

VTech Holdings Limited

HKSE: 303



Sustainability Report 2014





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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.

Since its inception in 1976, VTech has grown into the global leader in electronic learning products from infancy to preschool¹, the world's largest manufacturer of cordless phones², and a leading electronic manufacturing services provider. As a global company and part of the communities in which we operate, VTech recognises that we have to step up our efforts to achieve sustainable development, 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 the financial year 2013, we formally developed and implemented sustainability strategies and initiatives, and published them in the Sustainability Report 2013. We are pleased to announce that passing through the financial year 2014, our approach and initiatives have become more comprehensive and are generating meaningful benefits for our stakeholders. Some of our major achievements are highlighted in the Sustainability Report

2014, with a summary of activities and targets to be followed moving forward.

Our sustainability strategies and efforts focus on five key areas – product responsibility and innovation, environmental protection, workplace quality, sustainable operating practices and community investment. These are underpinned by an engagement approach to addressing the material issues and concerns identified by our stakeholders. We have actions and targets in place, including the incorporation of sustainability concepts into our product design, improvement of energy and resource efficiencies in our operations, and provision of a decent and safe working and living environment for our employees.

VTech also uses its global leadership position in electronic learning toys to engage children with sustainable growth, help them to inspire their creativity and develop valuable skills from the early age of their educational development. We have also extended our sustainability efforts in the supply chain by engaging and supporting

our suppliers to further improve our supplier sustainability management system, with a mission to make greater contributions to the environment and the communities in the long run.

VTech has solid foundation in product development, market leadership, efficient operations and strong financial position. We believe that we are able to achieve sustainable growth through our strategies on further market share gains in core and new market segments, expanding our geographical presence, providing innovative products and services for our customers, and further enhancing our operational efficiencies to mitigate the operational risks and cost pressures. 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 and development for our stakeholders.



Allan WONG Chi Yun
Chairman
22 May, 2014

¹ Source: MarketWise Consumer Insights, LLC and Retail Tracking Service of NPD Group. Ranking based on 2012 and 2013 total estimated annual retail sales in the combined toy categories of infant electronic learning and preschool electronic learning.

² Source: MZA Ltd, 2014

About VTech

VTech is the global leader in electronic learning products from infancy to preschool and the world's largest manufacturer of cordless phones. It also provides highly sought-after contract manufacturing services. Our product lines include telecommunication (TEL) products, electronic learning products (ELPs) 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 11 countries and regions. In FY2014, VTech has an average number of around 30,900 employees, including about 1,500 research and development (R&D) professionals in R&D centres in Canada, Germany, Hong Kong and China. This network allows VTech to stay abreast of the latest technology and market trends throughout the world, while maintaining a highly competitive cost structure.

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

For the year ended 31 March 2014, Group revenue and profit attributable to shareholders of the Company were US\$1,898.9 million and US\$203.3 million

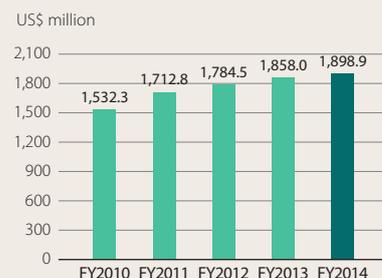
respectively. At 31 March 2014, the Group had working capital and total assets of US\$167.4 million and US\$919.1 million respectively. The Group's total equity was US\$575.6 million and had no borrowings as at 31 March 2014.

Shares of VTech Holdings Limited are listed on The Stock Exchange of Hong Kong Limited (the Stock Exchange) (HKSE: 303). At 31 March 2014, the number of issued and fully paid shares of the Company was 250,872,133 shares.

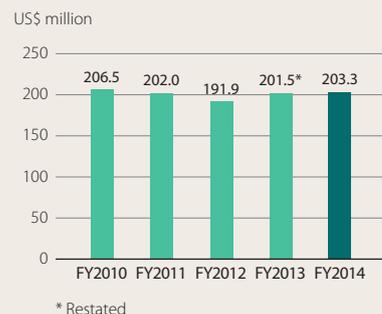
At VTech, we manage our business in accordance with a number of key external charters. We adhere to and implement policies that are coherent with the 10 UN Global Compact principles³, which itself is built upon many internationally agreed principles relating to welfare of workers, environmental management and anti-corruption. We also subscribe 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 stay up-to-date and ahead 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.

Group Revenue in Last 5 Years



Profit Attributable to Shareholders of the Company in Last 5 Years



Revenue by Regions for the year ended 31 March 2014



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

Corporate Governance and Risk Management

As a global company that puts focus on sustainable growth, we are committed to designing, manufacturing and supplying innovative and high quality products in a manner that minimises environmental impacts, while fulfilling our responsibility to, and providing value for our stakeholders and the community. To achieve these goals, the Group has put in place 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.

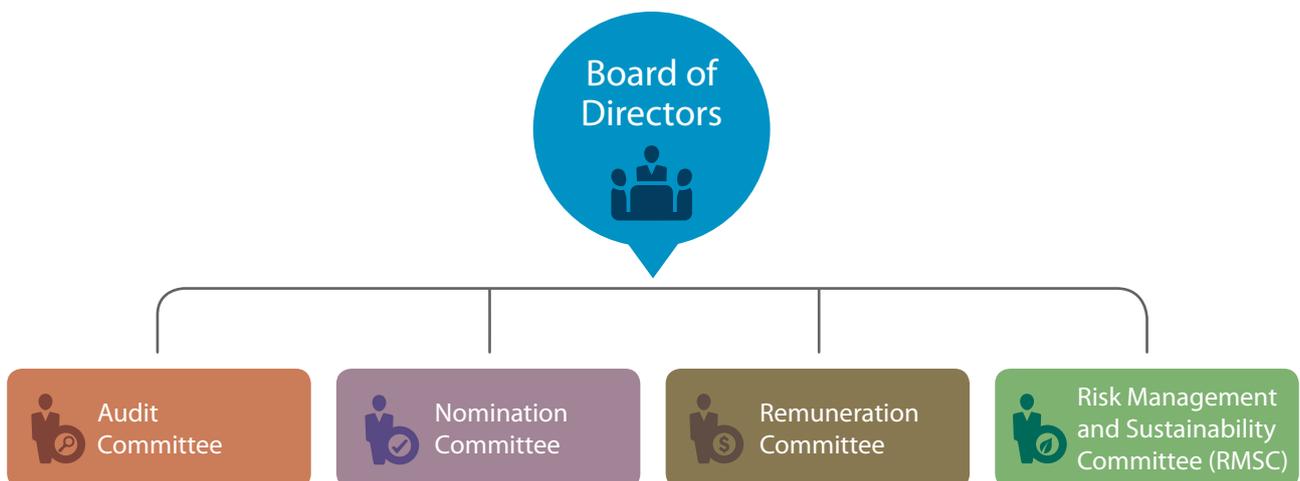
Board of Directors and its Committees

The Board of Directors (the "Board") 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, preliminary announcements of interim and final results, dividend policy, annual budgets, major corporate activities such as material acquisitions and disposals, and connected transactions.

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Management and Sustainability Committee (RMSC) to assist and support the Board operations.

For full details of the corporate governance practice of the Group, please refer to the corporate governance section included in our Annual Report 2014.



Code of Conduct and Whistleblowing Policy

The Group's policy on Code of Conduct is the corner stone of our governance and operation. It spells out the guiding principles for our staff. The staff are required to behave with integrity and honesty. We have relevant codes of conduct for staff in particular risks related areas to cover conflicts of interest, bribery and corruption, accounting standards, and internal management, etc. Staff are required to confirm that they have understood the code of conducts appropriate to their role and position in the company on joining and annually thereafter.

Due to a constantly changing business environment, we review the Code of Conduct of the Group on a regular basis to ensure that it reflects the current global best practices and meets the expectations of all stakeholders.

VTech maintains a Whistleblowing Policy in order to encourage and assist whistleblowers to report information relevant to misconduct, malpractices or irregularities through a confidential reporting channel. All the reported cases will be handled by the Company with care and the whistleblower's concerns will be investigated in a fair and proper manner. All reports under the Whistleblowing Policy are reviewed by the Audit Committee twice a year in order to ensure appropriate action and identify the need for any further policy development.

Business Integrity Policy and Anti-Corruption

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

The RMSC is chaired by Dr. Allan WONG Chi Yun with Dr. PANG King Fai, Mr. Andy LEUNG Hon Kwong and Mr. WONG Kai Man as members. The members include both executive and independent non-executive directors. The RMSC held two meetings during the financial year to review the Group's risk management, internal control systems, and sustainability strategy, policies and improvement activities.

The RMSC has developed a framework for the management and control of risks in the Group. Risks are being more formally identified and recorded in the Risk Register for key operations. This Risk Register is updated regularly and the major risks are being reviewed from time to time by the RMSC.

Business Continuity Management

VTech has formulated the procedures and alternative infrastructures in our business continuity management and disaster recovery plan to minimise adverse impact to our people, customers relationship, reputation and long term sustainability. These plans are developed based on the evaluation of the impacts of possible disruption from extreme events such as pandemics, natural disasters and technological hazards. The plans are documented, properly communicated and tested periodically to ensure their effectiveness.

VTech's Approach to Sustainability

VTech's sustainability strategy is built upon one of our core corporate values – delivering above and beyond expectations. The section of Stakeholder Engagement describes our approach to understanding material concerns of our stakeholders and how it guides the key performance indicators (KPIs) against which we report. However, to deliver above expectations means that this report covers not only the material aspects identified by our external stakeholders, but also those aspects in which our business activities would have benefits either economically, environmentally or socially. For example, VTech's supply chain management and logistics arrangement are considered as relatively low in materiality by our external stakeholders, but we believe that they are important contributors to the improvement of our overall sustainability performance and thus we have included them in our sustainability activities.

Sustainability Management within VTech

VTech believes that as a sustainable company, we have to balance the impacts of economic growth, environmental protection and social responsibility on our sustainability. We also incorporate these factors in our sustainability strategies with activities focused in the following five areas:



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 organisational level.

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 our sustainability performance against targets, reviewing progress of our activities, and sharing any new and significant industry sustainability concerns with the committee members on a biannual basis.

The Sustainability Sub-Committee also acts as the decision maker for our sustainability investments, with consideration given to the benefits from economic, environmental and social aspects. Our energy conservation case study regarding our investment in using waste heat generated from production air compressors to provide hot water in our dormitories, which has reduced both the cost and environmental impacts from the traditional fossil fuel based

heating, illustrates our approach to balancing the economic, environmental and social impacts.

In order to ensure that our sustainability strategies are carried out effectively and consistently throughout the organisation, we have organised our sustainability approach into the following five key areas across the company's product lines.



VTECH APPROACH

As part of our sustainability management system, we have outlined our activities and targets to be achieved in the financial year 2015 (FY2015) in the following table. It is our intention to report our performance progress against the targets in the subsequent sustainability reports by using the FY2014 key performance indicators as the baseline in the respective areas.

Summary of Sustainability Strategies and Targets

Strategy Themes	Aspects	Approaches	Targets for FY2015
 Product Responsibility & Innovation	Customer health and safety	VTech ensures that its products meet the highest safety standards and contribute to the protection of our customers	<ul style="list-style-type: none"> Zero product recalls, fines or penalties relating to non-compliance with regulations Increase sales by 2% for health and safety related products to customers Develop innovation concepts which enhance the health and safety of the user
	Product design	Incorporate sustainability concepts into product design to reduce carbon footprint and resource used	<ul style="list-style-type: none"> Undertake life cycle analysis for 2 key products to reduce the carbon footprint throughout the product life cycle 2 case studies demonstrating the impact of Life Cycle Assessment (LCA) and eco-design techniques reducing the impact of the product
 Environmental Protection	Energy	Reduce the energy used in our manufacturing and living facilities	<ul style="list-style-type: none"> Reduce electricity consumption (kWh) per sales by 4% against FY2014 Phase out the use of diesel in all static appliances
	Carbon emissions	Reduce GHG emission	<ul style="list-style-type: none"> Reduce GHG emission by 2% against FY2014 Undertake feasibility study for solar photovoltaics at one manufacturing site Collect data for refrigerant gas releases to complete scope 1 reporting
	Water consumption and effluent treatment	Reduce water usage and effluent through filtering water in our processes, and install water efficient hardware	<ul style="list-style-type: none"> Reduce water consumption per headcount by 2% against FY2014 Examine opportunities for rainwater harvesting
	Waste and recycling	Recycle material to minimise waste and conserve resources	<ul style="list-style-type: none"> Increase to 75% recycle rate of non-hazardous waste
	Logistics	Reduce the environmental impact of product transport	<ul style="list-style-type: none"> Develop a carbon reporting methodology for transport to better reflect improvements Increase the loading capacity of each shipment to 80% Increase by 10% for the usage rate of 40" High Cube containers against FY2014

Strategy Themes	Aspects	Approaches	Targets for FY2015
 Workplace Quality	Training and development	All staff receive suitable training and are able to develop a career path within VTech	<ul style="list-style-type: none"> • Increase the average training hours per employee by 10% against FY2014 • Increase the total number of participants in VTech College at the manufacturing sites by 10% • Upgrade training facilities
	Staff welfare and employee communication	Increase staff's sense of wellbeing and belonging, improve performance and retention rate	<ul style="list-style-type: none"> • Improve overall employee satisfaction results in employee satisfaction survey by 5% • Increase participation in staff welfare activities by 10% • Decrease average turnover rate by 5%
	Occupational health and safety	Provide a safe working environment for employees	<ul style="list-style-type: none"> • Monthly health and safety audit • Reduce loss of working hours rate by 10% against FY2014 • Increase compulsory health and safety training for all new workers in the manufacturing sites by 3 hours • No work-related fatality case
	Anti-corruption	We emphasise business integrity and have zero tolerance for corruption	<ul style="list-style-type: none"> • Increase training hours on anti-corruption by 10% against FY2014 • Best in the class of business ethics, with zero non-compliance with laws and regulations
 Sustainable Operating Practices	Supply chain	Ensure our suppliers meet our environmental and corporate social responsibilities (CSR) standards	<ul style="list-style-type: none"> • Provide CSR agreements to all active suppliers for engagement • Expand On-site quality and CSR audit scope to include energy efficiency and carbon reduction
 Community Investment	Social investment	Support local communities development	<ul style="list-style-type: none"> • Increase volunteer hours by 10%

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. In FY2014, we developed a formal annual stakeholder engagement procedure, which helped 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 and exceed their expectations.

The selection of stakeholder groups is determined by the RMSC in conjunction with the Sustainability Sub-Committees. In FY2014, 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 engage our stakeholders through their preferred communication channels in order to connect as much as possible.

Our Sustainability Sub-Committees also developed an approach which identified 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 in accordance with the principles outlined in GRI G4 Guideline.

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

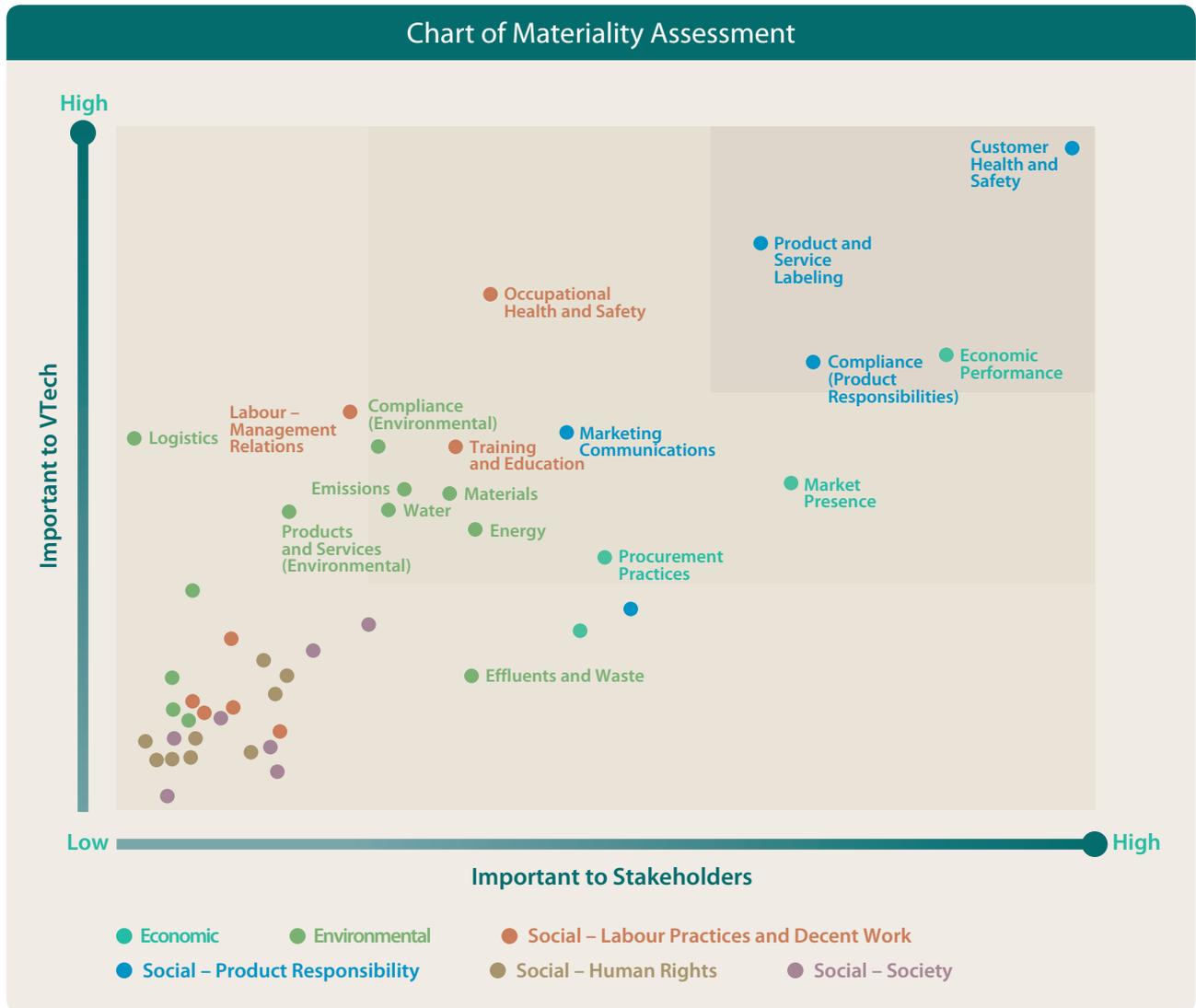
Stakeholders	Topics Concerned	Communication Channels	Frequency per year
 Customers	<ul style="list-style-type: none"> • Production quality and improvements • Product safety • Operations in compliance with applicable laws and regulations • Customer support • Financial performance • Sustainability strategies 	<ul style="list-style-type: none"> • Customer Satisfaction Surveys • Customer visits or meetings • Industry exhibitions and forums • Meetings and workshops • On-site visits at VTech's factories • Quarterly business review 	<ul style="list-style-type: none"> Annually As required* As required* As required* As required* Quarterly
 Employees	<ul style="list-style-type: none"> • Employee's health and safety • Employee communication and engagement • Working condition and welfare • Career development and training • Business performance • Product safety • Operations in compliance with applicable laws and regulations 	<ul style="list-style-type: none"> • Employee engagement surveys • Monthly social events with employees • Newsletter • Performance reviews • Regular management meeting with staff representatives • Suggestion box, hotline, emails, notice board and briefing sessions 	<ul style="list-style-type: none"> Quarterly Monthly Quarterly Annually Ongoing Ongoing
 Shareholders	<ul style="list-style-type: none"> • Return on investment • Strategic plans • Operations in compliance with applicable laws and regulations 	<ul style="list-style-type: none"> • Annual and interim results announcement events • Annual and Interim Reports • Regular meetings and correspondence • Sustainability Report 	<ul style="list-style-type: none"> Biannually Biannually As required* Annually
 Investors	<ul style="list-style-type: none"> • Business performance • Strategic plans • Operations in compliance with applicable laws and regulations 	<ul style="list-style-type: none"> • Annual and Interim Reports • Feedback to media enquiries • Media conference • Regular meetings and correspondence • Sustainability Report 	<ul style="list-style-type: none"> Biannually As required* As required* Ongoing Annually
 Suppliers	<ul style="list-style-type: none"> • Supplier quality performance • Supplier sustainability in business model, quality and production control • VTech's expectations with suppliers • Product quality and safety • Operations in compliance with applicable laws and regulations 	<ul style="list-style-type: none"> • Annual business review meeting • Annual Suppliers Day • Key supplier audit 	<ul style="list-style-type: none"> Annually Annually Ongoing
 Community	<ul style="list-style-type: none"> • Support to the community • Operations in compliance with applicable laws and regulations 	<ul style="list-style-type: none"> • Informal communication through email and phone calls • Sponsorship • Volunteering work 	<ul style="list-style-type: none"> As required* Ongoing Ongoing

* VTech may vary the frequency to meet its business need

VTECH APPROACH

Materiality Assessment

The material sustainability aspects identified by the stakeholders were based on the results of a stakeholder engagement survey conducted in FY2014. The results were mapped with the key sustainability aspects assessed by VTech's senior management and illustrated in the following chart.



All of the aspects shown in the above chart are those listed in GRI G4 Guideline. We have also labeled the aspects which are materially important to VTech. There are some items which are classified as 'non-material' by our stakeholders, but VTech still maintains high standards to minimise the impacts. The support of biodiversity is one of the examples, which is also shown in the later case studies. We also make comments on some 'non-material' aspects in our report, but in accordance with GRI G4 Guideline we do not provide performance data for those non-material items.

Our sustainability activities encompass all material aspects identified by our stakeholders along with three further items. These are effluents and waste, logistics, and labour-management relations. 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.

Material aspects identified in the stakeholder engagement survey and the related aspect boundaries are listed in the following table:

Sustainability Category	Material Sustainability Aspects ⁴	Aspect Boundary	
		Within VTech	Outside of VTech
 Economic	Economic Performance	<input checked="" type="checkbox"/>	
	Market Presence	<input checked="" type="checkbox"/>	
	Procurement Practices (supply chain)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 Environmental	Materials, Waste and Recycling	<input checked="" type="checkbox"/>	
	Energy	<input checked="" type="checkbox"/>	
	Water	<input checked="" type="checkbox"/>	
	Emissions	<input checked="" type="checkbox"/>	
	Compliance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Logistics		<input checked="" type="checkbox"/>
 Social – Labour Practices and Decent Work	Occupational Health and Safety	<input checked="" type="checkbox"/>	
	Training and Education	<input checked="" type="checkbox"/>	
 Social – Product Responsibility	Customer Health and Safety	<input checked="" type="checkbox"/>	
	Product and Service Labeling	<input checked="" type="checkbox"/>	
	Marketing Communications	<input checked="" type="checkbox"/>	
	Compliance	<input checked="" type="checkbox"/>	

⁴ KPIs for each material aspect can be found in Performance and Company data on pages 36-37

VTECH SUSTAINABILITY ACTIVITIES



Product Responsibility & Innovation

While ensuring that our products are designed to be intrinsically safe and have minimum impact on the environment, we are also continually exploring opportunities, using our expertise to provide products that enhance the well-being of our customers and also benefit the society generally.



Product design is the first stage of our product life cycle and is where the greatest sustainability gains can be achieved. We have cross-functional teams to ensure that our products are of the highest quality and are designed to minimise resource usage throughout their life cycle.

While ensuring that our products are designed to be intrinsically safe and have minimum impact on the environment, we are also continually exploring opportunities, using our expertise to provide products that enhance the well-being of our customers and also benefit the society generally. Our baby monitors help to reduce the stress of parenting, our home safety telephone system helps

senior citizens to live independently, and our DECT cordless phones with low radiation and less power consumption features compared with the conventional models also help reduce impacts on the environment.

Product Quality Assurance Programmes

VTech is committed to bringing high quality and safe products to consumers around the world. All our products comply with the highest levels of safety standards specified in the relevant countries. Our manufacturing facilities are also certified with Quality Management System: ISO9001. In addition, we have strict quality and safety assurance programmes in place

to warrant that all our products meet the required specification and are free from defects in both materials and workmanship at the time of delivery.

Regular product inspections by both internal and external professional bodies also constitute an important part of the overall quality assurance programme. In addition, our production level inspections help prevent any deviation from the original product design and specification. Where critical safety related components and materials are concerned, detailed examination is carried out at an early stage of our manufacturing process in order to identify any non-compliance issues and implement corrective actions in a timely manner.

All VTech products are fully covered by our warranty. Quality and safety related issues raised by our consumers from different channels such as call centres, customer response and feedback via social networking sites are followed up seriously and quickly. All reported cases are reviewed, evaluated and investigated by our quality and safety assurance team to identify any potential areas of risk and to take immediate corrective or preventive actions.

Customer Health and Safety

VTech is committed to designing and manufacturing products that meet the most stringent international health and safety standards. All VTech products follow robust specifications on banned and restricted substances. We have stringent materials selection procedures in place to ensure that all our products comply with the latest international safety and environmental regulations (Please refer to the Safety Standards on page 40). All our products, including TEL products and ELPs, sold in the US and Europe are RoHS2 (Restrictions on the use of Hazardous Substances) compliant, and our products sold in Europe comply fully with REACH (Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals). We also work proactively with our customers, certified laboratories and professional consultants to obtain advance information on the latest standards in each specific country.

CareLine – Home Safety Telephone System

VTech believes that age should not limit the active and independent lifestyle of senior citizens. Our CareLine series is designed for day-to-day communication while incorporating safety and assistance features into the design. It comes with a portable safety pendant and the ability to store two emergency contacts which are easily

activated with one-button or voice dialing. The built-in speakerphone in the pendant allows user to take calls anytime. The CareLine series is also designed to help users to connect with ease and comfort. The Audio Assist® function allows the phone to temporarily boost up the volume while the user is on a call, and the large screen and big button design make it easy to operate. We are continuously developing more products to help people to connect with ease and style.

CareLine™+



During our design process, we not only make sure that our products are intrinsically safe, but also use our expertise to help improve the health and safety of our customers. Our CareLine™ phone series is designed for senior citizens by helping them to live connected lives at home with friends and families, to maintain everyday contact with those important to them and to assist them in emergency situations if needed. We want to provide older people with new ways to stay in touch and to live independently at home.

All our products, including TEL products and ELPs, sold in the US and Europe are RoHS2 (Restrictions on the use of Hazardous Substances) compliant



Go! Go! Smart Wheels®



VTech strives to maximise our positive impact on people and society, and continue to provide children all over the world with high quality educational products offering creative play experiences. Our Go! Go! Smart Wheels with multi-vehicles set, featuring a family car, truck, van, police car, ambulance and fire truck, all interacting with different configured playsets,

help children to understand the use of road transportation and the different functions of vehicles in the community.

VTech believes that creativity and imagination are crucial for the educational development of new generations. Instead of providing a one-way learning experience, our Go! Go! Smart Wheels playsets are equipped with SmartPoint™ technology, which creates a unique interactive learning and playing experience for children. The SmartPoint locations recognise and respond to SmartPoint vehicles with sound effects that keep children engaged by enhancing imaginative play, teaching cause and effect and other important learning skills for their sustainable growth. The Go! Go! Smart Wheels playsets can also be reconfigured with different track shapes, or connected to other Go! Go! Smart Wheels playsets to inspire the kids' creativity.



Environmental Design

During FY2014, we instigated a wide variety of environmental design processes. We invested in LCA software which helps us to measure the environmental impact of our products from "cradle to grave". By using the software, we can identify key target points in the product life cycle where we can have the greatest impact and also ensure that each generation of products has a lower environmental impact than its predecessor.

However, we did not wait until we had LCA capabilities before implementing beneficial changes. We initiated our "Every Component Counts" programme and "Compact Design" principles in 2008 which have resulted in significant reductions in material and component usage in our products. In our TEL products, the R&D team has reduced the number of components by 38% whilst the size of printed circuit boards (PCB) has decreased by 33% between FY2012 and FY2014.

In our TEL products, the R&D team has reduced the number of components by

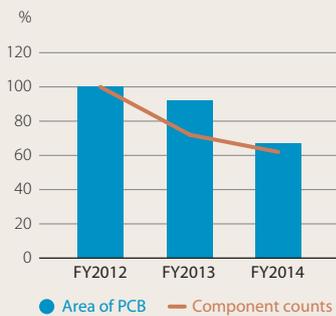


↓ 38%

between FY2012 and FY2014.

We also produce significantly less waste during the manufacturing process. Investment in new surface mount technology machinery means that we have been able to reduce the size of PCB edges by 20% – 80% dependent on the product models. This means that significantly less PCB material has been purchased, transported and ultimately sent for disposal. We take the opportunity in every chipset re-design to reduce the edges as a standard part of our design processes.

Evolution of component counts and size of PCB



The eco-design principles continue from the manufacturing phase of the product life cycle into the customer's home. In FY2014, we had launched a new series of DECT cordless phones with the Blue Angel eco-label, certifying that those models meet the German standards of low radiation. The switching power supplies also reduce power consumption by at least 60% compared with conventional models. These models are now available around the world.

VTech's Sinus series – Sinus 606, Sinus A 606, Sinus A 406, Sinus 206, Sinus A 206,

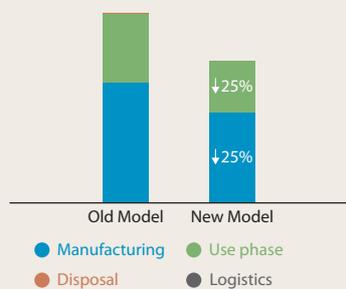
Sinus A 206 Comfort, and Sinus A 806 – are the first cordless phone models with Blue Angel certification⁵.



Our DECT phones have provided a wide range of eco-option for customers.

The result of all our hard work in product design can be seen in one of the latest life cycle assessments below.

VTech Product Carbon Footprint Comparison



This illustrates that the carbon footprint in all categories, including manufacturing, logistics, use phase, and disposal, is significantly lower than that of previous generation, and the overall product carbon footprint has been reduced by 25%.

In recent years, we have developed touch screen learning systems which can be upgraded and expanded in functionality along with the development and growth of the children using them. Incorporating the new technology, our toys meet the needs, interests and latest trends by simply downloading the latest games, apps and software from our official website.



Learning Lodge website

⁵ http://www.blauer-engel.de/en/products_brands/vergabegrundlage.php?id=209

InnoTab® Learn, Create, Connect



By connecting with WiFi technology, InnoTab has extended its functionality beyond our initial expectations. It is now a multi-dimensional educational learning product, which allows children to learn and play in a whole new way, and opens up new methods for parents and children to interact. InnoTab can connect to all smart phones, allowing parents and children to share text and fun stickers wirelessly, and for children to connect tablet-to-tablet with their family and friends.

InnoTab is a safe device for children to explore the complicated digital world with guidance. Using InnoTab, they can securely explore the age-appropriate websites approved by VTech's educational experts. The password protected parental control features also allow parents to approve additional websites and set daily limits for usage and internet browsing.

InnoTab comes with fun, useful apps and InnoTab users can download additional educational games, e-books, music and videos from the Learning Lodge website (www.vtechkids.com/download). The choice of educational games is varied and tailored to each child's stage of development. To encourage children to engage with sustainability from an early age, there are a variety of games including the Amazing Animal Museum series in which the user can learn about the animals found in different ecosystems, such as rainforest, wetland and mountains. To help children prepare for the wider world, there are specific games such as "Food Fun" to support children's education on healthy food choices, and the app "Safety Search" to help educate children on how to reduce risks in and out of the home.

In addition to direct product improvements, we identified significant scope to improve our packaging. Our packaging team has further optimised the packaging capacity and reduced the material used. We also carefully select our packaging materials and all our packaging materials are 100% recyclable. We use FDA-approved aqueous coatings, which are fast-drying, water-based and protective coatings for the packaging of our TEL products sold in the US market. For our ELPs, the packing material is made of 100% recyclable cardboard. We have largely replaced PVC (polyvinyl chloride) with PET (polyethylene terephthalate) in our packaging as PVC contains chemical additives and heavy metal content which produces toxic substances during the recycling and incineration process. We also use paper in other parts of packaging, such as using paper DVD cases to avoid the use of plastic clamshells. Recently, we have introduced corrugated cardboard boxes, which are a naturally renewable material, to our product packaging.

We carefully select our packaging materials and all our packaging materials are

100%
recyclable



Our product design team



LED products

Reducing the impact of our packaging materials is not the last step. We use the principles of “Compact Design” in our packaging design process. In one case we successfully increased the outer box capacity⁶ by 25% by redesigning the packaging layout and adopting a new folding method of the gift box, meaning that the external box and material used were significantly reduced.

Products for a Low Carbon World

We are keen to use our knowledge and expertise not only to improve our own products, but also to be an active participant allowing consumers worldwide transition to a more sustainable existence. Our CMS business produces energy efficient

Light Emitting Diode (LED) products on behalf of some of the world’s largest brands. McKinsey⁷ forecasts the LED worldwide market to be worth around EUR 100 billion by 2020 led by Asian manufacturers, which represents a significant opportunity for VTech to support the move from high energy lighting systems to energy efficient solutions such as LED.



Compact packaging design



LED products

⁶ Outer box capacity = volume of the product/ volume of the box

⁷ McKinsey and Company, Perspectives on the global lighting market Second edition



Environmental Protection

We operate our manufacturing processes and facilities in a manner that minimises the environmental impact, and have continuous improvement programmes in place to ensure that we are compliant with all relevant environmental, legal and other statutory requirements.



In addition to making significant efforts to design our products to minimise their environmental impact, we also operate our manufacturing processes and facilities in the same manner. Our TEL products and CMS manufacturing facilities are certified with the ISO14001 standard for environmental management, demonstrating that we are committed to continuous improvement. Although our manufacturing facilities are low risk in terms of pollution incidents compared to many factories in China, we go beyond minimum requirements. We are committed to the prevention of pollution throughout our supply chain by engaging with our suppliers and managing our logistics requirements to further minimise our environmental impact and improve the energy efficiency of our operations.

VTech has continuously worked with different government bodies to improve the environment of our facilities. Our TEL products manufacturing operation has been continuously awarded the “Hong Kong – Guangdong Cleaner Production Partners” under the scheme jointly launched by the Hong Kong Productivity Council and the Guangdong Provincial Government since 2012. It was also recognised as the “Cleaner Production Enterprise in Guangdong Province” by the Guangdong Provincial Government and “Dongguan Environment Friendly Enterprise” by the Dongguan, Guangdong Province Environmental Protection Bureau.

Environmental Policy

The key environmental impacts from VTech’s operations relate to energy and water consumption, waste

production and logistics. We are committed to the following principles in environmental protection:

- Comply with all relevant environmental, legal and other statutory requirements.
- Maintain an Environmental Management System in line with the requirements of ISO14001:2004.
- Quantify and monitor the significant environmental impacts of our activities, products and services, and set specific targets for improvement in the respective areas 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, staff and stakeholders through improvement projects and programmes in the respective areas.

To achieve this, VTech has teams comprising individuals from across the organisation. Our policy is reviewed annually to ensure that it is relevant and up to date.

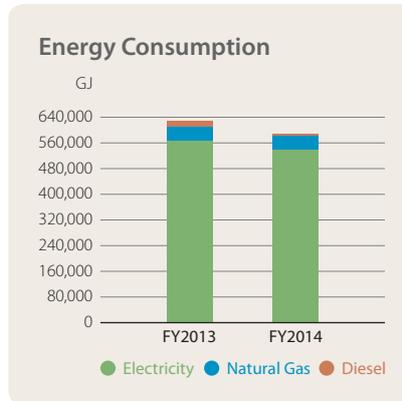
Resource Conservation Programmes

Energy

In FY2014, VTech was strongly committed to identifying and implementing energy saving initiatives on electricity, natural gas, and diesel usage in our manufacturing processes and facilities. We managed to reduce our consumption in FY2014 by 7%, above the Group target of 4%. We had managed to reduce our diesel usage in static appliances by 64%, electricity usage by 5% and natural gas usage by 4%.

As VTech manufacturing facilities are mainly assembly and plastic injection factories, electricity is the major energy source for our production. In FY2014, we formally started our energy efficiency programme in order to deliver environmental and economic benefits to the Company.

Around 26% of electricity used on VTech manufacturing sites comes from operating air conditioning equipment, in part due to the geographic location of our facilities in southern China. Other static overheads such as lighting contribute to an energy usage profile which has a relatively high proportion



of fixed energy usage than the variable energy usage which fluctuates in line with production levels. As such, our strategy for the year involved tackling the big static consumers of energy, while the improvement of energy efficiency in production equipment is considered as a secondary priority.

In FY2014, we had modified our air conditioning systems so that during the winter, we run one air conditioner for three buildings at full efficiency rather than three at part efficiency. We had improved our maintenance of the air conditioning units to ensure that they are working as close to the

maximum efficiencies as possible. To further reduce the demand on the air conditioning units, the ELPs manufacturing site tested the set up of 'green roofs', which provide cooling via the transpiration of vegetation and reduce the heating of the building. These actions also help improve the local air quality.

Until FY2013, all VTech manufacturing facilities used fluorescent lights which were switched on in our various manufacturing facilities for up to 20 hours per day in peak seasons. During FY2014, we started replacing the

We managed to reduce the energy consumption in FY2014 by

7%

above the Group target of 4%



Green roof at ELPs production building

VTECH SUSTAINABILITY ACTIVITIES Environmental Protection



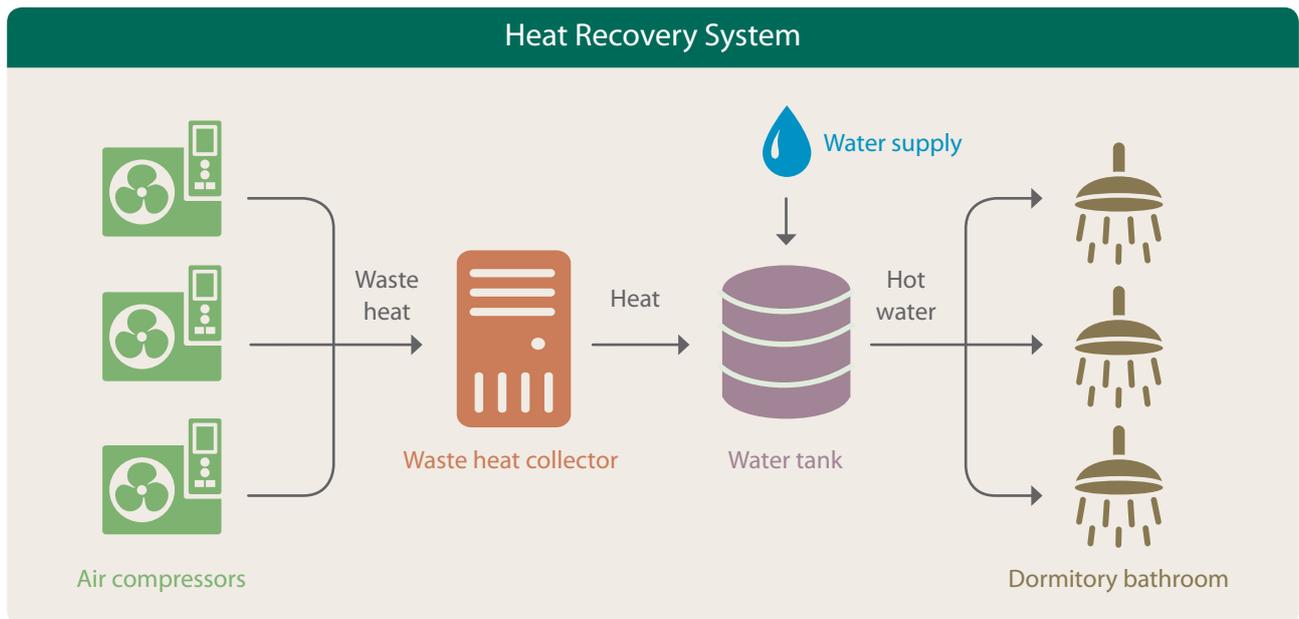
A 15W LED tube

In FY2015, all fluorescent lights in our manufacturing facilities will be replaced by **LED tubes**

fluorescent tubes in all our factories with LED tubes. As the LEDs have a longer lifespan than fluorescent lighting, use approximately 40% less power and do not contain hazardous chemicals such as mercury compounds, we have simultaneously reduced our environmental impact and ongoing maintenance work-load. During FY2015, we aim to fit LEDs to all of our remaining facilities.

For many manufacturing facilities across the world, compressed air is a vital service. However, compressed air is also an expensive resource both environmentally and economically as typically most of the energy input into an air compressor is lost as heat to the atmosphere. In FY2014, our TEL products factory installed a high efficiency and high power compressor

machine, replacing three old air compressors. The new arrangement consumes 50% less electricity than the old models. Not satisfied with simply improving the machines, we also implemented a Heat Recovery System for the new compressors. It includes a fluid based system that transfers waste heat from the air compressors to a heat exchanger which linked to our



dormitory's water system to heat up the water tank, providing hot water for the shower facilities in the dormitory. This means that what was previously a waste product (heat) is now used productively and offsetting our need for fossil fuel-derived energy.

Maintaining the heating temperature of injection moulding machines is crucial for high quality plastic manufacturing. Our plastic injection plants have adopted new heating technologies to further enhance the effectiveness of the injection moulding machines. Traditional resistive heating is energy intensive and the heat loss ratio is relatively high. The plastic injection plants have upgraded 14% of the resistive heaters to induction and infrared heaters. Compared to resistive heating, the induction and infrared heaters save 40% - 60% of the energy used, shortening the pre-heat time by 25%, and significantly reduce the surface temperature of the machine. The benefit from these technologies is the improvement in production metrics, whilst reducing environmental impact and safety risk. We will continuously upgrade the remaining of the injection molding machines in FY2015 and FY2016.

Carbon Emissions

The operation of VTech results in both direct (Scope 1) and indirect (Scope 2) emissions from the use of energy. Our energy conservation activities are driven by our desire to reduce our emissions and so the reductions in energy used are carried into the emissions reductions. As illustrated in the following chart, as direct emissions (Scope 1) only account for less than 1% of our total site emissions, the dominance of electricity (scope 2) is more noticeable in our operations for carbon emissions. This is why most of our activities have concentrated on reducing electricity consumption. In FY2014 our total Scope 1 and Scope 2 emissions were 101,400 tonnes CO₂e. The Scope 1 and Scope 2 emissions were decreased by 27% and 5% respectively.

In addition to our energy efficiency activities, we have made other changes to reduce our emissions. Diesel releases more carbon dioxide per unit of energy than natural gas and significantly more particulate emissions which also have an impact on human health. After renovation of the canteen at our TEL products manufacturing site, the cooking equipment in kitchens were

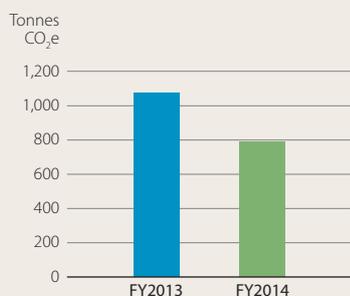


upgraded, moving from diesel fired to gas fired. By the end of FY2015, all VTech kitchens will be fueled by natural gas, improving the working conditions for our canteen staff and reducing our carbon impact.

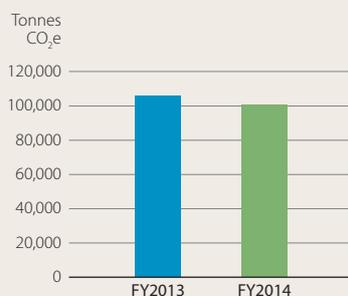
Water

Clean water is a valuable resource and one which VTech is committed to conserving. We only use water supplied from municipal sources and do not have any on-site wells or boreholes.

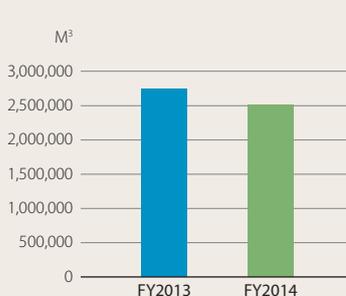
Direct Emissions (Scope 1)



Indirect Emissions (Scope 2)



Water Consumption



Low-flow Shower Heads



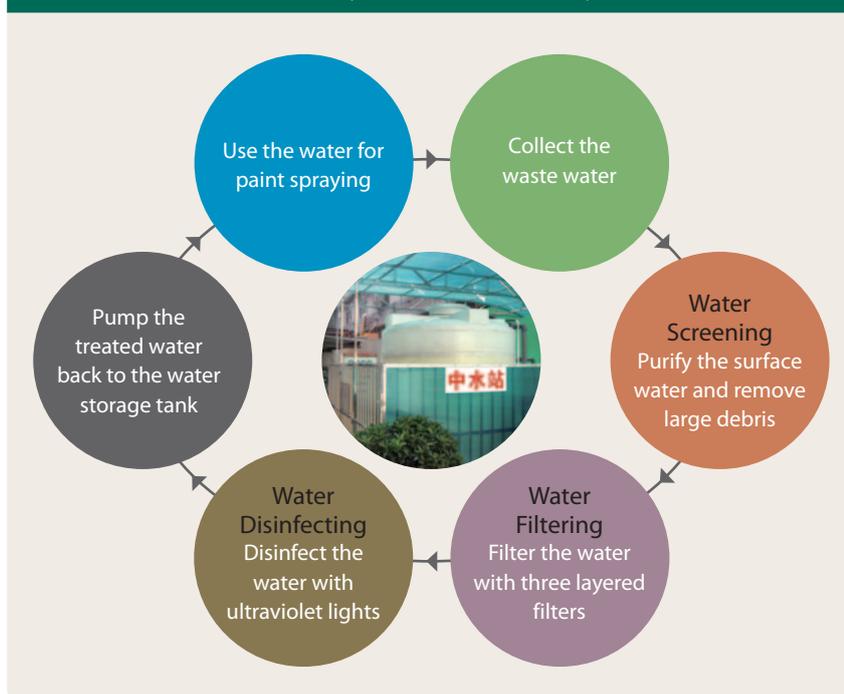
We previously were concerned that low-flow shower heads might affect showering experience. However, our resource saving team had done a series of tests before the installation which show that the low-flow shower heads can save up to 40% of water usage while the water pressure has increased more than 50%.

During FY2014, we had carried out a number of actions to upgrade our facilities and reduced our water consumption by 9%.

In order to maximise water efficiency in the shower areas, our TEL products and CMS factories had installed low-flow faucets and shower heads in the worker dormitories as the first phase of the project. During FY2015 and FY2016, all VTech manufacturing facilities will gradually upgrade the showering facility.

Considering the amount of waste water produced at the paint spray stage of the plastic injection process, one of our plastic injection plants has implemented a water treatment system to recycle the waste water. This project reduces waste water production from our paint-spraying activities by 50%. As this is the only facility where VTech uses water for production use, our focus for FY2015 will be on the 'domestic' uses of water at our sites.

Water Treatment System in Plastic Injection Plant



Materials, Waste and Recycling

To ensure that we operate with maximum efficiency, in FY2014, VTech began to collect data on the amount of material it purchases and to monitor the amount of waste it produces. This will help ensure that we are manufacturing in ways that are as resource efficient as possible. In our waste statistics, we also monitor how much of our waste is sent for recycling. At our major manufacturing sites, we have recycling centres where our staff collect and compact cardboard, plastics and metals to ensure collections are as efficient as possible.

In VTech manufacturing facilities, we have taken initiatives to minimise the amount of waste we produce and to enhance packaging recycling in our production process. In FY2014, we had carried out the recycling campaign "Sort at Source", encouraging production line operators to sort the packaging materials at source to increase the recycling efficiency.

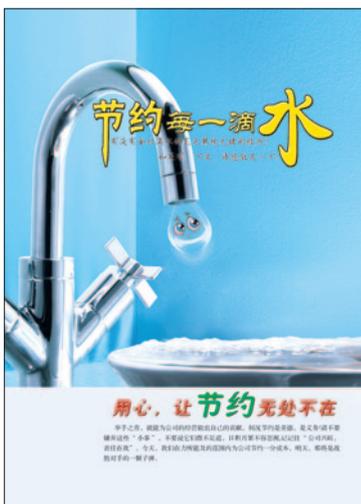
We have also enhanced the internal reuse rate of packaging materials within all VTech manufacturing facilities. Through better communication and coordination with our sister facilities, we have greatly increased the internal reuse rate of cardboard boxes, foam dividers, plastic bags, and plastic trays. Our TEL products plastic injection plant, one of our largest plastic cases suppliers for our own factory, has significantly reduced the purchase amount of cardboard boxes, dividers, and plastic protectors by 2%, 71%, and 93% respectively.

Staff Involvement in Resource Conservation

Our efforts to reduce resource consumption of all types are dependent on the active participation of our staff in the conservation scheme. We have a comprehensive staff engagement programme to reinforce the messages that material, energy and water efficiency are important issues to VTech. As mentioned previously, members of the layered committees have sustainability targets in their annual appraisals and their remuneration is partly dependent on their commitment to improve sustainability in the company. We encourage shop-floor staff to become energy patrollers.

Our staff engagement activities have included distributing reminders across the sites at locations of energy use such as light switches and computer monitors. We have also undertaken water pop-up shows to co-ordinate with significant events such as UN World Water day.

The energy patrollers also engage with staff to collect new ideas on how we can save resources. They are also responsible for the implementation



Water saving campaign poster

of ideas such as automated lighting switches that are tied to lunch breaks and time between shifts.

To raise environmental awareness around the world, our Hong Kong headquarters team supported the Earth Hour event organised by World Wildlife Fund (WWF) on 29 March, 2014. On that day, VTech headquarters turned off all non-essential electronic devices and lighting. We plan to continue to embrace these small changes to make our operation more sustainable.

Logistics

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 transportation costs and minimise the associated environmental impacts. As the use of diesel as a transport fuel has an impact on human health and air quality, efficient management has

multiple benefits. In our logistics hubs, we maximise the volume packed into each container and for each shipment through optimising our incoming (materials) and outgoing (products) shipment schedules.

We also work closely with our customers to consolidate and combine shipping orders to reduce the frequency of shipments. For our European operations, the logistic hub in the Netherlands is managed by our major logistic services provider, helping us to consolidate shipping volume more effectively and to increase the filling rate of each truck for delivery of the goods within Europe. The increase in load efficiency and joint deliveries directly reduces the environmental impact of our transportation. Sea shipment is our primary mode of transport for long distance transportation. Where possible, we shift the goods delivery from truck to rail freight as it is more cost efficient and has a lower environmental impact.

Cargo Loading Optimisation

Realising that there is usually unused space in the container, VTech logistics team uses the cargo measuring software (CargoWiz) to calculate all possible ways to optimise the loading capacity. One-way vertical loading is the common practice for ensuring that the products will not be damaged during transportation. However, this method leaves quite a bit of unused space at the top of the cargo. The software simulation

report suggests filling the last few rows of the cargo horizontally. The quality team has approved this loading technique to ensure that the container is loaded optimally whilst not risking product damage.





Workplace Quality

VTech continually strives to provide a supportive, pleasant and healthy workplace for our staff, 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 Group's efficient operation.



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All our manufacturing facilities are certified to meet the international Occupational Health and Safety Management System (OHSAS 18001), with TEL Products and CMS also certified with international standards of Social Accountability (SA8000), and ELPs with ICTI CARE (Caring, Awareness, Responsible, Ethical) Process certification. All of these certifications demonstrate external verification of our compliance with local laws and quality working conditions. In order to ensure the effectiveness of our workplace management system, we have cross-functional teams and committees

that meet quarterly, involving staff representatives and managers, to assess risks, determine goals and targets, and to set up improvement projects and review progress. We make use of a wide range of information such as results from surveys, statistical analysis, and comments from client and official audits. The Sustainability Sub-Committees also undertake an annual review and make improvement recommendations to the functional team members.

We encourage open communications at all levels of the Company and encourage employees to voice their opinions through various communication channels. These include suggestion boxes, website, staff-caring hotline, internal newsletters and communication meetings. Employee engagement surveys and meetings are also conducted in our manufacturing facilities on a regular basis to receive feedback from our employees. All the information, opinions and

suggestions gathered from the employees are handled and followed up by our employee relations team.

Our Labour and Human Rights Policies

VTech is committed to respecting the labour and human rights of all our employees 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 terms of their labour contracts. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment, unless required by applicable laws.

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

Benefits and Wages – We ensure that the compensation and benefits for our employees comply with or exceed the minimum legal requirements of the country where employees are employed. We do not make deductions from wages as a disciplinary measure.

Overtime Policy – Overtime is voluntary and employees are compensated for overtime in accordance with local laws.

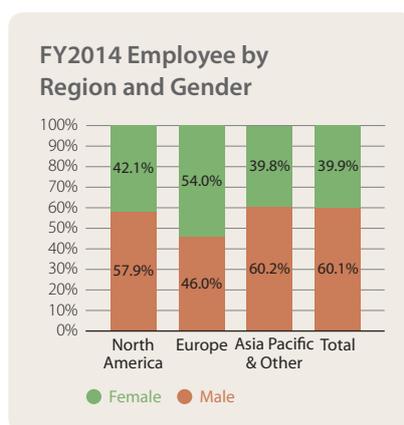
Equal Opportunity and No Discrimination – We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non-job related factors. Remuneration is determined 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.

Our Workforce

In VTech, 99.9% of our staff are employed by VTech with full-time employment contracts. The graph below shows the gender distribution of employee by region.



VTech supports local employment. 98% of our senior management staff are hired from the locality of the office in the respective countries.

Employee Health and Safety

Workplace safety is our number one priority. We are committed to providing our employees with a healthy and safe working environment. Our goal is to instill robust safety measures at every level of the Company and to ensure the physical well-being of employees through the implementation of our “Health and Safety” programme. All VTech manufacturing facilities comply with national and international health and safety standards as evidenced by certification to OHSAS 18001.

At each manufacturing site, we have a safety committee comprising a group of qualified safety officers and engineers to conduct regular on-site inspections, to carry out safety training programmes and to promote a safety culture. To raise the safety awareness

Interactive Safety Training at VTech



To help develop the safety culture within VTech, our safety team has implemented regular “pop-up safety shows” to communicate critical information with our operators. During the recess

times, our safety officers use different interactive methods such as short drama, experiments, and staff participation to emphasise key safety messages. Each month we have two different safety topics and the “pop-up show” rotates across the production floors and sites.

Having successfully trialled a computer-based health and safety assessment test in FY2014, we plan to roll out the scheme across all of our manufacturing sites in FY2015 to ensure that our supervisory staff remain competent in assessing and taking action on health and safety risks. At the end of the training, the supervisors take a short test and need to score in excess of 75% to pass and those who do not are automatically signed up for our next quarterly classroom training session.

VTECH SUSTAINABILITY ACTIVITIES Workplace Quality

of our employees, all new and existing workers are required to attend fundamental safety training courses as well as regular training workshops on specific areas such as what steps to take in the event of an emergency. Every quarter, we conduct fire drills at the production areas and living areas. Qualified doctors are also available in our manufacturing facilities to provide instant medical treatment for our employees in case of illness or injury.

We are pleased to see that the results of our activities have reduced the number of safety related incidents by approximately 33% between FY2013 and FY2014 and we do not have any work related fatality case.

Career Development and Training

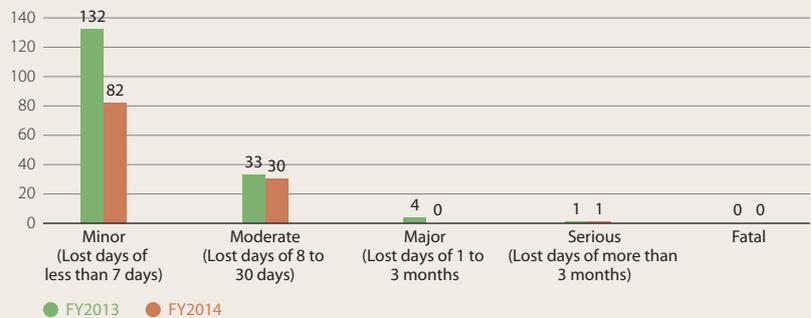
VTech recognises that a capable and motivated workforce is integral to our success. We actively promote continuous learning initiatives and provide different kinds of training programmes for our employees, encouraging them to develop and advance their careers in our company.

The training which VTech provides includes general training courses such as business skills and knowledge, effective communication skills, foreign language and leadership courses.

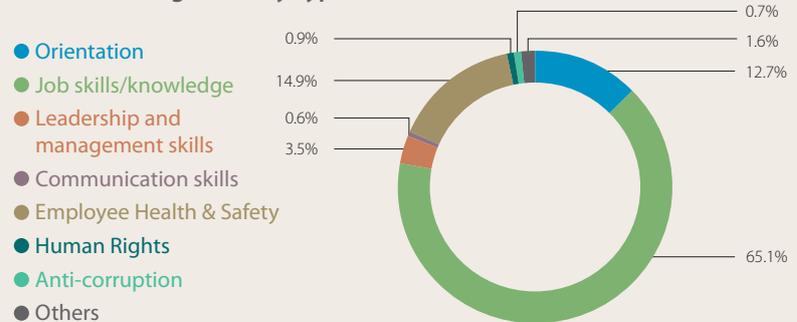
The main categories of courses we offer to our staff are:

- Orientation
- Job skills/knowledge
- Leadership and management skills
- Communication skills
- Employee Health & Safety
- Human Rights
- Anti-corruption

Number of Injury Cases



FY2014 Training Hours by Type



Outdoor team building activities and off-site management workshops are also arranged for the employees on specific topics. Subsidised external professional courses are also available for staff where the development needs match the requirements of the company.

For our people in the manufacturing facilities, we also deliver job-relevant courses across a variety of topics ranging from managing manufacturing

operations to technical and computer skills, and lean manufacturing. As part of the promotion programme, potential candidates are also required to complete the specific training courses to enhance their technical and management skills, and foster our “people-oriented management” philosophy at every level of the Company.

To increase the levels of training for our people in the factories, VTech has invested to establish its own

FY2014 Average Training Hours by Grade



Distinguished Team Award

facility known as the “VTech College”. It provides various training courses including leadership, operational management and manufacturing skills for our local manufacturing personnel in China everyday.

Staff Welfare

To motivate and retain the highest quality workforce in VTech, we provide a wide range of benefits for our staff in line with their terms of employment, including annual leave, sick leave, medical schemes, staff discounts, and training subsidies. VTech offers retirement benefits to eligible full-time employees under a variety

of authorised schemes appropriate to the country in which they are located. We also conduct annual performance appraisals for all employees to assess our staff members on their performance and to communicate the results with them. The appraisal is used as a reference for rewarding our staff accordingly.

To celebrate and appreciate the contribution of our staff, every year employees who have completed five years of services will be awarded with long term service awards. Awards will also be made for each subsequent five year period of service. Over 1,200 staff have been at VTech for more than five years, of which more than 100 employees have been working for more than 20 years. In FY2014, the number of long service awards presented had risen by 11% compared to FY2013, indicating the increasing employee satisfaction with VTech’s benefits and working conditions. In recognising the performance of the employees, VTech also presents a “Distinguished Staff Award” to outstanding staff and teams every year.

Over

1,200
staff 

have been at VTech for more than five years

Staff Accommodation and Activities

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.

As part of our continuous improvement programme for the living environment, we upgraded our dormitory facilities in FY2014. These included putting in new beds and mattresses, adding tables



New canteen facilities



Upgraded dormitory and recreational facilities



VTECH SUSTAINABILITY ACTIVITIES Workplace Quality

and chairs in the bedrooms, putting in adaptor sockets, repainting rooms, and providing optional air-conditioned rooms. In supporting and addressing the specific needs of our employees, we also upgraded the facilities including the baby feeding room, public bathrooms, and laundry room.

In FY2014, we also renovated the canteens to provide a relaxing eating environment for our employees. Our canteens are now air-conditioned in hot summer. Canteen staff have been trained in customer service and have adopted a new method to minimise queuing times. In order to meet the food preferences of our employees, we provide different choices of dishes from Northern and Southern China. Our efforts have been successful and in a recent staff survey, the staff satisfaction level on the environment of the canteens and the quality of the food served has also improved.

To provide better recreational experiences for our employees, we have installed and upgraded a number of recreational facilities including library

with a good collection of books, TV room, internet room, dancing room, badminton room, table tennis room, volleyball court, roller skating court and a much welcomed basketball court. We have also installed the landscaped walking trails in a recreational park.

Staff can also grow their own vegetables at VTech. Our CSR team would like to connect people through farming. The team has transformed the previous piece of land to 150 small vegetable growing plots, to encourage our employees to form different farming teams. Seeds and tools are provided to the participants free of charge and they are encouraged to grow their own produce. They share their produce, seeds and farming tips with others, and help each other to take care of their plots. Farming has become a popular new activity in the VTech community, and has a noticeable impact on biodiversity.

To promote a healthy lifestyle for our employees, we encourage our people to participate in different sport activities and competitive events such

as the Standard Chartered Hong Kong Marathon and dragon boat race. Our staff association also arranges running classes and dragon boat training for all participants to give them the best possible preparation before the events.



VTech Community Farm

The team has transformed the previous piece of land to

150 

small vegetable growing plots



Staff activities and sports events





Supporting local hockey team



Standard Chartered Hong Kong Marathon participants

Dragon boat racing has been a long tradition in VTech. We encourage our employees to participate in this traditional Chinese sport activity which also helps to build team spirit. The VTech dragon boat team has participated in the Hong Kong Taipo Dragon Boat Race, held during the Tuen Ng festival. In FY2014, the team finished in fourth place in the mixed category, and also joined the Hong Kong International Dragon Boat Races 2013.

Our staff association regularly organises different interest classes and tours for our employees based on their feedback and interests gathered in the staff survey. The table below shows some of the diverse activities which staff had enjoyed during FY2014.





Sustainable Operating Practices

VTech has a supply chain management system in place to monitor the supplier quality as well as their environmental and ethical performance.



VTech's significant suppliers in the supply chain include the manufacturers of PCBs and other electronic components, of which 89% are located in China. Logistics providers form the bulk of the latter part of the supply chain. We notice 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 supplier quality as well as their environmental and ethical performance.

Supply Chain Management

VTech aims to develop and secure long-term relationships with its suppliers and contractors based on mutual trust. Procurement of supplies and services is conducted using fair and objective criteria in an ethical manner so as to ensure a quality end product. The decision to hire particular services or purchase particular goods should be based upon price, quality, delivery capacity, reputation for service and integrity, social and environmental responsibility.

We work closely with our approved suppliers, and encourage them to follow our key CSR Initiatives, based on the requirements of EICC, International Labour Organisation Conventions on Labour Standards, ISO 14001, and

OHSAS 18001. The topics under VTech's CSR initiatives are listed in the diagram on page 33.

Prior to placing any orders on 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 the procurement team and each supplier is given a risk category rating. All new suppliers need to go through a comprehensive supplier audit. For those critical safety related components and materials, we will conduct examinations at early stage of our manufacturing process to identify any non-compliance issues and to implement corrective actions in a timely manner.

VTech's CSR Requirements for Suppliers



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 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 FY2014, we audited 300 suppliers, a small number of these were removed as approved suppliers due to their failures to meet VTech's required standards.

In FY2015, we plan to carry on with our audit schedule, and to extend the topics covered in order to further improve the energy efficiency of our supplier base. By using the knowledge gained internally, we believe that we can further reduce the carbon footprint of the components in our products, and help our suppliers to reduce their environmental impact while remaining cost competitive.

In FY2014, we audited

300 
Suppliers



Community Investment

As a responsible corporate citizen, VTech uses its resources to support the communities in which it operates in a variety of ways, focusing on innovation, helping people in need and the general corporate philanthropy.



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We also encourage our employees to participate in volunteering events, which could provide an opportunity to connect them outside the workplace, and inspire team-building experiences whilst contributing to our local communities.



Social Investment in Innovation Events

As in the previous years, we continued to sponsor Hong Kong Awards for Industry in 2013 to encourage innovation in our home region. We also sponsored the 2015 Institute of Electrical and Electronics Engineers (IEEE) International Symposium

on Information to support the breakthroughs in communications and information technologies.

Staff Volunteering Activities

VTech has set up different voluntary teams in our global offices. Our Hong Kong voluntary teams frequently



Volunteering activities

visit the elderly homes operated by the Hong Kong Society for the Aged (Sage), and organise various activities with different youth groups, including Hong Kong Children and Youth Service, The Hong Kong Federation of Youth Groups, and Hong Kong Young Women's Christian Association. In FY2014, VTech volunteers continued to extend their care for our society, and we were awarded as a "Caring Company" by The Hong Kong Council of Social Service for the sixth consecutive year in recognition of our continuous contributions to the Hong Kong community.

In supporting the Hong Kong Red Cross Blood Transfusion Service (BTS), we hosted a mobile blood donation session at our Hong Kong headquarter on 21 June 2013. There were more than 50 donors on that day.

In China, our volunteers carried out numerous voluntary activities, including visiting the homes of elderly people, donating food, visiting handicapped children's training centres, delivering food and warm clothing to remote villages in China, carrying out door to door fire hazard



New Territories Walk of Community Chest 2014

awareness in local communities, and forming a working group to clean up refuse in the local community.

In addition, our Canadian staff helped to collect food for Richmond Food Bank, volunteered in the Christmas charity events organised by the University Women's Club, and provided volunteering services in the Vancouver Aquarium for education programmes.

Donation and Philanthropy

VTech sponsors our employees to participate in different charity sport events and encourages them to challenge themselves for their health and well-being. In FY2014, Our Hong Kong staff participated in the Sower's Action Challenging 12 Hours 2013 and Oxfam Trailwalker 2013. In addition, both our Hong Kong and China staff also joined the New Territories Walk of Community Chest 2014, and won

the "Top Fund-raiser Award" with Third Runner-up among the top five outstanding participating teams.

We also made donations to support charitable organisations and activities around the world. In the US, we made contributions to various charities such as the American Cancer Society, Dougy Centre, Medical Teams International and NW Medical Teams. We also supported the funds for children's education and health such as Toys "R" Us Children's Fund, Barnet Temple Lifelong Learning Fund and Erin's Children Fund, as well as product donations to A Mother's Touch and James Jordan Foundation. In Europe, we carried out an auction to raise funds for the Serious Request 3FM in the Netherlands, to help children who are at risk of suffering from diarrhoea throughout the world. During FY2014, VTech Group made charitable and other donations of over US\$182,000 and our employees contributed around 2,700 hours in volunteering community activities.

In 2014, VTech employees contributed over

2,700

hours



in volunteering community activities.

VTECH SUSTAINABILITY PERFORMANCE

Performance and Company Data

Items	G4 Indicator	FY2014
Portion of senior management hired from local community	G4-EC6	98%
Proportion of spending on local suppliers at significant location of operation	G4-EC9	89%
Material used by weight or volume (Tonnes)	G4-EN1	79.3
Energy consumption ¹ (GJ)	G4-EN3	587,365
Energy from diesel ¹ (GJ)	G4-EN3	7,218
Energy from natural gas ¹ (GJ)	G4-EN3	41,583
Energy from electricity ¹ (GJ)	G4-EN3	538,564
Electricity used (Kwh)	G4-EN3	149,601,160
Water consumption ² (cubic meter)	G4-EN8	2,503,745
CO ₂ emission Scope 1 ^{3,4} (Tonne of CO ₂ e)	G4-EN15	787
CO ₂ emission Scope 2 (Tonne of CO ₂ e)	G4-EN16	100,613
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	G4-EN29	0
Injury ⁵ cases	G4-LA6	113
Lost hours ⁶	G4-LA6	11,885
Injury rate per employee ⁷	G4-LA6	0.004
Injury rate per employee – Male	G4-LA6	0.005
Injury rate per employee – Female	G4-LA6	0.002
Absentee rate ⁸ (%) – Overall	G4-LA6	1.4%
Absentee rate (%) – Male	G4-LA6	1.5%
Absentee rate (%) – Female	G4-LA6	1.3%
Average training hours per employee – Total	G4-LA9	19.3
Average training hours per employee – Male	G4-LA9	19.3
Average training hours per employee – Female	G4-LA9	19.3
Average training hours per employee – Management staff ⁹	G4-LA9	8.1
Average training hours per employee – Professional/engineers	G4-LA9	6.7
Average training hours per employee – Staff & workers	G4-LA9	21.2
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
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
Sales of banned products	G4-PR6	0
Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	G4-PR9	0

Note:

1. Energy value for fuels are obtained from GRI G3 Guide
2. Water consumption data includes water usage data from 3 manufacturing facilities in China and 9 offices in China and overseas
3. GHG conversion factors are obtained from WRI (www.wri.org/publication/getting-every-ton-emissions-right) and cover CO₂, CH₄ and N₂O Greenhouse gases.
4. Scope 1 calculation excludes fugitive refrigerant release
5. Injury – number of cases. Injury types include: vehicle accident, falling object injury, machines entanglement, cutting injury, falling from heights, collapse injury, burnt injury, chemical injury, collision injury, electric shock
6. Lost hours – total working hours that workers cannot attend work due to injuries in manufacturing operations
7. Injury rate per employee – the frequency of injuries relative to the number of employees
8. Absentee rate – days employees away from work, excluding permitted leave absences, over total hours scheduled to be worked
9. Management staff – staff with grade above supervisor level

Items	G4 Indicator	FY2014
Number of countries where VTech operates	G4-6	11
Total number of operations	G4-9	18
Revenue	G4-9	US\$1,898.9 million
Total debt	G4-9	Nil
Total equity	G4-9	US\$575.6 million
Average number of employees – Total	G4-9	30,949
Average number of employees – Male	G4-10	18,590
Average number of employees – Female	G4-10	12,359
Average number of employees – Asia Pacific – Male	G4-10	18,374
Average number of employees – Asia Pacific – Female	G4-10	12,165
Average number of employees – North America – Male	G4-10	133
Average number of employees – North America – Female	G4-10	97
Average number of employees – Europe – Male	G4-10	83
Average number of employees – Europe – Female	G4-10	97

VTech's Memberships	Type
Hong Kong Toy Council (Group 19) in Federation of Hong Kong Industries	M
British Toy & Hobby Association	M
Green Manufacturing Networks – Hong Kong	M
Spanish Toy Association	M
French Toy Association	C
German Toy Association	M
Toy Industry Association – United States	M
Toy Industry Association – Shenzhen, China	M
DECT Forum	S
Wi-Fi Alliance	M
ULE Alliance	S
Ecovadis	M
The Chinese Manufacturers Association of Hong Kong	M
The Hong Kong General Chamber of Commerce	M
Hong Kong Opto-Mechatronics Industries Association	M
Zigbee Alliance	M
M = regular member C = committee member S = strategic participation	

Report Content Indexes – GRI G4 Index

This report was prepared in accordance with the Core requirements of Global Reporting Initiative (GRI) Sustainability Reporting G4 Guideline. The General Standard Disclosures and material Specific Standard Disclosures are presented below with either linkage to the reported section(s) or direct answer.

General Standard Disclosures		
General Standard Disclosures		Location and notes
Strategy and Analysis		
G4-1	Statement from the most senior decision – maker of the organisation	Page 2
Organizational 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
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	Pages 32-33
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	Pages 20-21
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	Performance and Company 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	Pages 12-13
G4-19	Material aspects identified in the process for defining report content	Pages 12-13
G4-20	Aspect boundary within the organisation for each material aspect	Pages 12-13
G4-21	Aspect boundary outside the organisation for each material aspect	Pages 12-13
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	Not applicable
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organisation	Pages 10-11
G4-25	Basis for identification and selection of stakeholders with whom to engage	Pages 10-11
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Pages 10-11
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	Pages 10-11
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	About this report
G4-32	GRI Content Index , the ‘in accordance’ option the organisation has chosen and the reference to the External Assurance Report if any	Pages 38-39
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 behavior	Page 5

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	Performance and Company Data
Procurement practices	G4-EC9	Proportion of spending on local suppliers at significant location of operation	Pages 32-33
Environmental			
Materials	G4-EN1	Materials used by weight or volume	Performance and Company Data
Energy	DMA		Pages 21-23
	G4-EN3	Energy consumption with the organisation	Pages 21-23
	G4-EN6	Reduction of energy consumption	Pages 21-23
Water	G4-EN8	Total water withdrawal by source	Pages 23-24
Emissions	DMA		Page 23
	G4-EN15	Direct Greenhouse Gas (GHG) emissions (Scope 1) ⁸	Page 23
	G4-EN16	Energy indirect Greenhouse Gas (GHG) emissions (Scope 2) ⁹	Page 23
Compliance (Environmental)	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Performance and Company Data
Social – Labour Practices and Decent work			
Occupation Health and Safety	DMA		Pages 27-28
	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	Pages 27-28, Performance and Company Data
Training and Education	G4-LA9	Average hours of training per year per employee by gender and by employee category	Pages 28-29
Social – Product Responsibility			
Customer Health and Safety	DMA		Pages 14-15
	G4-PR2	Total number of incidents of non-compliance with regulations concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Performance and Company Data
Product and Service Labeling	DMA		Pages 14-19
	G4-PR4	Total number of incidents of non-compliance with regulations concerning product and service information and labelling, by type of outcomes	Performance and Company Data
Marketing Communications	G4-PR6	Sales of banned products	Performance and Company Data
Compliance (Product responsibility)	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Performance and Company Data

⁸ GHG emissions (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.

⁹ Energy indirect GHG emissions (Scope 2) – Emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation.

Safety Standards

Safety Standards of TEL Products	
RoHS2	Restrictions on the use of Hazardous Substances
REACH	Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Directive on Waste Electrical and Electronic Equipment
UL60950	Safety standards for the US Market
EN60950	Safety standards for European countries
CCC	China Compulsory Certification
UL	Underwriters Laboratories

Safety Standards of ELPs	
RoHS2	Restrictions on the use of Hazardous Substances
REACH	Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals
WEEE	Directive on Waste Electrical and Electronic Equipment
CCC	China Compulsory Certification
ASTM-F963-11	Standard Consumer Safety Specification for Toy Safety
CPSIA	Consumer Product Safety Improvement Act
EN71	European Standard Safety of Toys
ISO8124	Safety of Toys
CSA	Canadian Standards Association

Safety Standards of CMS	
REACH	Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals
CCC	China Compulsory Certification
UL	Underwriters Laboratories
KTL	Korea Testing Laboratory
KETI	Korea Electronics Technology Institute
CSA	Canadian Standards Association

Certifications in Manufacturing Facilities

TEL Products	
ISO 14001	Environmental Management System
SA8000	Social Accountability Standard
OHSAS 18001	Occupational Health and Safety Management System
ISO9001/TL9000	Quality Management System
GSV	Global Security Verification

ELPs	
ICTI CARE	International Council of Toy Industries (ICTI) Caring, Awareness, Responsible, Ethical (CARE) Process
OHSAS 18001	Occupational Health and Safety Management System
ISO9001	Quality Management System
GSV	Global Security Verification

CMS	
ISO 14001	Environmental Management System
SA8000	Social Accountability Standard
OHSAS 18001	Occupational Health and Safety Management System
ISO9001	Quality Management System

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.

Australia

VTech Telecommunications (Australia) Pty Limited

Canada

VTech Technologies Canada Ltd.

France

VTech Electronics Europe S.A.S.

Germany

VTech Electronics Europe GmbH
VTech IAD GmbH

Netherlands

VTech Electronics Europe B.V.

Spain

VTech Electronics Europe, S.L.

United Kingdom

VTech Electronics Europe Plc

United States

VTech Electronics North America, L.L.C.
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