factory regularly.

Strategy Themes		Approaches	Targets for FY2017	FY2017 progress update
Sustainable Operating Practices	**Business Continuity Management**	Mitigate the potential operational risks and increase our resilience capability to resume the operation in an effective and timely basis	Annual risk registry update and assessment. Raise the awareness of information security and privacy amongst our employees at all level through related training programmes	The risk registers of key functions have been updated. We have been conducting information security and privacy training programmes.
	Supply Chain Management and Procurement Practice	Manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet our VTech's CSR requirements	Measure suppliers' sustainability performance	We continued to measure the suppliers' sustainability performance and ensure our suppliers meet our CSR requirement.
			Review our sustainability audit scope and conduct annual audit for all major suppliers	We have conducted annual audit for all major suppliers and reviewed our sustainability audit scope to develop a more comprehensive audit structure.
	Climate Change Policy	Ensure our business strategies are not only accounted for longer term trajectory of climate change, but also sufficiently flexible to respond to the inevitable changes in the business environment	Disclose our total GHG emissions annually and review VTech's Climate Change Policy with reference to the international and local standard	Our total GHG emission for FY 2017 was 102,455 tonnes CO_2e. Our Climate Change policy has been reviewed and reported on page 36.
Community Investment	**Support People in Need**	Use our expertise and resources to support the communities in which we operate	Set up Volunteers Service Centre at our manufacturing site and provide relative volunteer trainings	We have identified a location to set up the Volunteers Service Centre at our ELP manufacturing site. The renovation is expected to be completed in FY2018.
			Continue to encourage more employees to participate in local charitable events	We have been organising a large variety of local charitable events for employees.
	Collaborate with Local Charities		Collaborate with local colleges to establish manufacturing courses for local engineering students	VTech had provided internship programme for engineering college students and co-organised engineering courses with the local university in FY2017.
	Training for Young People		Organise various advanced manufacturing workshops with schools and colleges and identify any potential innovative technology research and studies	We had arranged plant tour for local secondary school students in FY2017.
	Nourish an Innovative Environment		Continue to promote healthy eating at VTech canteen	We have provided healthy and organic fruits that are picked from our organic farm for our employees.
	Develop a Healthy and Green Community		Organised different recycling workshops	We have organised different recycling workshops for our employees.

Company Performance and Data

Items	G4 Indicator	HKEx Indicator	FY2014	FY2015	FY2016	FY2017
Portion of senior management hired from local community [9]	G4-EC6		98%	98%	98%	98%
Proportion of spending on local suppliers at significant location of operation	G4-EC9	B5.1	89%	94%	94%	88%
Material used by weight or volume (1000 Tonnes)	G4-EN1		79.3	86.1	86.0	97.6
Energy use [1] (GJ)	G4-EN3	A2.1	587,365	605,227	568,648	566,497
Energy from Diesel [1] (GJ)	G4-EN3	A2.1	7,218	3,768	1,047	–
Energy from Natural Gas [1] (GJ)	G4-EN3	A2.1	41,583	39,180	35,050	28,415
Energy from Electricity [1] (GJ)	G4-EN3	A2.1	538,564	562,279	532,551	538,082
Energy use[1] per production output (GJ per 1,000 unit)	G4-EN5	A2.1	4.753	4.526	4.280	3.962
Energy from Diesel[1] per production output (GJ per 1,000 unit)	G4-EN5	A2.1	0.058	0.028	0.008	–
Energy from Natural Gas[1] per production output (GJ per 1,000 unit)	G4-EN5	A2.1	0.336	0.293	0.264	0.199
Energy from Electricity[1] per production output (GJ per 1,000 unit)	G4-EN5	A2.1	4.358	4.205	4.008	3.763
Electricity used (Kwh)	G4-EN3	A2.1	149,601,160	156,188,568	147,930,737	149,467,329
Electricity used per production output (Kwh per 1,000 unit)		A2.1	1,211	1,168	1,113	1,045
Water consumption [2] (meter cube)	G4-EN8	A2.2	2,503,745	2,415,255	2,033,109	2,022,160
Water consumption[2] per production output (meter cube per 1,000 unit)		A2.2	20.3	18.1	15.3	14.1
CO_2 emission Scope 1[3] (tonne of CO_2e)	G4-EN15	A1.1	4,750	4,002	3,851	1,932
CO_2 emission Scope 2[3] (tonne of CO_2e)	G4-EN16	A1.1	100,613	105,043	99,489	100,523
CO_2 emission Scope 1[3] per production output (tonne of CO_2e per 1,000 unit)	G4-EN18	A1.2	0.038	0.030	0.029	0.014
CO_2 emission Scope 2[3] per production output (tonne of CO_2e per 1,000 unit)	G4-EN18	A1.2	0.815	0.786	0.749	0.703
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	G4-EN29		0	0	0	0
Injury [4] cases	G4-LA6	B2.1	113	115	84	58
Lost Hours [5]	G4-LA6	B2.2	11,885	10,756	8,256	9,869
Injury rate per employee [6]	G4-LA6		0.004	0.004	0.003	0.002
Injury rate per employee [6] – male	G4-LA6		0.005	0.005	0.005	0.003
Injury rate per employee [6] – female	G4-LA6		0.002	0.003	0.001	0.001
Absentee rate[7] (%) – overall	G4-LA6		0.4%	0.3%	0.3%	0.3%
Absentee rate[7] (%) – male	G4-LA6		0.3%	0.2%	0.2%	0.2%
Absentee rate[7] (%) – female	G4-LA6		0.5%	0.4%	0.4%	0.4%
Average training hours per employee	G4-LA9	B3.2	19.3	22.7	29.1	41.4
Average training hours per employee – male	G4-LA9	B3.2	19.3	22.5	28.8	43.6
Average training hours per employee – female	G4-LA9	B3.2	19.3	23.1	29.5	38.0
Average training hours per employee – management [8] staff	G4-LA9	B3.2	8.1	8.4	7.9	9.2
Average training hours per employee – Professional/Engineer	G4-LA9	B3.2	6.7	9.7	14.2	21.0

Items	G4 Indicator	HKEx Indicator	FY2014	FY2015	FY2016	FY2017
Average training hours per employee – staff & workers	G4-LA9	B3.2	21.2	24.9	31.8	45.6
Incidents of non-compliance with regulations on health and safety impact on products that result in a significant fine, penalty or warning	G4-PR2		0	0	0	0
Incidents of non-compliance with regulations on product and service information and labelling that result in a significant fine, penalty or warning	G4-PR4		0	0	0	0
Sales of banned products	G4-PR6		0	0	0	0
Significant fines for non-compliance with regulations concerning the provision and use of products and services	G4-PR9		0	0	0	0
Total hazardous waste produced (in tonnes)		A1.3	N/A[10]	399.9	326.4	320.9
Total hazardous waste produced per production output (in tonnes per 1,000 unit)		A1.3	N/A[10]	0.003	0.003	0.002
Total non-hazardous waste produced (in tonnes)		A1.4	N/A[10]	9,771.8	8,738.0	9,507.0
Total non-hazardous waste produced per production output (in tonnes per 1,000 unit)		A1.4	N/A[10]	0.073	0.066	0.066
Total Packaging material used for finished goods (tonnes)		A2.5	N/A[10]	29,593.0	30,510.3	34,579.8
Total Packaging material used for finished goods per production output (in tonnes per 1,000 unit)		A2.5	N/A[10]	0.221	0.230	0.242

Note:
1. Energy value for fuels are obtained from GRI G3 Guide
2. Water consumption data includes water usage data and staff count from 3 manufacturing facilities in China and 13 offices in China and overseas
3. GHG Conversion factors are obtained from WRI (http://www.wri.org/publication/getting-every-ton-emissions-right) and cover CO_2, CH_4 and N_2O Greenhouse gases
4. Injury – number of cases. Injury types accounted for include: Vehicle Accident, Falling Object Injury, Machines Entanglement, Cutting Injury, Falling from heights, Collapse Injury, Burnt injury, Chemical injury, Collision injury, Electric shock
5. Lost Hours – total working hours that workers cannot attend work due to injuries in manufacturing operations
6. Injury rate per employee – The frequency of injuries relative to the number of employees
7. Absentee rate – days employees away from work over total hours scheduled to be worked
8. Management staff – staff with grade above supervisor level
9. Local Community – the location of operation sites
10. VTech started collect relevant data from FY2015

Items	G4 Indicator	HKEx Indicator	FY2014	FY2015	FY2016	FY2017
Number of countries where VTech operates	G4-6		11	11	11	13
Total number of operations	G4-9		18	20	20	22
Revenue	G4-9		US$1,898.9 million	US$1,879.8 million	US$1,856.5 million	US$2,079.3 million
Total debt	G4-9		Nil	Nil	Nil	US$1.7 million
Total equity	G4-9		US$562.4 million	US$540.8 million	US$525.0 million	US$584.7 million
Average number of employees – Total	G4-9	B1.1	30,949	29,502	27,412	27,217
Average number of employees – Male	G4-10	B1.1	18,590	18,702	16,583	16,565
Average number of employees – Female	G4-10	B1.1	12,359	10,800	10,829	10,652
Average number of employees – Asia Pacific – Male	G4-10	B1.1	18,374	18,474	16,352	16,227
Average number of employees – Asia Pacific – Female	G4-10	B1.1	12,165	10,610	10,630	10,348
Average number of employees – North America – Male	G4-10	B1.1	133	141	144	206
Average number of employees – North America – Female	G4-10	B1.1	97	97	104	172
Average number of employees – Europe – Male	G4-10	B1.1	83	87	87	132
Average number of employees – Europe – Female	G4-10	B1.1	97	93	95	132

VTECH SUSTAINABILITY PERFORMANCE

Associations VTech belongs to	Involvement
British Toy & Hobby Association	C
China Toy & Juvenile Products Association	C
Dutch Toy Association	C
French Toy Association	C
Toy Association – Belgium	C
Australian Toy Association	M
German Toy Association	M
Guangdong Toy Association	M
Hong Kong Toy Council (Group 19) in Federation of Hong Kong Industries	M
Spanish Toy Association	M
Toy Industry Association – United States	M
Toy Industry Association-Shenzhen, China	M
DECT Forum	S
ULE Alliance	S
Ecovadis	M
SD Card Association	M
Wi-Fi Alliance	M
Hong Kong Opto-Mechatronics Industries Association	M
Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co., Ltd.	M
Zigbee Alliance	M
The Chinese Manufacturers Association of Hong Kong	M
The Hong Kong General Chamber of Commerce	M

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

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

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

GRI G4 Content Index

General Standard Disclosures		Location and Notes
General Standard Disclosures		**Location and Notes**
Strategy and Analysis		
G4-1	Statement from the most senior decision - maker of the organisation	Page 2
Organisational Profile		
G4-3	Name of the organisation	About this report
G4-4	Primary brands, products and services	Page 3
G4-5	Location of organisation's headquarters	About this report

General Standard Disclosures		
General Standard Disclosures		**Location and Notes**
G4-6	Number of countries where the organisation operates	Page 3
G4-7	Nature of ownership and legal form	Page 3
G4-8	Markets served	Page 3
G4-9	Scale of the organisation	Page 3
G4-10	Number of employees	Page 3
G4-11	Percentage of employees covered by collective bargaining agreements	Employees covered by collective bargaining agreement is managed and monitored at local level. VTech considers this percentage on consolidated level is not relevant
G4-12	Organisation's supply chain	Page 35
G4-13	Significant changes during the reporting period regarding size, structure, ownership or organisation's supply chain	About this report
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Page 34
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Page 3
G4-16	Memberships in associations and/ or national/international advocacy organisations	Company Performance and Data
Identified Material Aspects and Boundary		
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	VTech Major Subsidiaries
G4-18	Process for defining report content and the aspect boundaries	Page 15
G4-19	Material aspects identified in the process for defining report content	Page 15
G4-20	Aspect boundary within the organisation for each material aspect	Page 16
G4-21	Aspect boundary outside the organisation for each material aspect	Page 16
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	About this report
G4-23	Significant changes from previous reporting periods in the scope and boundary	About this report
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organisation	Page 13
G4-25	Basis for identification and selection of stakeholders with whom to engage	Page 13
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Page 14
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Page 14
Report Profile		
G4-28	Reporting period	About this report
G4-29	Date of most recent previous report	About this report
G4-30	Reporting cycle	About this report
G4-31	Contact point for questions regarding the report or its contents	Back Cover
G4-32	GRI Content Index , the 'in accordance' option the organisation has chosen and the reference to the External Assurance Report if any	Page 46 - Page 48
G4-33	Policy and current practice with regard to seeking external assurance for the report	About this report
Governance		
G4-34	Governance structure of the organisation	Page 4
Ethics and Integrity		
G4-56	Organisation's values, principles, standards and norms of behaviour	Page 5

VTECH SUSTAINABILITY PERFORMANCE

Specific Standard Disclosures			
Material Aspects	**DMA and Indicators**		**Location and Notes**
Economic			
Economic Performance	DMA		Page 3
	G4-EC1	Direct value generated and distributed	Page 3
Market Presence	G4-EC6	Proportion of senior management hired from the local community at significant location of operation	Company Performance and Data
Procurement Practice	G4-EC9	Proportion of spending on local suppliers at significant location of operation	Page 35
Environmental			
Materials	G4-EN1	Materials used by weight or volume	Company Performance and Data
Energy	DMA		Page 23
	G4-EN3	Energy consumption with the organisation	Page 26, Company Performance and Data
	G4-EN5	Energy intensity	Page 26, Company Performance and Data
Water	G4-EN8	Total water withdrawal by source	Page 27, Company Performance and Data
Emissions	DMA		Page 26
	G4-EN15	Direct Greenhouse Gas (GHG) emissions (Scope 1) [1]	Page 26, Company Performance and Data
	G4-EN16	Indirect Greenhouse Gas (GHG) emissions (Scope 2) [2]	Page 26, Company Performance and Data
	G4-EN18	Greenhouse gas (GHG) emission intensity	Page 26, Company Performance and Data
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Page 20
Compliance (Environmental)	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Company Performance and Data
Supplier Environmental Assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Page 35
Social – Labour Practice and Decent work			
Occupation health and safety	DMA		Page 33
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender	Page 33, Company Performance and Data
Training and education	G4-LA9	Average hours of training per year per employee by gender and by employee category	Page 31, Company Performance and Data
Social – Product Responsibilities			
Customer health & safety	DMA		Page 17
	G4-PR2	Total number of incidents of non-compliance with regulations on health and safety impacts of products and services during their life cycle, by type of outcomes	Company Performance and Data
Product and service labelling	DMA		Page 20
	G4-PR4	Total number of incidents of non-compliance with regulations concerning product and service information and labelling, by type of outcomes	Company Performance and Data
Marketing communications	G4-PR6	Sales of banned products	Company Performance and Data
Compliance (Product responsibilities)	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Company Performance and Data

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

Stock Exchange ESG Guide Content Index

Aspects	Disclosure		Location and Notes
A. 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.	Page 23, Page 36
	KPI A1.1	The types of emissions and respective emissions data.	Page 26, Company Performance and Data
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 26, Company Performance and Data
	KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 28, Company Performance and Data
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate intensity (e.g. per unit of production volume, per facility).	Page 27, Company Performance and Data
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Page 24 - Page 27
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 27 - Page 28
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 23
	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 26, Company Performance and Data
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	Page 27, Company Performance and Data
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 24 - Page 27
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 27
	KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Page 27, Company Performance and Data
A3. The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 23
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 23
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 29, Page 32
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Company Performance and Data
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	We maintain average staff turnover rate at or below 12%

VTECH SUSTAINABILITY PERFORMANCE

Aspects		Disclosure	Location and Notes
B2. Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 33
	KPI B2.1	Number and rate of work-related fatalities.	Page 33, Company Performance and Data
	KPI B2.2	Lost days due to work injury.	Page 33, Company Performance and Data
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 33
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 31
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 31
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 31, Company Performance and Data
B4. Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Page 32
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 32
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 32
Operating Practices			
B5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 35
	KPI B5.1	Number of suppliers by geographical region.	88% suppliers are local suppliers
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 35
B6. Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 17
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Zero case
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Page 17 - Page 22
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Page 6
	KPI B6.4	Description of quality assurance process and recall procedures.	Page 20 - Page 21
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Page 6
B7. Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 5
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Zero case
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 5
Community Involvement			
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 37
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 37
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 37 - Page 38

Environmental and Safety Standards

TEL Products

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

ELPs

Environmental Standards of ELPs	
RoHS2	Restrictions of Hazardous Substances
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Waste Electrical and Electronic Equipment
CP65	California Proposition 65
Safety Standards of ELPs	
CCC	China Compulsory Certification
ASTM-F963-11/16	Standard Consumer Safety Specification for Toy Safety
CPSIA	Consumer Product Safety Improvement Act
EN71	European Standard Safety for Toys
ISO 8124	Safety of Toys
CCPSA	Canada Consumer Product Safety Act

CMS

Environmental Standards CMS products	
RoHS2	Restrictions of Hazardous Substances
Directive 94/62/EC & 2004/12/EC	European Parliament and Council Directive on Packing and Packaging Waste
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Waste Electrical and Electronic Equipment
Energy Star® eco-label	Certified Energy Saving Products
CP65	California Proposition 65
Safety Standards of CMS Products	
CCC	China Compulsory Certification
CE	Conformance European
CQC	China Quality Certification
CSA	Canadian Standards Association
ETL	Electrical Testing Laboratories
GS	German Safety
KC	Korea Certification
UL	Underwriters Laboratories
NEMKO	Norges Elektriske Materiell Kontroll
PSE/JQA	Product Safety of Electrical Appliance & Materials from Japan Quality Assurance Organisation
MET	Maryland Electrical Testing
UL60950	Safety standards for US Market
EN60950	Safety standards for European countries
KTL	Certificate from Korea Testing Laboratory
ENEC	European Norms Electrical Certification
VDE	Verband Deutscher Elektrotechniker
TUV Rheinland	Technischer Überwachungs-Verein Rheinland

Certifications in Manufacturing Facilities

TEL Products	
GSV	Global Security Verification
ISO 9001/TL 9000	Quality Management Systems
ISO 14001	Environmental Management Systems
ICTI CARE	International Council of Toy Industries (ICTI) Caring, Awareness, Responsible, Ethical (CARE) Process
OHSAS 18001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability
Work Safety Standardisation	Work Safety Standardisation
ELPs	
GSV	Global Security Verification
ISO 9001	Quality Management Systems
ISO 14001	Environmental Management Systems
ISO 17025	Laboratory Accreditation Certificate by China National Accreditation Senic for Conformity Assessment (CNAS)
ICTI CARE	International Council of Toy Industries (ICTI) Caring, Awareness, Responsible, Ethical (CARE) Process
OHSAS 18001	Occupational Health and Safety Management Systems
Work Safety Standardisation	Work Safety Standardisation
CMS	
ISO 9001	Quality Management Systems
ISO 13485	Medical Devices Quality Management Systems
ISO 14001	Environmental Management Systems
ISO/TS 16949	Automotive Quality and Management Systems
OHSAS 18001	Occupational Health and Safety Management Systems
SA 8000	Social Accountability
QC 080000	Hazardous Substance Process Management
Work Safety Standardisation	Work Safety Standardisation

VTech Major Subsidiaries

Hong Kong

VTech Telecommunications Limited

VTech Electronics Limited

VTech Communications Limited

Perseus Investments Limited

Valentia Investment Limited

VTech Finance Limited

People's Republic of China

VTech (Dongguan) Telecommunications Limited

VTech (Dongguan) Electronics Limited

VTech (Dongguan) Communications Limited

VTech (Dongguan) Plastic Products Co., Ltd.

VTech (Dongguan) Electronics Industrial Co., Ltd.

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

VTech Electronics Industrial (Shenzhen) Co., Ltd.

VTech Telecommunications (Shenzhen) Limited

Australia

VTech Telecommunications (Australia) Pty Limited

VTech Electronics (Australia) Pty Limited

Canada

VTech Technologies Canada Ltd.

France

VTech Electronics Europe S.A.S.

Germany

VTech Electronics Europe GmbH

VTech IAD GmbH

Snom Technology GmbH

Netherlands

VTech Electronics Europe B.V.

Spain

VTech Electronics Europe, S.L.

United Kingdom

VTech Electronics Europe Plc

Leap Frog Toys (UK) Limited

United States

VTech Electronics North America, L.L.C.

VTech Communications, Inc.

LeapFrog Enterprises, Inc.

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

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

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

本報告之中文譯本與英文本如有任何歧義，概以英文為準。

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