

vtech



Corporate Social Responsibility Report 2012



vtech

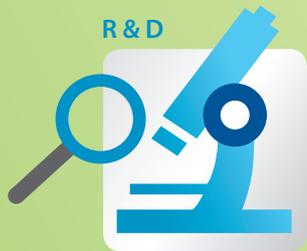




VTech's Corporate Social Responsibility (CSR) effort focuses on the four core areas of environment, community, shareholders and employees.

Environment

VTech's goal is to bring high quality, innovative products to consumers around the world, to enhance their lives. We aim to do this in a way that respects the environment, and hence take steps throughout our product life cycles to reduce environmental impacts from our operations.



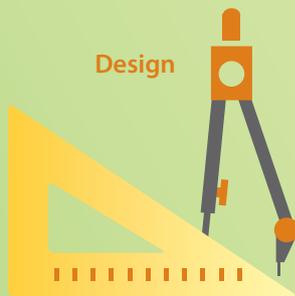
Product Planning

Environmental management of the product life cycle begins with design and planning. When developing and designing a new product, or upgrading an existing one, we think not only about its commercial potential, but its environmental profile.

Our engineers and product designers are therefore tasked with making our products more environmentally friendly. Through innovative design, we strive to reduce the number of components and use more efficient materials, making each new generation of VTech products more energy efficient while lowering costs.

Our products comply with the strictest international safety and environmental regulations. For example, all TEL products and ELPs sold in the US and Europe are RoHS (Restrictions on the use of Hazardous Substances) compliant, while all TEL products and ELPs sold in Europe comply with REACH (Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals).

We also strive to achieve environmental standards that go beyond statutory regulation. All VTech 2011 DECT cordless phones delivered to the US have the Energy Star® certification, meaning they use less energy than conventional units when charging. In Europe and some markets in Asia Pacific, an increasing number of VTech's cordless phones include an "Eco Mode" function, which reduces power consumption.



Manufacturing

Responsible manufacturing is the second stage in the cycle and at each step of the process at our plants in Dongguan and Qingyuan in China's Guangdong Province, we take care to manage our operations from an environmental point of view.

In sourcing materials and components, VTech takes care to use only responsible suppliers and we work with them to reduce environmental impacts in their operations. All suppliers to our TEL and ELP operations are required to sign a supplier CSR agreement, specifying CSR related



Procurement

conditions they must abide by. The CMS operation also uses supplier agreements, or in some cases requires suppliers to sign codes of conduct. The Group carries out annual audits of key suppliers.



We adopt environmentally appropriate best practices and meet international standards in the manufacture of our TEL products and ELPs. We also work with our CMS customers to reduce product size, eliminate toxic materials and increase recyclability. Stringent internationally benchmarked procedures are in place to handle hazardous materials.

The manufacturing facilities of our TEL products are ISO14001 certified, and have been awarded "Hong Kong – Guangdong Cleaner Production Partners" status, under the scheme jointly launched by the HKSAR Government and the Guangdong Provincial Government. This is in addition to recognition as a "Cleaner Production Enterprise in Guangdong Province" from the Guangdong Provincial Government, "Cleaner Production Enterprise in Dongguan City" from the Dongguan

Municipal Government and having passed fit for the “12th Five Year Energy Plan” of the Dongguan Municipal Government.

The ELP operation abides by the International Council of Toy Industries (ICTI) CARE (Caring, Awareness, Responsible, Ethical) Process. Our ELP manufacturing facilities have recently joined the Low Carbon Manufacturing Programme (LCMP) developed by WWF-Hong Kong, which aims to improve energy efficiency and reduce greenhouse gas emissions.

The CMS operation is ISO14001 and SA8000 certified.

We are also investing across our manufacturing operations to reduce environmental impacts. Equipment and processes have been introduced to save energy, reduce carbon emissions, minimise waste and maintain natural surroundings. We have adopted a number of measures to reduce electricity consumption.



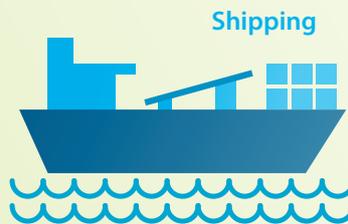
Processes

Energy saving or LED lights are replacing traditional ones. Our TEL operation has replaced diesel water heaters in dormitories with more efficient pumped water heaters and variable-frequency drives in air-conditioning systems. Variable-frequency drives have been installed in the plastic injection machines in our ELP factory, also reducing electricity consumption. Our CMS operation has

improved the management of the air conditioning systems, fitted energy efficient light bulbs and reduced daily electric power consumption.

Distribution

Product distribution also involves environmental impacts, and we are constantly thinking of more efficient ways to move around the world.



In our TEL operation, we take care to partner with carriers that use low carbon and low sulphur fuel in their sea-going vessels. Majority of the Group's shipments are now exported through Yantian port in Shenzhen, which is closer to our manufacturing plants, rather than through Hong Kong. This helps to reduce carbon emissions and the consumption of resources. We take care to schedule incoming raw materials and outgoing product on the same transport, to reduce waste, and work with customers to consolidate orders. Our CMS operation uses recyclable aluminum pallets for transfers between Hong Kong and Dongguan, as well as recyclable cartons.

Recycling

Packaging, promotion and recycling are the final sections of the product lifecycle.

To minimise environmental impacts in this area, our products are designed to avoid unnecessary packaging. Each year, we review the packaging of key products

and try to reduce their size. Increasingly, we have adopted environmentally friendly printing processes.

All TEL packaging is 100% recyclable, while packaging for our TEL products sold in North America features FDA-approved aqueous coating.

Packaging for our TEL products and ELPs in Europe is compliant with the Waste Electrical and Electronic Equipment (WEEE) Directive. We also actively encourage consumers to recycle. Cardboard packaging for ELPs is 100% recyclable, and furthermore, the cardboard used is manufactured from a minimum 80% post-consumer recycled material. During the financial year 2012, the ELP operation managed to reduce the use of plastic packaging materials by 49%. Beginning in the calendar year 2012, we have begun gradually to replace PVC (polyvinyl chloride) packaging with PET (polyethylene terephthalate) packaging for our ELPs.



Packaging

Our CMS operation has also reduced packaging size, increased the use of recyclable materials and avoided the use of plastics in packaging.

In our marketing, we continue to save paper through the increased use of electronic and digital promotions and catalogues, rather than printed versions.

Community

As a responsible corporate citizen, VTech supports the communities in which it operates in a variety of ways, focusing on innovation, helping children and general corporate philanthropy.



In the US, VTech and its staff made donations to the Children’s Cancer Association. VTech also sponsored Medical Teams International and Dougy Center for grieving children, as well as American Cancer Association.

VTech volunteers made active contributions to charities and youth organisations in Hong Kong. These included working with Hong Kong Children and Youth Services, to take underprivileged youngsters on outings, joining with The Hong Kong Federation of Youth Groups’ birthday cum graduation party for senior citizens, and participating in similar events organised by The Hong Kong Society for the Aged.

These and other efforts earned the Group recognition as a “Caring Company” by the Hong Kong Council of Social Service.

During the financial year, VTech also continued its support of the blood donation campaign organised by the Hong Kong Red Cross, helping to save lives.



Service and Support

As in previous years, in 2011 VTech sponsored the Hong Kong Business of Design Week and Hong Kong Awards for Industry, to encourage innovation in our home region.



Shareholders

VTech seeks to enhance relations with shareholders and investors through active engagement, to ensure a full understanding of our efforts to enhance shareholder value and manage risk.



Shareholder Value

We aim to enhance shareholder value over the long term in a number of ways, particularly through:

- Strengthening the competitiveness of the Group's operations
- Continuous efforts to achieve sustainable growth in shareholder returns and returns on investment
- Ensuring timely, accurate, comprehensive and non-selective disclosure of the Group's financial information and operating performance

Share Performance and Dividend

In the financial year 2012, the highest closing share price was HK\$99.55 (on 30 March 2012) while the lowest closing price was HK\$63.75 (on 4 October 2011).

The Group's dividend payout ratio is linked to its operating earnings performance, financial position and future investment opportunities. The dividend payout ratio in the financial year 2012 amounted to 98.8% of the profit attributable to shareholders of the Company, against 96.2% in the previous financial year.

Corporate Governance

VTech is committed to good corporate governance, which we recognise as crucial in helping us to deliver our strategy, generate shareholder value and safeguard our shareholders' long-term interests.

To ensure sound corporate oversight, the majority of the Board is independent non-executive directors. The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management Committee with defined terms of reference.

The Company has a Code of Conduct which employees are required to abide by and a Whistleblower Policy to facilitate the raising of concerns by employees.

Investor Communications

VTech's investor relations programme keeps investors abreast of the Group's latest developments and we welcome suggestions.

During the financial year, we held meetings with investors, organised site visits to our facilities in mainland China and participated in investor conferences. We also held roadshows in Singapore, Hong Kong and the UK.

Key financial announcements are webcast, accompanied by the detailed slide presentations and other important financial information. Up-to-date information on the Group's developments, financial data and stock information can be found at the corporate website www.vtech.com. All key information is available electronically.



Employees

VTech cares for its employees and understands that good staff relations and a motivated workforce play a vital role in the Group's success.



levels, through channels such as the website, internal newsletter and meetings to communicate plans and policies.

Personal Development

We value our employees and believe it is crucial to enable them to utilise their potential at work fully. We encourage personal growth by providing training programmes tailored to different needs. Sponsorship is made available for external professional education programmes.



Employee Numbers and Costs

The average number of employees for the financial year 2012 was 31,600, compared to 32,300 in the previous financial year.

Staff related costs for the year ended 31 March 2012 were approximately US\$238 million, as compared to approximately US\$210 million in the financial year 2011.

Workplace

VTech strives to create a supportive, enjoyable workplace and treats employees with respect. We put emphasis on

people-oriented management to ensure harmonious staff relations across the Group, especially in our manufacturing facilities in China.

Equal Opportunities

We provide equal employment opportunities to all employees, allowing them to make the most of their capabilities.

We have a strict policy of no discrimination on the grounds of age, sex, marital status, disability or any other non-job related factors. Remuneration is determined with reference to performance, qualifications and experience.

Communications

We value internal communications and encourage employees to voice their opinions. We maintain open communication with employees at all

Employee Relations

Recreational events organised during the financial year helped to foster team spirit and promote life balance.

In Hong Kong, these included our 10th anniversary participation in the Standard Chartered Hong Kong Marathon, in the annual dragon boat competition, the staff Christmas party, the company's 35th anniversary celebration at Ocean Park, tours to Shaoguan, Macau and Zhongshan and a variety of sport activities. These major events were supplemented throughout the year by courses on a variety of interests, ranging from cake baking to running. Overseas, our ELP operation in the US held an annual picnic on a festive 1980s theme and a party to celebrate 30 years in the US market.



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