

# | Corporate Governance Report

## Corporate Governance Report



The Board of Directors (the “Board”) and the management of VTech Holdings Limited (“VTech” or the “Company”) are committed to good corporate governance and the application of the principles including transparency, accountability and independence to achieve sustainable performance of the Company and enhance its value for the shareholders.

VTech and its subsidiaries (the “Group”) also recognise that a comprehensive corporate governance management structure is crucial in helping the Company to implement its strategies and policies effectively and consistently throughout the Group, and safeguard the long-term interests of its shareholders. The Group has also continuously reviewed its policies and procedures to ensure that it meets the requirements of the applicable laws and regulations, industry best practices, global trends, and market expectations.

## Corporate Governance Practices

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 and Corporate Governance Report effective for the year ended 31 March 2022 (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). Throughout the year ended 31 March 2022 (“FY2022”), the Company has complied with all the code provisions of the Code and to a large extent the recommended best practices in the Code, except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Allan WONG Chi Yun has the combined role of Chairman and Group Chief Executive Officer. As half of the Board members are Independent Non-executive Directors, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. Furthermore, as Dr. Allan WONG Chi Yun is the founder of the Group and has substantial professional experience in the industry, the Board believes that the appointment of Dr. Allan WONG Chi Yun to the combined role of Chairman and Group Chief Executive Officer is beneficial to the sustainable development of the Group, and for the long-term interests of the shareholders.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules regarding securities transactions for both its Directors and senior management. After having made specific enquiries, all Directors and senior management confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 March 2022.

VTech is also committed to following the Environmental, Social and Governance (“ESG”) Reporting Guide as set out in Appendix 27 of the Listing Rules. VTech Sustainability Report is published annually and made available for public on [www.vtech.com/en/sustainability](http://www.vtech.com/en/sustainability). A summary of the 2022 Sustainability Report is provided on pages 34 to 36 of the 2022 Annual Report.

**Corporate Governance Practices** (Continued)

In December 2021, the Stock Exchange published the conclusions to its consultation on Review of Corporate Governance Code, Appendix 14 of the Listing Rules and the associated Listing Rules. Most of the amendments are applicable for financial year commencing on or after 1 January 2022. Most of the new requirements under the amended Corporate Governance Code have been adopted by VTech as its corporate governance practices for a number of years. These are highlighted in the following table:

New Requirements	VTech's Practices
<p><b>Align the company's culture with its purpose, values and strategy</b> (New Code Provision A.1.1)</p>	<p>A healthy corporate culture across the Group is vital for VTech to achieve its vision and mission towards sustainable growth. At VTech, it is the Board's role to foster a corporate culture with three core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.</p> <p>For details, please refer to "VTech's Culture and Values" section of this Corporate Governance Report.</p>
<p><b>Establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations</b> (New Code Provision D.2.7)</p>	<p>VTech's Anti-corruption Policy was introduced in 1998. It is reviewed on a regular basis with updates last made in May 2022. The policy covers activities such as corruption, code of conduct, guidance on gifts, entertainment and gratuities, Group's expectations and requirements of business ethics, as well as investigation and reporting mechanism of suspected corruption practices. Any convicted cases will be reported to the Executive Board and the Audit Committee.</p> <p>For details, please refer to "Commitment to Good Corporate Governance – (3) Accountability – Anti-corruption Policy" section of this Corporate Governance Report.</p>
<p><b>Establish whistleblowing policy and system</b> (New Code Provision D.2.6)</p>	<p>VTech's Whistleblowing Policy was introduced in 2006. It is reviewed on a regular basis by the Audit Committee with updates last made in May 2022. Any convicted cases will be reported to the Executive Board and the Audit Committee.</p> <p>For details, please refer to "Commitment to Good Corporate Governance – (3) Accountability – Whistleblowing Policy" section of this Corporate Governance Report.</p>
<p><b>Disclosure of the mechanism(s) to ensure independent views and input are available to the board, and annual review of the implementation and effectiveness of such mechanism(s)</b> (New Code Provision B.1.4)</p>	<p>The Board is committed to assessing the independence of Independent Non-executive Directors annually and ensuring that independent views and input are made available to the Board.</p> <p>For details, please refer to "Commitment to Good Corporate Governance – (2) Effective – Independence of Independent Non-executive Directors" section of this Corporate Governance Report.</p>
<p><b>Equity-based remuneration (e.g. share options or grants) with performance related elements should not be granted to independent non-executive directors</b> (New Recommended Best Practice E.1.9)</p>	<p>We have a long-established practice of a benchmarked approach in determining our Non-executive Directors' fees, which does not involve equity-based remuneration with performance-related elements.</p> <p>The level of fees payable to Non-executive Directors (including Independent Non-executive Directors) is also subject to shareholders' approval.</p> <p>For details, please refer to "Remuneration Committee Report" section of this Corporate Governance Report.</p>
<p><b>Annually review the board diversity policy</b> (New Code Provision B.1.3)</p>	<p>VTech's Board Diversity Policy was introduced in 2013. The policy is subject to annual review by the Nomination Committee.</p>
<p><b>Nomination Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors</b> (Listing Rule 3.27A)</p>	<p>VTech's Nomination Committee, which comprises a majority of Independent Non-executive Directors, has been chaired by an Independent Non-executive Director since 2006.</p> <p>For details, please refer to "Nomination Committee Report" section of this Corporate Governance Report.</p>
<p><b>Communications with shareholders and the relevant annual review</b> (Paragraph L of the Mandatory Disclosure Requirement under the amended Corporate Governance Code)</p>	<p>The Shareholders Communication Policy was introduced in 2016. It will be reviewed on an annual basis with updates last made in May 2022. It sets out the procedures for VTech to provide shareholders and the investment community with equal and timely access to the information about the Group, and emphasizes its commitment to an effective communication with shareholders through various platforms and channels specified in the policy.</p> <p>For details, please refer to "Commitment to Good Corporate Governance – (4) Shareholders Engagement – Shareholders Communication Policy" section of this Corporate Governance Report.</p>
<p><b>Elaborate the linkage between corporate governance and ESG</b> (Introductory paragraph in the amended Corporate Governance Code, New Principle D.2, Code Provisions D.2.2 and D.2.3)</p>	<p>The linkage is shown in "Commitment to Good Corporate Governance – (1) Leadership" and "Risk Management and Sustainability Committee Report – Sustainability Performance" sections of this Corporate Governance Report, "Sustainability" section of the 2022 Annual Report as well as "Sustainability Foundation" and "Sustainability Pillars – Governance and Business Ethics" sections of 2022 Sustainability Report.</p>
<p><b>Publish ESG reports at the same time as publication of annual reports</b> (Listing Rule 13.91(5)(d) and paragraph 4(2)(d) of the ESG Reporting Guide)</p>	<p>Our Sustainability Report has been published at the same time as our Annual Report for each year since the year ended 31 March 2014.</p>

## VTech Code: Compliance and More

During FY2022, VTech has continued to make enhancements on its corporate governance practices exceeding the compliance requirements in the following areas:

### Our Board

- The number of Independent Non-executive Directors in the Board, the Audit Committee and the Remuneration Committee, respectively, are more than the respective minimum requirements set under the Listing Rules.
- VTech's Risk Management Committee was established in 2002, and was renamed to Risk Management and Sustainability Committee on 15 May 2013. In addition to the monitoring and reviewing of the Group's risk management and internal control systems, its roles and responsibilities were expanded to include the reviewing and assessment of the Group's sustainability strategies, performance and activities on a regular basis.
- VTech conducts regular evaluation on the performance of the Board and its Committees. A summary of the evaluation results is circulated to the Board for review and discussion, and presented to the respective Board Committees for follow-up.
- A matrix of Board skills and experience setting out the Directors' attributes and competencies has been included in VTech's annual report since the financial year ended 31 March 2019.

### Our Disclosures

- VTech announces its interim financial results within 1.5 months after the end of the 6-month financial period, and its annual financial results within 2 months after the end of the financial year. It also publishes its Interim Report within 2 months after the end of the 6-month financial period, and publishes its Annual Report and Sustainability Report on its website and sends its Annual Report to the shareholders within 3 months after the end of the financial year. The announcement and publication periods are shorter than the minimum requirements stipulated in the Listing Rules.
- VTech has published its annual Sustainability Report in accordance with the core option of GRI's guidelines since the financial year ended 31 March 2014. It has also followed the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules since the financial year ended 31 March 2015, and started disclosing its climate related initiatives using the TCFD framework since the financial year ended 31 March 2020.
- For the AGM, VTech gave more than 20 clear business days' notice to all shareholders before the AGM.
- VTech's Continuous Disclosure Policy has been established since 2013 and published on its website. The policy guides the Group in monitoring and disclosing potential inside information.
- VTech's Shareholders Communications Policy has been established since 2016 and published on its website. The policy sets out the procedures to provide shareholders and the investment community with information about the Group.

## **VTech Code: Compliance and More** (Continued)

### **Our Best Practices in Corporate Governance**

- In addition to the Directors, VTech has adopted the Model Code regarding securities transactions for its senior management, which exceeds the minimum requirements under Listing Rules. This includes the implementation of clearance and approval procedures, as well as the prohibition periods for dealing in VTech securities. Senior management is required to declare that they have complied with the Model Code throughout the relevant financial year on biannual basis.
- VTech's Whistleblowing Policy has been established since 2006 and published on its website. The policy provides whistleblowing channel for employees to raise matters of serious concern in confidence without the fear of recrimination. The nature and status of complaints are reported to the Chairman of the Audit Committee on a quarterly basis. The results of the review of the complaints are also reported to the Audit Committee on a biannual basis.
- Arrangements have been made since 2010 to ascertain shareholders' preferences as to the means of receiving corporate communications, with the aim of enhancing the use of the Group's corporate website as an environmentally friendly platform for shareholder communications.
- At each of the AGMs held by the Company since 2017, VTech has sought the shareholders' approval for a general mandate (the "Issue Mandate") to be granted to Directors to issue new shares of the Company up to 10% of the issued share capital of the Company, which was lower than the maximum limit of 20% as prescribed under the Listing Rules; and, if applicable, with a discount of not more than 10% to the "benchmark price" (with reference to the Listing Rules), which was also lower than the maximum limit of 20% discount for relevant transactions as prescribed under the Listing Rules.
- Starting from the AGM held by the Company since 2018, VTech has no longer proposed to extend the relevant Issue Mandate granted to Directors to allot, issue and deal with the additionally issued new shares (with a maximum of 10% of the issued share capital of the Company) to be repurchased by the Company.

## **Corporate Governance Framework**

VTech operates within a clear and effective corporate governance structure. A strong corporate governance framework not only supports the Board and Board Committees to realise the business strategies for the long-term success of the Company, but also facilitates effective and efficient decision-making by the Board and Board Committees. In addition, the framework ensures that both Directors and employees would act within a robust chain of delegated authorities and powers, which could safeguard the compliance with the applicable laws and regulations.

## **VTech's Culture and Values**

VTech's vision is to create sustainable value to improve the lives of people and protect the planet for future generations. This vision guides the Group to pursue its mission to integrate economic growth, environmental protection and social responsibility in its business strategies to design, manufacture and supply innovative and high quality products for the wellbeing of people and benefits of society, aiming to drive sustainable value for its stakeholders and the communities.

A healthy corporate culture across the Group is vital for the Company to achieve its vision and mission towards sustainable growth. At VTech, it is the Board's role to foster a corporate culture with three core principles (as set out below) to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

### **(1) Culture of Integrity**

Integrity underpins the behaviours of VTech's employees in working with each other and conducting business activities with business partners. VTech has human resources management policies in place to promote a caring environment with mutual respect and inclusive atmosphere in the workplace. As for business ethics, the Group's Code of Conduct and Anti-Corruption Policy have defined the behavioural guidelines for its employees. All of these policies are supported by mandatory and regular training courses to instill and reinforce the Group's values of acting lawfully, ethically and responsibly.

For details, please refer to "Sustainability Pillars – Our People" and "Governance and Business Ethics" sections of 2022 Sustainability Report.

## **VTech's Culture and Values** (Continued)

### **(2) Culture of Accountability**

VTech's culture of accountability starts from the strong leadership of the Board, with delegation of authorities to its Board Committees, Executive Board, Executive Committees comprising senior management of the respective product lines, to each individual employee throughout the Group. With clear objectives and goals in the annual budgets, 3-year business plan and 5-year sustainability plan approved by the Board, augmented by open communication and a transparent performance evaluation system for each individual staff, VTech's employees are committed to and accountable for achieving the targets for the long-term success of the Company.

For details, please refer to "Leadership" section of this Corporate Governance Report.

### **(3) Culture of Innovation**

In an ever-changing business environment, a culture of innovation, which supports and encourages creative thinking and sharing of new ideas in the workplace, is crucial for the Group to continuously design and develop innovative and high quality products for the wellbeing of people and benefits of society. It also facilitates VTech to strengthen its operational excellence in the factory operations with innovative solutions to continuously improve its productivity, and incorporate sustainability aspects in the business operations, which include various green manufacturing and sustainable supply chain initiatives, to combat climate change and drive sustainable growth of the Company.

For details, please refer to "Sustainability Pillars – Product Responsibilities Value Chain Management" and "Environment" sections of 2022 Sustainability Report.

## **Board's Focus and Activities**

The Board is responsible for ensuring the effectiveness of the Group's corporate governance framework throughout the Company. It also recognises that effective oversight and leadership over the businesses and affairs of the Company focusing on the following areas are critical to the sustainable development of the Company:

- Formulation of business strategies and policies;
- Risk management and internal control;
- Leadership and people;
- Performance monitoring; and
- Stakeholders engagement.

During FY2022, the Board examined and discussed the following items in respect of the five focused areas:

### **Formulation of Business Strategies and Policies**

The Board undertook an in-depth and comprehensive review of the Group's strategies. It covered the Group's position in the Company's major markets and product lines, leading drivers of change in the industry and markets, and development of product innovation and marketing strategies to seize business opportunities. As part of the 3-year business plan and budget review process, the Board considered and approved the Group's 3-year business plan and budget for the financial year ending 31 March 2023.

## Board's Focus and Activities (Continued)

### Risk Management and Internal Control

With the COVID-19 situation and increasing importance of ESG, the Board examined the risks (including ESG risks) faced by each of the Group's product lines and business operations. The Board reviewed the reports from the Audit Committee and the Risk Management and Sustainability Committee on the oversight of the Group's risk management and internal control systems. As cybersecurity is one of the Group's top priority risks, the Board also continuously monitored the cybersecurity-related risks and the progress of initiatives and measures undertaken and reported by the Data Security Governance Board.

### Leadership and People

Human resources management including leadership succession plan is crucial to the Company's long-term success. The Board continuously reviews the Group's human resources management progress to attract, develop, retain and motivate key talents across the whole organisation. It also encourages management to train the future generation with the ability to navigate through the challenging environment and engage with important stakeholders of the Group.

### Performance Monitoring

The Board approved the Group's Annual Report for the year ended 31 March 2022 and the Group's Interim Report for the six months ended 30 September 2021. In approving the Annual Report and Interim Report, the Board also approved the financial statements and ensured that the statements gave a true and fair view of the financial position of the Group.

### Stakeholders Engagement

Stakeholder engagement is the process through which we stay connected with our customers, employees, shareholders, investors, suppliers, business partners and the wider communities in which we operate. In order to strengthen the Company's market leadership in the businesses demanding technological advancement, the Board members and management exchanged opinions and agreed on the strategic direction to engage younger generation in product innovation and development. The Company also actively engages with its shareholders and investors through physical and virtual meetings as well as investment conferences to provide timely information of the Group's business performance and development.

## Commitment to Good Corporate Governance

### (1) Leadership

#### *Board of Directors*

The Board is responsible for the stewardship of the Group, overseeing its conduct and affairs to create sustainable value for the benefits of its shareholders, and for the long-term success of the Company.

Except for the matters reserved for the Board decisions, which affect the Company's overall strategic policies, financial position and shareholders, the Board may delegate part of its functions and duties as well as the day-to-day operational responsibilities to the Executive Board and Executive Committees, specifying matters which require approval by the Board in accordance with the Group's approval policy.

Matters reserved for the Board decisions include, but not limited to, the following:

- deliberation of 3-year business plans, risk management, internal control, sustainability strategies, activities and performance progress against the sustainability target;
- preliminary announcements of interim and final results, interim and annual reports, and sustainability reports;
- dividend policy;
- annual budgets;
- major corporate activities such as material acquisitions and disposals, and connected transactions; and
- Directors' appointment, re-election and removal.

**Commitment to Good Corporate Governance** (Continued)

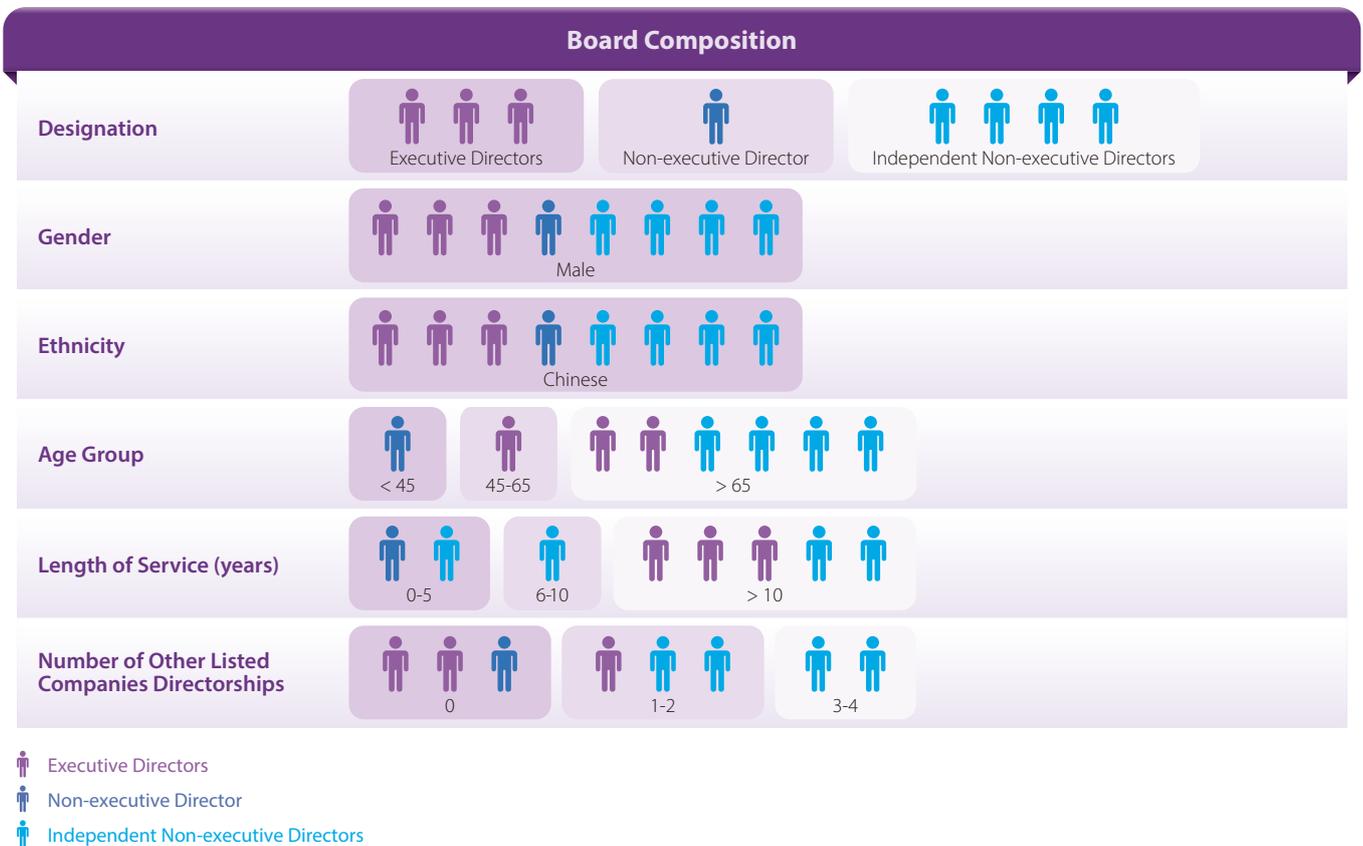
**(1) Leadership** (Continued)

*Board Composition*

The Board currently comprises three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. The Independent Non-executive Directors are executives of high calibre with diversified industry expertise and bring a wide range of skills and experience to the Group. They bring to the Company independent judgement on issues of strategy, performance, risk and human resources management through their contribution at Board meetings.

Details of all Directors and their biographies, including relationship between the Board members are set out on pages 79 to 80 of the 2022 Annual Report.

The Board composition and Board skills and experience are set out below:



**Commitment to Good Corporate Governance** (Continued)

**(1) Leadership** (Continued)

*Board Composition* (Continued)

		Industry and Manufacturing	Mainland China	Global Business	Technology	Logistics/ Supply Chain	Environmental, Social & Governance	Accounting Professional/ Legal and Compliance
 <b>Executive Directors</b>	Allan WONG Chi Yun (Chairman)	✓	✓	✓	✓	✓	✓	✓
	PANG King Fai	✓	✓	✓	✓	✓	✓	
	Andy LEUNG Hon Kwong	✓	✓	✓	✓	✓	✓	
 <b>Non-executive Director</b>	William WONG Yee Lai	✓		✓	✓			
 <b>Independent Non-executive Directors</b>	William FUNG Kwok Lun	✓	✓	✓	✓	✓	✓	✓
	KO Ping Keung	✓	✓	✓	✓		✓	
	Patrick WANG Shui Chung	✓	✓	✓	✓	✓	✓	✓
	WONG Kai Man	✓	✓	✓	✓		✓	✓
<b>Total (in number):</b>		<b>8</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>5</b>	<b>7</b>	<b>4</b>
<b>Total (in percentage):</b>		<b>100%</b>	<b>88%</b>	<b>100%</b>	<b>100%</b>	<b>63%</b>	<b>88%</b>	<b>50%</b>

In addition, the Directors disclose to the Company the number and nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved on a biannual basis. Directors are also reminded to notify the Company in a timely manner for any changes of such information.

## Commitment to Good Corporate Governance

(Continued)

### (1) Leadership (Continued)

#### *Board Committees*

The Board has four Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management and Sustainability Committee. The Board has delegated authority to various Board Committees to deal with specific matters. The Audit Committee, the Nomination Committee, the Remuneration Committee, and the Risk Management and Sustainability Committee were established with defined terms of reference which are no less exacting than those set out in the Code. The composition and terms of reference of the Board committees are reviewed and updated periodically to ensure that they remain appropriate and in line with the Group's business and changes in governance practices.

#### *Executive Board*

Executive Board consists of three Executive Directors. It is responsible for overseeing the daily operations of the Group under the Board's delegation with support from senior management to review and manage the business, operational and financial performance as well as risk management and internal control of the Group.

As for the responsibilities of day-to-day operations, except for the specific matters which require the approval by the Executive Board in accordance with the Group's approval policy, they are delegated from the Executive Board to the Executive Committees and senior management of the respective product lines. The members of the Executive Committees are also responsible for ensuring that a similar process of delegation is in place within his or her department or responsible areas.

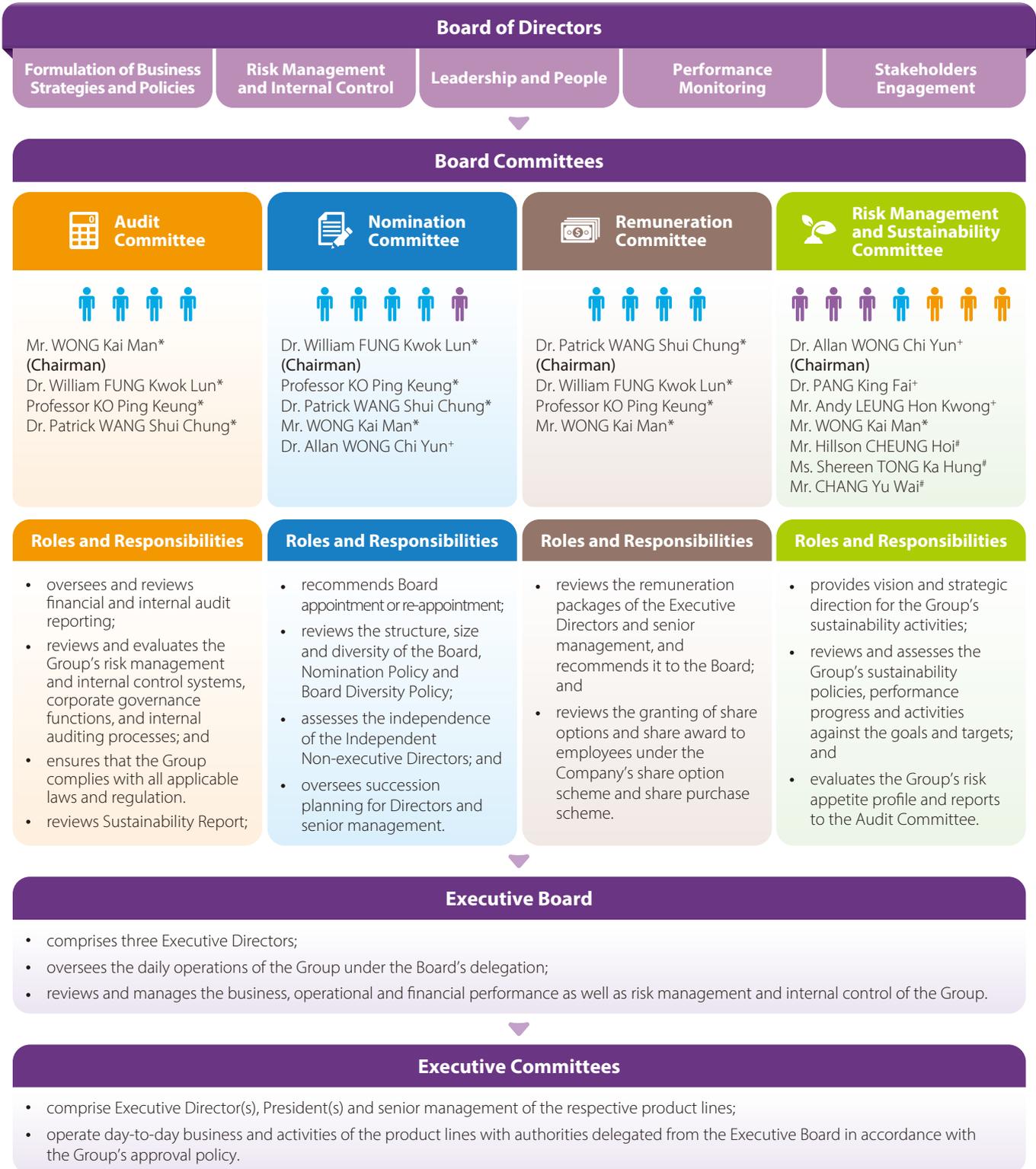
#### *Executive Committees*

Executive Committee members include the Executive Director(s), President(s) and senior management of the respective product lines appointed by the Executive Board from time to time. Day-to-day management of the product lines is delegated from the Executive Board to the Executive Committees of the respective product lines in accordance with the Group's approval policy. The Board retains control of the key decisions and certain "reserved matters" which will be reviewed annually.

**Commitment to Good Corporate Governance** (Continued)

**(1) Leadership** (Continued)

*Executive Committees* (Continued)



- + Executive Directors
- \* Independent Non-Executive Directors
- # Senior Management

## Commitment to Good Corporate Governance

(Continued)

### (2) Effectiveness

#### *Board Evaluation*

The Board recognises the importance and benefits of conducting regular evaluation of its performance. In addition to the ongoing review by the Nomination Committee on the composition and structure of the Board, the Board has adopted a structured process to evaluate its own performance and Directors' contribution every two years since 2017.

The Board evaluation was conducted in the form of questionnaire by all members of the Board and Board Committees anonymously with the aim of improving the effectiveness of the Board and the Board Committees. The scope of the evaluation focused on the composition and diversity, as well as effectiveness of the performance of the Board and the Board Committees. The evaluation questionnaire consisted of both quantitative element based on the ratings to each question, as well as qualitative recommendations on any areas of improvement.

A summary of the 2021 evaluation results, which was anonymous and prepared by the Company Secretary, was presented to Board for review and discussion at the Board meeting in May 2021. The summary indicated that the members of the Board and Board Committees broadly agreed that the Board and Board Committees had operated satisfactorily. They were also satisfied, in general, with the composition and effectiveness of each Board Committee. The evaluation results with recommendations were also presented to the respective Board Committees for their follow-up actions of improvement.

#### *Board Diversity*

As for the diversity of the Board, the Directors were satisfied, in general, with diversity of the Board and each Board Committee in accordance with the Board Diversity Policy. The Directors also recognised that the Board diversity could be further enhanced in the areas of gender and age group. We would continue to take initiatives to identify suitable candidates to strengthen the Board diversity.

The Company has also taken, and continues to take steps to promote diversity at all levels of its workforce. VTech provides equal opportunity to all employees and does not discriminate on the grounds of gender, race, age, nationality, religion, sexual orientation, disability, and any other aspects of diversity. As of 31 March 2022, our total workforce comprised 41% female and 59% male. Further details of the Group's inclusive policy, please refer to "Respect of Labour and Human Rights" section of 2022 Sustainability Report.

#### *Appointment and Re-election of Directors*

All Directors (including the Non-executive Directors and the Independent Non-executive Directors) are appointed for a specific term of three years and are subject to retirement by rotation and re-election at least once every three years at the AGMs under the Company's Bye-laws. In accordance with the Company's Bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. In addition, any Director appointed by the Board during the year, either to fill a casual vacancy or as an addition to the Board, shall hold office until the next AGM and shall be subject to retirement by rotation. A formal letter of appointment is issued to the Directors who were appointed or re-elected during the year. The letter deals with the specific terms of appointment and a range of matters regarding director's appointment and responsibilities.

#### *Independence of Independent Non-executive Directors*

In order to ensure that independent views and input of the Independent Non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assessing the Directors' independence annually with regards to all relevant factors related to the Independent Non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as Independent Non-executive Directors;

## Commitment to Good Corporate Governance

(Continued)

### (2) Effectiveness (Continued)

#### *Independence of Independent Non-executive Directors (Continued)*

- cross directorships or significant links with other Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement;
- further reappointment of an Independent Non-executive Director (including the long-serving Independent Non-executive Director) is subject to a separate resolution to be approved by the shareholders; and
- the Chairman meets with the Independent Non-Executive Directors regularly without the presence of the Executive Directors and Non-executive Directors.

The Board has received from each Independent Non-executive Director a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the four Independent Non-executive Directors are independent in character and judgement and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules. The written annual confirmation from each of the Independent Non-executive Directors of his independence also covered his immediate family members (as defined under the Listing Rules).

The Nomination Committee and the Board have also taken into account the respective contributions to the Board of the Independent Non-executive Directors and their firm commitments to their independent roles.

Dr. William FUNG Kwok Lun has diversified industry experience, brings a wide range of skills and experience to the Group and provides valuable insight and independent advice to the Board and the Company in particular on the areas of logistics and supply chain operations and dealings with global markets.

Professor KO Ping Keung has vast knowledge and experience in wide spectrum of technologies, especially in areas such as advanced integrated circuits and information technology and his connections with advanced technology providers and start-up companies of all sizes, especially in China, continues to provide great benefit to the Board and the Company.

Dr. Patrick Wang Shui Chung has vast international experiences with extensive knowledge in the manufacturing industry and a deep understanding of the environment in which the Company operates, which enable him to provide valuable insight and advice to the Board and the Company.

Mr. WONG Kai Man's strong finance, accounting and tax expertise and his firm commitment to his independent role enable him to provide key strategic guidance to the Board and the Company in areas such as financial review, risk management, compliance and internal control.

The wide breath of knowledge and diversity of their experiences make each of the Independent Non-executive Directors invaluable members of, and active contributors, to the Board. Moreover, they do not hold any cross-directorships or have any significant links with other Directors through involvement in other companies or bodies that could give rise to conflicts of interest in their roles as Independent Non-executive Directors and they are not involved in the daily management of the Company nor in any relationships or circumstances which would affect the exercise of their independent judgment. They continue to demonstrate their ability to provide an independent, balanced and objective view to the affairs of the Company.

The Nomination Committee was satisfied that each of the Independent Non-executive Director has the required character, integrity and experience to fulfill the role of an independent non-executive Director.

Notwithstanding that some Independent Non-executive Directors have served as Board members for more than nine years, the Nomination Committee and the Board are of the view that this does not and would not affect their independent judgement as they have been providing objective view and independent opinion to the Company over the years, and have continued to demonstrate a firm commitment to their independent roles and to the Board that they are able to devote sufficient time and attention to the Company's affairs and confirm that they will continue to demonstrate their commitment to their roles.

**Commitment to Good Corporate Governance** (Continued)

**(2) Effectiveness** (Continued)

*Independence of Independent Non-executive Directors* (Continued)

Any further reappointment of an Independent Non-executive Director (including the long-serving Independent Non-executive Director) is subject to a separate resolution to be approved by shareholders. Reasons will be given in the circular to shareholders to explain why the Board believes those Independent Non-executive Directors are still independent and should be re-elected. If the proposed Independent Non-executive Director will be holding his seventh (or more) listed company directorship, the Board will explain in the circular why he will still be able to devote sufficient time to the Board.

*Board, Board Committees and Shareholders' Meetings*

Four Board meetings at approximately quarterly intervals are scheduled with other meetings held as required. Dates of regular Board meetings and Board Committees meetings are scheduled in the prior year to facilitate maximum attendance of Directors. All Committees' meetings are conducted prior to the Board meetings to ensure that all vital matters are reported to the Board in advance and decided upon by the Board in a timely manner. The draft agenda for regular meetings of the Board and Board Committees is usually sent to the Directors at least 14 days before the intended date of the meetings. Directors are advised to inform the Chairman of the Board and Board Committees before the meeting if they wish to include any matters in the agenda. The agenda together with the Board papers are usually sent to the Directors at least 3 days before the meetings.

Minutes of the meetings of the Board and Board Committees record in sufficient detail the matters considered by the Board and the Board Committees, the decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes of the Board meetings and the Board Committees are sent to all Directors or respective Board Committees members for their comment and records within a reasonable period after the meetings are held. Minutes of the Board meetings and the Board Committees are kept by the Company Secretary of the Company (the "Company Secretary"). All Directors have access to the advice and services of the Company Secretary and independent professional advice may be sought by the Directors if required.

The attendance of individual Directors at Board Meetings ("BM"), Audit Committee Meetings ("ACM"), Nomination Committee Meetings ("NCM"), Remuneration Committee Meeting ("RCM"), Risk Management and Sustainability Committee Meetings ("RMSCM") and Annual General Meeting ("AGM") during the financial year is set out below:

		Meetings attended/Eligible to attend					
		BM	ACM	NCM	RCM	RMSCM	AGM
 Executive Directors	Allan WONG Chi Yun ( <i>Chairman</i> )	4/4	–	2/2	–	2/2	1/1
	PANG King Fai	4/4	–	–	–	2/2	1/1
	Andy LEUNG Hon Kwong	4/4	–	–	–	2/2	1/1
 Non-executive Director	William WONG Yee Lai	4/4	–	–	–	–	1/1
 Independent Non-executive Directors	William FUNG Kwok Lun	4/4	2/2	2/2	1/1	–	1/1
	KO Ping Keung	4/4	2/2	2/2	1/1	–	1/1
	Patrick WANG Shui Chung	4/4	2/2	2/2	1/1	–	1/1
	WONG Kai Man	4/4	2/2	2/2	1/1	2/2	1/1

In addition to the regular Board meetings, the Chairman also held regular meetings with the Independent Non-executive Directors without the presence of the Executive Directors and Non-executive Director during the financial year.

**Commitment to Good Corporate Governance**

(Continued)

**(2) Effectiveness** (Continued)

*Directors' Training and Professional Development*

Every newly appointed Director has been given a comprehensive, formal and tailored induction on appointment.

During the financial year, the Company has organised a one-day training session as part of the continuous professional development conducted by qualified professionals on accounting, taxation and Listing Rules requirements for the Directors and relevant staff to develop and refresh their knowledge and skills. The Directors also received an annual update by qualified professionals on the Listing Rules update arranged by the Company. Materials on the subject of corporate governance and e-learning provided by the Stock Exchange are also provided to the Directors from time to time. In addition, the Directors attended other external seminars or briefings and read relevant materials on regulatory updates.

All Directors have provided to the Company their records of training which they have received during the financial year. The records are maintained by the Company Secretary for annual review by the Audit Committee.

A summary of their records of training during the financial year is as follows:

Directors	Attending briefings, trainings, seminars, conference or giving speech	Reading articles, researches, journals and updates
<b>Executive Directors</b>		
Allan WONG Chi Yun ( <i>Chairman</i> )	✓	✓
PANG King Fai	✓	✓
Andy LEUNG Hon Kwong	✓	✓
<b>Non-executive Director</b>		
William WONG Yee Lai	✓	✓
<b>Independent Non-executive Directors</b>		
William FUNG Kwok Lun	✓	✓
KO Ping Keung	✓	✓
Patrick WANG Shui Chung	✓	✓
WONG Kai Man	✓	✓

*Note: Training areas include information related to the Company or electronic manufacturing industry, laws, rules and regulations, accounting standards and business management.*

**(3) Accountability**

*Responsibilities in respect of Financial Statements*

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 31 March 2022 to give a true and fair view of the financial position of the Group as at that date and of its financial performance for the year then ended. In doing so, the Directors have adopted the appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgements and estimates that are prudent and reasonable in preparing the consolidated financial statements on the going concern basis.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The management shall provide the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

The statement by the external auditor of the Company regarding their responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 85 to 89 of the 2022 Annual Report.

*Company Secretary*

The Company Secretary is an employee of the Company, reports to the Chairman and is responsible for providing advice to the Board for ensuring the Board procedures are followed. The Company Secretary has taken no less than 15 hours of relevant professional training and has duly complied with the training requirement under Rule 3.29 of the Listing Rules.

*Internal Control*

The Directors have the overall responsibility for internal control, including risk management, and set appropriate policies having regard to the objectives of the Group. During FY2022, the Board, through the Audit Committee and the Risk Management and Sustainability Committee, reviewed the overall effectiveness of the Group's system of internal control over financial, operational and compliance issues, risk management process, information systems security and effectiveness of financial reporting and compliance with the Listing Rules.

## Commitment to Good Corporate Governance

(Continued)

### (3) Accountability (Continued)

#### *Internal Control (Continued)*

The Group's internal control system aims at safeguarding assets from inappropriate use, maintaining proper accounts and ensuring compliance with regulations. The management is primarily responsible for the design, implementation and maintenance of the internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the operation of the Company. The internal audit function monitors the effectiveness of the system and the procedures for monitoring by key operations.

The Group has put in place an organisational structure with formal and clearly defined lines of responsibility and delegation of authority. There are also established procedures for financial planning, capital expenditure, treasury transactions, information and reporting systems, and monitoring the Group's businesses and their performance.

#### *Internal Control – Internal Audit Department*

The Group's Internal Audit Department has been established for more than 20 years and the Internal Audit Department has direct access to the Audit Committee. The Internal Audit Department reviews the effectiveness of the internal control system. Every three years, the Internal Audit Department carries out a risk assessment on each identified audit area and devises a three-year audit plan according to the nature of business and risk exposures, and the scope of work includes financial and operational reviews.

The three-year audit plan is further divided into three annual audit plans. Every year, the Internal Audit Department reviews the upcoming annual audit plan and makes adjustments to it where appropriate. The three-year audit plan and the annual audit plans, with subsequent adjustments where appropriate, are reviewed and agreed by the Audit Committee. In addition to the agreed schedule of work, the Internal Audit Department conducts other review and investigative work as may be required. The Audit Committee receives summary reports from the Internal Audit Department periodically while the results of internal audit reviews and responses to the recommended corrective actions are also reported to the Executive Directors and Senior Management. The Internal Audit Department is also responsible for following up the corrective actions to ensure that satisfactory controls are maintained.

#### *Internal Control – Other Control and Management*

##### *Code of Conduct*

The Company's policy on Code of Conduct is also an important part of the Group's internal control process. The Code of Conduct is a written statement of the core standards of behavior expected by the Group, includes provisions in improper business courtesies, conflicts of interest, handling of confidential and proprietary information and intellectual property, relationships with suppliers, contractors, customers, and business partners, competing with integrity, international trade and interacting with government, environmental protection, occupational health and safety, respect of labour and human rights, and equal opportunities. The Code of Conduct is reviewed and updated periodically to align with industry best practice. The Code of Conduct was last updated in April 2022.

Employees are required to strictly follow the Code of Conduct to ensure the Group operates to the highest standards of business behaviour and ethics in our dealings with customers, business partners, shareholders, employees, and the business community. The policy is reinforced and monitored by an annual confirmation of compliance in writing.

Full details of VTech's Code of Conduct are available on [www.vtech.com/en/investors/corporate-governance/code-of-conduct](http://www.vtech.com/en/investors/corporate-governance/code-of-conduct)

##### *Whistleblowing Policy*

The Group maintains a Whistleblowing Policy to facilitate the raising of matters of serious concern by employees and those who deal with the Company (e.g. customers and suppliers), in confidence and anonymity, without the fear of recrimination. Procedures are established for employees to report complaints and suspected internal malpractices directly to the Group Chief Compliance Officer, who will review the complaints and determine the appropriate mode of investigation and subsequent corrective action. Recommendations on improvements are communicated to the respective department's senior management for implementation.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the Chairman of the Audit Committee on a quarterly basis and to the Audit Committee on a biannual basis. No incident of fraud or misconduct was considered to have material effect on the Group's financial statements or overall operations for the year ended 31 March 2022. The Whistleblowing Policy is reviewed and updated periodically to align with industry best practice. The Whistleblowing Policy was last updated in May 2022.

## Commitment to Good Corporate Governance

(Continued)

### (3) Accountability (Continued)

*Internal Control – Other Control and Management (Continued)*

*Whistleblowing Policy (Continued)*

Full details of VTech's Whistleblowing Policy are available on [www.vtech.com/en/investors/corporate-governance/whistleblowing-policy](http://www.vtech.com/en/investors/corporate-governance/whistleblowing-policy)

*Anti-corruption Policy*

The Group is committed to achieving the highest standards of business conduct and has zero tolerance for corruption and related malpractice. The Anti-Corruption Policy forms an integral part of the Group's corporate governance framework. Other relevant policies of the framework, including the Code of Conduct, the Policy on Gifts, Entertainment and Gratuities, and the Whistleblowing Policy, outline the Group's expectations and requirements of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

The Anti-corruption Policy sets out the specific behavioural guidelines that VTech personnel and business partners must follow to combat corruption. It demonstrates VTech's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. Every employee, officer and members of the Board must act with the utmost integrity, defined not only by the applicable laws and regulations, but also by the determination to do the right thing in all circumstances.

The annual declaration made by our staff under the Code of Conduct includes their confirmation of the compliance with the Anti-corruption Policy. The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice. The Anti-corruption Policy was last updated in May 2022.

Full details of VTech's Anti-corruption Policy are available on [www.vtech.com/en/investors/corporate-governance/anti-corruption-policy](http://www.vtech.com/en/investors/corporate-governance/anti-corruption-policy)

*Risk Register*

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

*Liability Insurance for the Directors*

The Company purchases annually the Directors' and officers' liability insurance for members of the Board to provide protection against claims arising from the lawful discharge of duties by the Directors.

### (4) Shareholders Engagement

*Continuous Disclosure Policy*

The Company has established a Continuous Disclosure Policy to set out the Company's procedures for monitoring developments in our businesses for inside information and communicating such information with our shareholders, analysts, media and other stakeholders in accordance with the inside sensitive information disclosure requirement under the Securities and Futures Ordinance and the Listing Rules. The Continuous Disclosure Policy was last updated in May 2022.

Full details of VTech's Continuous Disclosure Policy are available on [www.vtech.com/en/investors/corporate-governance/continuous-disclosure-policy](http://www.vtech.com/en/investors/corporate-governance/continuous-disclosure-policy)

## Commitment to Good Corporate Governance

(Continued)

### (4) Shareholders Engagement (Continued)

#### Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between shareholders and the Board. An AGM shall be held in each year at the time and place determined by the Board.

#### Procedure for shareholders to convene special general meeting

Under the Company's Bye-laws, in addition to regular AGMs, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the registered office of the Company. The requisition(s) must state the purposes of the meeting, and must be signed by the requisitioner(s).

#### Procedure for shareholders to propose resolution at AGM

Shareholders holding not less than one-twentieth of the total voting rights of all the shareholders or not less than 100 shareholders may propose any resolutions at the AGM and circulate to other shareholders written statement with respect to the matter to be dealt with at the AGM by sending a written notice of their proposals to the Company Secretary at the Company's principal office.

#### Procedure for shareholders to propose a person for election as a Director

The procedures for proposing a person for election as Director at a general meeting are set out in the Corporate Governance under Investors section of the Company's website.

#### Procedure for shareholders to send enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal office.

#### AGM

VTech's AGM is held in the month of July each year. The AGM, which is attended by its Directors, senior management, external auditor and lawyer, is an important event for the Board to communicate with its shareholders on the Group's business performance and affairs every year.

In order to ensure that the Group's shareholders have sufficient time to review the AGM notices, annual report and financial statements, all the AGM related documents are dispatched to the shareholders more than 20 clear business days before the AGM.

VTech also conducts all voting at AGM by poll with whole process scrutinized by the Company's share registrar in attendance of the AGM. Procedures for conducting the poll are explained at the AGM prior to taking the poll. Poll results are announced and posted on the websites of the Stock Exchange and the Company at [www.vtech.com](http://www.vtech.com).

VTech held its 2021 AGM at Marco Polo Hongkong Hotel. The matters resolved at the 2021 AGM were set out as follows:

- Receipt and consideration of the audited consolidated financial statements and the reports of Directors and the auditor for the year ended 31 March 2021;
- Consideration and declaration of a final dividend in respect of the year ended 31 March 2021;
- Re-election of Mr. Andy LEUNG Hon Kwong as Executive Director;
- Re-election of Dr. William FUNG Kwok Lun as Independent Non-executive Director;
- Re-election of Professor KO Ping Keung as Independent Non-executive Director;

## Commitment to Good Corporate Governance

(Continued)

### (4) Shareholders Engagement (Continued)

AGM (Continued)

- Fixing the Directors' fee (including the additional fee payable to chairman and members of the Audit Committee, Nomination Committee and Remuneration Committee) for the year ended 31 March 2022;
- Re-appointment of KPMG as auditor and authorization given to the Board of Directors to fix its remuneration;
- Granting of a general mandate to repurchase shares representing up to 10% of the issued share capital of the Company as at the date of the 2021 AGM;
- Granting of a general mandate to allot, issue and deal with additional shares representing up to 10% of the issued share capital of the Company at the date of the 2021 AGM, and the discount for any shares to be issued not to be more than 10% to the benchmarked price; and
- Adoption of a new share option scheme of the Company (and termination of the share option scheme which were expected to expire during FY2022).

VTech's 2021 AGM was held successfully in spite of the COVID-19 pandemic in Hong Kong. The following special arrangements and precautionary measures to protect the health and safety of all attendees were also put in place:

- Accommodating the attendees in partitioned areas with video and audio link facilities;
- Special seating arrangement to allow appropriate social distancing;
- No provision of refreshments or drinks;
- Compulsory body temperature detection and submission of health declaration form by the attendees prior to entry; and
- Compulsory wearing of surgical face mask by attendees.

In light of the uncertain development of the COVID-19 situation, instead of attending the 2021 AGM in person, shareholders were encouraged to exercise their rights and indicate how they would like the proxy to vote on their behalves by submitting a form of proxy to appoint the Chairman of the 2021 AGM as their proxy for voting.

As for the AGM in 2022, which is scheduled to be held on 13 July 2022 (the "2022 AGM"), in order to ensure the health and safety of the shareholders attending the meeting, VTech will continue to implement precautionary measures in accordance with the prevailing guidelines published by the Hong Kong Government and/or regulatory authorities. Details of the measures will be announced in due course.

### Changes in Constitutional Documents

There was no change in the Company's constitutional documents during FY2022.

### Shareholders Communication Policy

The Company has established a Shareholders Communication Policy to set out the procedures for providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company. This is to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Shareholders and the investment community may at any time make a request for publicly available Company information by email to [investor\\_relations@vtech.com](mailto:investor_relations@vtech.com), by post addressed to the Company's principal office, via the contact form on the Company's website or through the Company's share registrar.

The Shareholders Communication Policy is reviewed annually with updates last made in May 2022. It emphasises VTech's commitment to enhancing communication with shareholders and the investment community, and specifies various communication platforms and channels through which its shareholders and investors can communicate their views with the Company.

Full details of VTech's Shareholders Communication Policy are available on [www.vtech.com/en/investors/corporate-governance/shareholders-communication-policy](http://www.vtech.com/en/investors/corporate-governance/shareholders-communication-policy)

## Commitment to Good Corporate Governance

(Continued)

### (4) Shareholders Engagement (Continued)

#### *Financial Key Dates*

The financial calendar highlighting important dates for shareholders in 2022 is set out in the Investor Relations section of the 2022 Annual Report and is also available on the Company's website.

#### *Dividend Policy*

The Company has established a Dividend Policy to set out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the level of the dividend to be paid to the shareholders. It is the policy to allow the shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth.

Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. In determining and recommending the frequency, amount and form of any dividends in any financial year/period, the Board shall consider the following factors:

- the actual and expected financial performance of the Group;
- global economic conditions and other factors that may have an impact on the business or financial performance of the Group;
- the Group's business strategies, current and future operations, liquidity position and capital requirements, including future cash commitments and investment needs to sustain the long-term growth aspect of the business;
- any restrictions on payment of dividends in the Company's Bye-laws or may be imposed by the Group's lenders; and
- any other factors that the Board deems appropriate.

## Audit Committee Report

### Committee Members

The Audit Committee is chaired by Mr. WONG Kai Man with Dr. William FUNG Kwok Lun, Professor KO Ping Keung and Dr. Patrick WANG Shui Chung as members. All of the members are Independent Non-executive Directors.

### Roles and Responsibilities

The Audit Committee has been established to assist the Board in fulfilling its overseeing responsibilities for financial reporting, risk management, corporate governance functions, and evaluation of internal control and auditing processes. It also ensures that the Group complies with all applicable laws and regulations.

The Audit Committee is also responsible for overseeing the effectiveness of formal procedures for employees to raise any matters of serious concerns and is required to review any reports made by the Internal Audit Department in this regard.

Furthermore, the Audit Committee acts as the key representative body for overseeing the Group's relationship with the external auditor, reviews and monitors the external auditor's independence and the effectiveness of the audit process in accordance with applicable standards.

Mr. WONG Kai Man, as the chairman of the Audit Committee, has the appropriate financial management expertise as required under the Listing Rules. The Audit Committee has held two meetings during the financial year. In addition to the Audit Committee members, the meetings were attended by the Group Chief Executive Officer, the Company Secretary and Head of Internal Audit, the Group Chief Financial Officer and the external auditor.

### Terms of Reference

The terms of reference of the Audit Committee are available on [www.vtech.com/en/investors/corporate-governance/board-committees](http://www.vtech.com/en/investors/corporate-governance/board-committees)

### Highlights of the Committee's Work in FY2022

The work performed by the Audit Committee during FY2022 included, but not limited to, reviewing the following before recommending them to the Board for consideration and approval:

- corporate governance report setting out the corporate governance policies and practices in the 2021 Annual Report in compliance with the Code;
  - training and continuous professional development of the Directors and senior management for the year ended 31 March 2021;
  - adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions, and those relating to the ESG performance and reporting for the year ended 31 March 2021;
  - fee level and nature of non-audit work performed by the external auditor for the year ended 31 March 2021;
  - re-appointment of the external auditor and its remuneration for the year ended 31 March 2022;
  - 2021 Sustainability Report;
  - Group's unaudited Interim Financial Report and unaudited interim results for the six months ended 30 September 2021;
  - report from the external auditor based on limited agreed-upon procedures on the Group's unaudited interim results for the six months ended 30 September 2021;
  - corporate governance section setting out the corporate governance policies and practices in the 2021/2022 Interim Report in compliance with the Code;
  - accounting principles and practices adopted by the Group;
  - respective audit plans of the internal and external auditors;
  - significant findings by the Internal Audit Department and recommendations for corrective actions; and
  - reports made under the Whistleblowing Policy.
- 
- Group's audited consolidated financial statements and reports for the year ended 31 March 2021;
  - report from the external auditor for the year ended 31 March 2021;

**Audit Committee Report** (Continued)

**Highlights of the Committee’s Work in FY2022** (Continued)

On the date of the 2022 Annual Report, the Audit Committee met to review the Group’s audited consolidated financial statements and reports for the year ended 31 March 2022 in conjunction with the Company’s external auditor and senior management before recommending them to the Board for consideration and approval. The financial results of the Group for the year ended 31 March 2022 have been reviewed with no disagreement by the Audit Committee. The Audit Committee has also reviewed the proposed revision on the Audit Committee Charter and Whistleblowing Policy, the key ESG issues and the related risks and strategies, and approved the 2022 Sustainability Report.

In addition to the above, the Audit Committee assisted the Board in meeting its responsibilities for maintaining an effective system of internal control during FY2022. It reviewed the process by which the Group evaluates its control environment and risk assessment procedures, and the way in which business and control risks are managed on a regular basis.

It should be noted that a system of internal control, no matter how well it is designed and operated, can only provide reasonable but not absolute assurance that the objectives of the system of internal control, such as safeguarding assets from inappropriate use, material transactions being executed according to the Group’s policies or ensuring compliance with regulations, are met. As a result, it should not be expected that a system of internal control will prevent or detect all errors and frauds.

Based on the information received from the management (including the Risk Management and Sustainability Committee and Data Security Governance Board), the external auditor and the Internal Audit Department, the Audit Committee is satisfied that the overall financial and operational controls, risk management and internal control system, and the internal audit function of the Group for the year ended 31 March 2022 and up to the date of the 2022 Annual Report continued to be effective and adequate.

The Audit Committee has also been given the responsibility to oversee the effectiveness of formal procedures for employees to raise any matters of serious concerns and is required to review any reports made by the Internal Audit Department in this regard.

**Internal Audit**

The Audit Committee reviews the report prepared by Head of Internal Audit. The report covered implementation status of the annual audit plan, whistleblowing complaints received and the corresponding status of investigation, as well as the effectiveness and adequacy of the Group’s overall financial and operational control. The annual audit plan of the upcoming financial year and the three-year audit plan were also presented to the Audit Committee for review and approval.

**External Auditor**

The Audit Committee meets with the external auditor to review the nature, scope and results of their audit with senior management. The external audit engagement partner is subject to periodical rotation of not more than seven years.

During the financial year, the fees in respect of audit services and tax services provided by KPMG, the external auditor, are summarised below:

	2022 US\$ million	2021 US\$ million
Audit services	<b>0.8</b>	0.9
Audit related services	<b>0.1</b>	0.1
Tax services	<b>0.6</b>	0.6

## Nomination Committee Report

### Committee Members

The Nomination Committee is chaired by Dr. William FUNG Kwok Lun with Professor KO Ping Keung, Dr. Patrick WANG Shui Chung, Mr. WONG Kai Man and Dr. Allan WONG Chi Yun as members. The majority of the members of the Nomination Committee are Independent Non-executive Directors.

### Roles and Responsibilities

The Nomination Committee is responsible for reviewing the structure, size and diversity of the Board and monitoring the implementation of the Board Diversity Policy and Nomination Policy for appointment to the Board as appropriate.

The Nomination Committee is also responsible for assessing the independence of the Independent Non-executive Directors, whether the proposed Independent Non-executive Director has the ability to devote sufficient time to the Board and his length of service according to the requirements of the Listing Rules, making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors and reviewing the training and continuous professional development of the Directors.

### Nomination Policy

The Nomination Policy sets out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall consider a variety of factors in assessing the suitability of a proposed candidate for directorship, including but not limited to the following selection criteria:

- Board Diversity Policy;
- accomplishment and experience appropriate to the requirements of the Company's business;
- commitment in respect of sufficient time, interest and attention to the Company's business;
- compliance with the criteria of independence under the Listing Rules for the appointment of Independent Non-executive Director; and

- any other relevant factors as may be considered by the Nomination Committee from time to time.

If the Board recognises the need to appoint a new Director subject to the provisions in the Company's Bye-laws, the Nomination Committee, with or without assistance from external agencies, shall identify candidates in accordance with the selection criteria set out in the Nomination Policy, evaluate the candidates and recommend to the Board the appointment of the appropriate candidate for directorship. The Board decides the appointment based upon the recommendation of the Nomination Committee and the Board has the final authority on determining suitable Director candidate for directorship.

Candidates for appointment as Directors may also be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise and experience.

### Board Diversity Policy

The Board Diversity Policy sets out the approach to achieve diversity on the Board. The Nomination Committee monitors the implementation of the Board Diversity Policy and has the responsibility in leading the progress for Board appointments. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, skills, knowledge, industry and professional experience, business perspectives and the legitimate interests of the Company's principal shareholders.

Selection of candidates for Board appointments will be considered taking into account a range of aspects set out in the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee also periodically reviews the measurable objectives relevant to the Board composition in accordance with the Board Diversity Policy, and monitors the progress on achieving those objectives to ensure that the policy is implemented effectively. Having reviewed the Board composition, the Nomination Committee recognises the importance and benefits of the gender diversity among the Board members for the Group's strategic and sustainable development. It has set out the Board's commitment to take initiatives to identify suitable candidate(s) to enhance the gender diversity of the Board.

### **Nomination Committee Report** (Continued)

#### **Terms of Reference**

The terms of reference of the Nomination Committee are available on [www.vtech.com/en/investors/corporate-governance/board-committees](http://www.vtech.com/en/investors/corporate-governance/board-committees)

#### **Highlights of the Committee's Work in FY2022**

The Nomination Committee has held two meetings during the financial year. The work performed by the Nomination Committee during the financial year included, but not limited to discussing the following:

- structure, size and diversity of the Board;
- individuals suitably qualified for appointment as Director;
- Board Diversity Policy including the measurable objectives and the related disclosure in the FY2022 Annual Report and its progress;
- Nomination Policy;
- succession planning for the Directors and senior management;
- independence of the Independent Non-executive Directors;
- re-election of retiring Directors at the 2022 AGM, including the assessment on the ability to devote sufficient time to the Board and the length of service of the proposed Independent Non-executive Director according to the requirements of the Listing Rules; and
- revised Nomination Committee Charter.

The Nomination Committee was also satisfied with the Board diversity in terms of independence, skills, industry and professional experiences, cultural and educational background as well as length of services of the Board members. As for the gender and age composition, the Nomination Committee considered that enhancement in gender and age diversities should be beneficial to the Group's sustainable development. It agreed to take initiatives to identify suitable candidate with priority on enhancing the gender diversity by 31 December 2024.

## Remuneration Committee Report

### Committee Members

The Remuneration Committee is chaired by Dr. Patrick WANG Shui Chung with Dr. William FUNG Kwok Lun, Professor KO Ping Keung and Mr. WONG Kai Man as members. All of the members are Independent Non-executive Directors.

### Roles and Responsibilities

The Remuneration Committee is responsible for reviewing all elements of the Executive Directors' and senior management's remunerations and recommending to the Board. It reviews the emoluments of Executive Directors and senior management based on skills, knowledge and performance, together with reference to the profitability of the Company, and prevailing market conditions. In addition, the Company has established a share option scheme and a share purchase scheme to provide incentives and rewards to eligible participants for their continuous contribution to the Group.

### Terms of Reference

The terms of reference of the Remuneration Committee are available on [www.vtech.com/en/investors/corporate-governance/board-committees](http://www.vtech.com/en/investors/corporate-governance/board-committees)

### Highlights of the Committee's Work in FY2022

The Remuneration Committee has held one meeting during the financial year. The work performed by the Remuneration Committee during the financial year included, but not limited to, discussing and reviewing the following before recommending them to the Board for consideration and approval:

- policy for the remuneration of Executive Directors and senior management; and
- annual salaries increment and remuneration packages for Executive Directors and senior management, including the share option scheme and the share purchase scheme. The management bonus and long-term incentive awards for Executive Directors and senior management is linked to the financial performance of the business in which they are responsible have been reviewed and approved by the Remuneration Committee.

- It also reviewed and approved the share options and awarded shares to be granted to the senior management and management staff under the share option scheme and share purchase scheme, which are subject to the respective performance conditions.

### Directors' Fees

The Board has adopted a practice to review the fees for the Directors, in particular the remuneration of the Independent Non-executive Directors, every five years and ensure that they are remunerated on a fair and reasonable basis. The consideration factors include the responsibilities taken on by the Directors, the commitment of their time spent in fulfilling their roles, as well as the workload associated with their memberships at the respective Board committees. The review of the Directors' fees is also conducted with reference to, among other things, the average annual remuneration of the directors of similar listed companies in Hong Kong as well as the other major manufacturing companies.

The revision of the Directors' fees from year ended 31 March 2022 was approved by shareholders at the 2021 AGM. The current fees for all Directors and for the Directors who also serve on the relevant Board committees are set out as follows:

	Current Fee Per annum US\$
<b>Board of Directors</b>	
Basic Directors' Fees	<b>35,000</b>
<b>Audit Committee</b>	
Chairman	<b>10,000</b>
Member	<b>5,000</b>
<b>Nomination Committee</b>	
Chairman	<b>5,000</b>
Member	<b>3,000</b>
<b>Remuneration Committee</b>	
Chairman	<b>5,000</b>
Member	<b>3,000</b>

Further details of the Directors' emoluments are set out in note 3 to the Consolidated Financial Statements.

## Risk Management and Sustainability Committee Report

### Committee Members

The Risk Management and Sustainability Committee is chaired by Dr. Allan WONG Chi Yun with Dr. PANG King Fai, Mr. Andy LEUNG Hon Kwong, Mr. WONG Kai Man, Mr. Hillson CHEUNG Hoi, Ms. Shereen TONG Ka Hung and Mr. CHANG Yu Wai as members. It comprises all Executive Directors, an Independent Non-executive Director, the TEL President, the Group Chief Financial Officer, and the Company Secretary and Head of Internal Audit.

### Roles and Responsibilities

The Risk Management and Sustainability Committee is responsible for monitoring and reviewing the risk management and internal control systems, as well as the sustainability strategies, performance and activities of the Group on a regular basis. It also reports to the Audit Committee of any significant findings on a biannual basis.

The Risk Management and Sustainability Committee has also developed an internal risk management structure at both management and operational levels, which has clearly defined the roles and responsibilities in managing potential risks in the respective areas, and set up procedures for execution of the Group's Business Continuity Plan in the event of disruptions. The Business Continuity Management ("BCM") programme not only helps identify and mitigate the Group's potential operational risks, but also increases its resilience capability to resume operations in an effective and timely manner, thus ensuring that it always has a smooth business operation.



The Risk Management and Sustainability Committee is also delegated with the authority from the Board to provide vision and strategic direction for the Group's sustainability activities, review its sustainability strategies and improvement activities, assess how the policies are implemented in achieving the sustainability goals and targets, and monitor the performance progress on a biannual basis.

### Terms of Reference

The terms of reference of the Risk Management and Sustainability Committee are available on: [www.vtech.com/en/investors/corporate-governance/board-committees](http://www.vtech.com/en/investors/corporate-governance/board-committees)

### Highlights of the Committee's Work in FY2022

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

The Risk Management and Sustainability Committee has developed a framework for the management and control of risks in the Group. Risks are being formally identified and recorded in a risk register (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 Risk Management and Sustainability Committee.

**Risk Management and Sustainability Committee Report** (Continued)

**Highlights of the Committee’s Work in FY2022** (Continued)

During the financial year and up to the date of the 2022 Annual Report, it has reviewed and approved the Group’s 2022 Sustainability Report, which informs the Group’s stakeholders of its sustainability strategies and activities, and the performance progress against its sustainability targets and 5-year Sustainability Plan 2025. The relevant disclosures in the Group’s 2022 Annual Report has also been reviewed by the Committee before recommending them to the Audit Committee for consideration and approval. The Committee has reviewed the following major risks and the respective risk mitigation measures reported in the Risk Register, with risk ratings broadly the same as the last financial year:

Major Risks	Risk Description	Risk Mitigation Measures
 <p><b>Legal and Regulatory Compliance</b></p>	<p>Regulatory Change and Compliance: VTech operates globally with sales and business activities across the world, it needs to comply with the relevant laws and regulations applicable to the Group, including the privacy ordinances and personal data protection regulations in the respective countries. Compliance failure may result in legal costs for litigation, monetary penalty, disruption of operations and damage of the Group’s reputation.</p>	<ul style="list-style-type: none"> <li>Engage external counsels to provide regular updates and legal guidance on the compliance with the latest applicable laws and regulations;</li> <li>Closely monitor the development and assess the potential impacts of trade embargo and sanction on the Group’s business. Relevant parties within the Group regularly access the official sources to obtain the latest trade embargo and sanctions list in order to avoid having business transactions and dealings, directly or indirectly, with sanctioned entities or in sanctioned territories;</li> <li>Take appropriate legal measures to protect technological know-how and trade secrets, apply for and register patents, trademarks and IP rights;</li> <li>Provide regular trainings for staff who are responsible for ensuring compliance with the relevant laws and regulations.</li> </ul>
	<p>Trade Embargo: The increasing uncertainty and concerns over the political environment and changes in laws and regulations in one or several countries may increase the cost of operations and expose the Group to potential liabilities and criminal penalties.</p>	
	<p>Patents and Intellectual Property (“IP”) Rights: VTech not only needs to protect the patents and IP rights for the products designed and developed by the Group, but also ensures that it does not infringe the patents or IP rights of any third parties.</p>	
 <p><b>Information Technology (“IT”)</b></p>	<p>Cybersecurity and IT Risks: Cyber-attacks and data breaches may disrupt the Group’s operations and incur reputational damages.</p>	<ul style="list-style-type: none"> <li>Regularly review the cyber security threat trends, continuously adopt applicable new technologies and harden the IT infrastructure;</li> <li>Engage external professionals to conduct cyber security audit and deep-dive review on the Group’s IT systems and network on a regular basis;</li> <li>Cultivate a cyber resilience culture through regular cyber security awareness training and tests for staff across the Group.</li> </ul>
	<p>Customer data protection: Potential exposure of customer personal data due to cyber-attack may lead to liability claim, loss of revenue and violation of personal data regulations, as well as incurring monetary penalty.</p>	

**Risk Management and Sustainability Committee Report** (Continued)

**Highlights of the Committee’s Work in FY2022** (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
 <b>Geo-political</b>	<p>US Tariff against China Exports: The geo-political tensions between China and US brings political uncertainties and the cost of product manufactured in China is increased as a result of the tariff imposed by US.</p>	<ul style="list-style-type: none"> <li>• In addition to the manufacturing facilities in China and Malaysia, the Group continuously expands its global footprint of manufacturing site strategically outside Asia.</li> </ul>
	<p>International sanctions: Ukraine war and the sanctions imposed on Russia have caused inflation in consumables and commodities (e.g. oil, natural gas), which would affect the material prices. There has also been potential legal risk on sales of products to Russia.</p>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of the financial and legal impacts arising from the sanctions imposed on Russia.</li> <li>• Sale of products to Russia is negligible to the Group’s overall revenue.</li> </ul>
 <b>Business Continuity</b>	<p>Risk of Business Disruption: External disasters (e.g. floods, fire) and crisis (e.g. pandemic, critical systems and infrastructure breakdown) could disrupt the operations and business across the Group.</p>	<ul style="list-style-type: none"> <li>• VTech has a BCM system in place to identify potential event of business disruption, assess the identified risks, establish risk mitigation measures and control mechanism, and monitor and review the effectiveness of the implementation of the relevant measures developed under the Business Continuity Plan;</li> <li>• Responsible management team in each office and factory of the Group regularly reviews and updates the Business Continuity Plan in order to mitigate the business disruption risk of the Group;</li> <li>• Disaster recovery drills are carried out periodically.</li> </ul>
 <b>Operational</b>	<p>Procurement &amp; Supplier Management: The Group has a wide range of products, some of which may be reliant on a few component suppliers for production. Disruption of supply of any of its critical component parts may affect the Group’s product availability.</p>	<ul style="list-style-type: none"> <li>• Continuously identify and assess the risks of shortage in supply of critical components;</li> <li>• Ensure broad supplier sourcing and avoid single source of supply whenever practicable;</li> <li>• Continuously monitor and proactively work with the critical suppliers on the longer term of components delivery schedule;</li> <li>• Effective supplier risk management framework to reduce risk due to safety, quality failure or non-compliance with regulatory requirements.</li> </ul>
	<p>Logistics &amp; Supply Chain Management: Global shortage of containers and vessels and the recent outbreak of COVID-19 pandemic in Mainland China, may affect the Group’s manufacturing productivity as well as the delivery of materials from suppliers and shipments of products to customers.</p>	<ul style="list-style-type: none"> <li>• Continuously work closely with different shipping carriers and logistic services providers to arrange advance booking of containers, and optimize the efficiency with different shipping routes to overseas countries.</li> </ul>

**Risk Management and Sustainability Committee Report** (Continued)

**Highlights of the Committee’s Work in FY2022** (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
 <p><b>Operational</b></p>	<p>Human Resources Management: Due to the ever-changing market environment and the technological innovation requirement of the Group’s businesses, the Group faces intense competition to recruit and retain skilled and experienced staff to support its business growth and the long-term success of the Company.</p>	<ul style="list-style-type: none"> <li>• Continuously review and improve working environment, including the precautionary measures to protect the health and safety of employees in COVID-19 pandemic;</li> <li>• Continuously review the employee compensation and benefits with reference to the industry best practices;</li> <li>• Continuously develop talent and leadership teams with career development and succession plans in each layer of senior management;</li> <li>• Continuously improve staff productivity with technological enhancement and process automation.</li> </ul>
	<p>Sales Management: The Group’s ongoing success is dependent on the smooth running of all aspects of its operations to deliver the sales performance. It requires the Group’s cross functional teams to support and collaborate with each other to mitigate the risk of disruption in operations.</p>	<ul style="list-style-type: none"> <li>• Engagement of cross-functional teams with integrated activities in the areas of demand forecasting, manufacturing resources planning, order fulfilment and inventory management to facilitate a smooth and reliable production and order delivery to the customers.</li> </ul>
	<p>Climate-related Risks: Extreme weather incidents caused by climate change may disrupt the Group’s operations and business activities. New regulatory requirements in relation to climate change on the Group’s operations, products and services may also increase its operating costs and affect the Group’s production capacity. There are also growing expectations from stakeholders over ESG related disclosures and actions taken by the Company.</p>	<ul style="list-style-type: none"> <li>• VTech has established a 5-year Sustainability Plan 2025 with projects and initiatives in place to minimise its impacts on the environment and mitigate the climate-related risks. These include increasing the use of sustainable materials in the Group’s products, recycling its products in a responsible way, increasing the use of renewable energy, reducing the consumption of natural resources in its production process, as well as using more eco-friendly transportation modes in its supply chain management;</li> <li>• Details of the climate-related risks of the Group are set out on pages 41 to 45 of 2022 Sustainability Report.</li> </ul>
 <p><b>Financial</b></p>	<p>Financial Risks: As the Group operates globally, it is exposed to a variety of financial risks, primarily the credit risk and currency risk.</p>	<ul style="list-style-type: none"> <li>• The majority of the Group’s sales are on open credit with varying payment terms from 30 to 90 days. Certain open credit sales are covered by credit insurance or bank guarantees in order to mitigate the credit risk;</li> <li>• The Group principally uses forward foreign exchange contracts to hedge the foreign exchange risks in the ordinary course of business in order to mitigate its currency risks;</li> <li>• Details of the financial risks of the Group are set out in note 23 to the consolidated financial statements.</li> </ul>
	<p>Credit Risk: It is mainly attributable to the ability of the Group’s customers to continue paying for the goods and services provided by the Company and its subsidiaries.</p>	
	<p>Currency Risk: It is mainly arising from the sales and purchases that are denominated in the currencies other than the functional currency of the operations to which they relate. The foreign currencies of the Group are primarily denominated in Renminbi, Euro, Pounds Sterling, Canadian Dollars and Australian dollars.</p>	

**Risk Management and Sustainability Committee Report** (Continued)

**Highlights of the Committee’s Work in FY2022** (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
 <p><b>Reputational</b></p>	<p><b>Product Design, Quality and Safety:</b> The Group designs, manufactures and supplies a wide range of products to various countries. Failure to maintain an effective quality management system at the product development stage, in the manufacturing process and throughout the supply chain may have material adverse impact on the Group’s business and operations, brand image and loyalty of its customers.</p>	<ul style="list-style-type: none"> <li>• The Group has implemented a comprehensive quality management system framework with quality assurance policies and procedures in place to monitor the product quality and reliability starting from the product development stage on an on-going basis. These include inspection of incoming materials, quality audit in manufacturing process, quality evaluation of finished products and after-sales quality management;</li> <li>• All VTech’s manufacturing facilities in China and Malaysia are certified with ISO 9001, which ensures our products are in highest quality standards.</li> </ul>
	<p><b>Brand Risk:</b> In the competitive market environment, brand recognition and good customer experience are important success factors for the Group. Failure to engage with the customers may adversely affect the Group’s financial results with loss of customer loyalty and revenue.</p>	<ul style="list-style-type: none"> <li>• In order to continually strengthen its market leadership and international brand recognition, the Group actively monitors its competitive position and keeps abreast of the latest technological advancement for development of its products;</li> <li>• Through the Group’s leadership in technological innovation and customer-centric strategies, it continues to design, manufacture and supply high quality and innovative products to enrich user experience and drive brand awareness of its customers globally.</li> </ul>
 <p><b>Business Ethics</b></p>	<p><b>Business Integrity Risk:</b> The Group is subject to the risk of fraud and/or unlawful activities on the part of employees and third parties such as corruption, lack of transparency in business transaction, leakage of confidential information, non-compliance with the Group’s policies and regulatory requirements, it could result in significant financial and reputational losses of the Group.</p>	<ul style="list-style-type: none"> <li>• Whistleblowing channel is available to report misconduct and non-compliance issues for further investigation;</li> <li>• Timely update the Code of Conduct and Anti-Corruption Policy with reference to the latest applicable laws and regulations, and provide regular integrity trainings for the employees to reinforce the Group’s values of acting lawfully, ethically and responsibly;</li> <li>• Conduct regular audit on suppliers’ corporate social responsibilities in the areas of Labour, Ethical Standards, Environment and Health &amp; Safety;</li> <li>• Regular declaration of any conflict of interest incident by the management and staff;</li> <li>• Appropriate controls around transactions and payments to third parties.</li> </ul>

**Risk Management and Sustainability Committee Report** (Continued)

**Highlights of the Committee’s Work in FY2022** (Continued)

The Risk Management and Sustainability Committee ensures that any new and emerging risks are promptly identified, evaluated and appropriate actions are taken by the management. This requires the active and frequent participation by the process owner of each function in identifying risks affecting its business and implementing measures to reduce such risks, as well as the active monitoring on the progress of the improvement in internal control procedures.

*Data Security Governance Board*

The Data Security Governance Board was established with defined terms of reference reporting to the Risk Management and Sustainability Committee. It is chaired by the Group Chief Executive Officer and comprises the Group President, the CMS Chief Executive Officer, the TEL President, the Group Chief Financial Officer, the Company Secretary and Head of Internal Audit, and the Group Chief Information Officer.

The Data Security Governance Board is responsible for the decision-making, implementation, enforcement, oversight and periodic review of the Data Security Policy and practices, as well as the cybersecurity risks and mitigation measures of the Group. It also ensures that the Group’s data security practices are compliant with international and local laws and regulations, including but not limited to, the applicable privacy ordinances and data protection regulations in the respective countries such as the General Data Protection Regulation in Europe.

The Data Security Governance Board has reviewed and monitored the implementation and execution of the Data Security Policy and practices of the Group for the compliance with the latest privacy ordinances and data protection regulations in the respective countries during the year. It has also reviewed the implementation progress of the additional preventive measures, technologies enhancement and staff trainings for the mitigating the Group’s exposure to cybersecurity risks. In addition, the Data Security Governance Board has reviewed and monitored the remedial actions of the identified security related issues which have been brought to its attention.

During the financial year and up to the date of the 2022 Annual Report, the Risk Management and Sustainability Committee has reviewed and approved the meeting minutes of the Data Security Governance Board. The Risk Management and Sustainability Committee has also reviewed the proposed revision on the Risk Management and Sustainability Committee Charter.

**Overall Risks Assessment**

Based on the risk assessments prepared by process owner of each function and the respective management teams, the Risk Management and Sustainability Committee considered that for FY2022:

- Ongoing process is in place for identifying, evaluating and monitoring the major risks faced by the Group and functioning effectively;
- Risk mitigation measures have been developed to ensure that the major emerging and existing risks identified and reported to the Committee are managed effectively to mitigate the risks of disruption on the Group’s business and operations.

**Sustainability Performance**

The Risk Management and Sustainability Committee has also reviewed and monitored the Group’s performance on external sustainability indices, which are shown in the following table:

Index Name	FY2022 Score
Hang Seng Corporate Sustainability Benchmark Index	AA
FTSE4Good Global Index	3.5
MSCI ESG Ratings	A