

# TCFD Index

In FY2020, VTech started to disclose climate-related initiatives using the TCFD's framework. The information on how we assess and manage climate-related risks and opportunities, as well as strategies for mitigating risks and realizing opportunities are provided to our stakeholders under four thematic areas - governance, strategy, risk management and metrics and targets.

| TCFD recommendation  | Disclosure   | Reference        |
|--|--|------------------|
| <b>Governance: Disclose the organization's governance around climate-related risks and opportunities.</b>  |  |                  |
| a) Describe the board's oversight of climate-related risks and opportunities   | <p>At VTech, our RMSC established by the Board comprises executive Directors, an independent non-executive Director, the TEL President, the Group CFO, and the Company Secretary and Group Chief Compliance Officer and oversees climate change-related issues, and provides vision and strategic direction through its regular meetings on a biannual basis.</p> <p>The RMSC is also responsible for reviewing our sustainability strategies and improvement activities, assessing how the policies are implemented in achieving the sustainability goals and targets, and monitoring the performance progress.</p>   | Pages 5, 25-26   |
| b) Describe management's role in assessing and managing climate-related risks and opportunities.   | <p>Our RMSC has also formed the Sustainability Sub-Committee which has the strategic and operational responsibility to manage sustainability issues while implementing the policies and measures to achieve strategic vision and direction approved by RMSC. The Sub-Committee comprises key employees from the Company's different product lines and relevant departments, including Group Chief Financial Officer, TEL President, Vice President of ELP Operation, Managing Director of CMS, and the Sustainability team. It is responsible for monitoring the progress of our sustainability activities compared with targets in their responsible product lines and functions, evaluating and determining the sustainability investments from economic, environmental and social aspects, and sharing new and significant industry sustainability concerns with the committee members quarterly.</p> <p>We have recognized our climate change risk and formulated the Sustainability Plan 2025. Approved by the RMSC, the plan ensures our continuous improvement programmes and approaches on sustainability would be carried out effectively and consistently.</p> | Pages 6-7, 42-45 |
| <b>Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</b> |  |                  |
| a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.   | <p>In the short (0-1 year) and medium (1-5 years) terms, interruptions in the supply chain due to extreme weather events, climate-related new regulatory requirements and reporting obligations, and changing customer behavior and increased stakeholder concern are identified as potential risks whereas adaptive capacity enhancement, and development of low emission goods and services via R&amp;D are considered opportunities. In the long term (5 years+), it will be essential to transform rapidly towards sustainable use of energy and resources through technological advancement, in face of potential risks of chronic physical risks and shifts in energy prices.</p>  | Pages 42-45      |
| b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.  | <p>The climate-related risk and opportunities have affected our products and services, supply chain, R&amp;D, and other operations. Therefore, VTech is striving to combat climate change by utilizing necessary financial resources to build capacity for climate mitigation and adaptation. We also seize opportunities by investing in R&amp;D and low-carbon technologies to align our strategies to drive positive impact in the long term.</p>   | Pages 42-45      |
| c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.   | <p>Two scenarios have been considered. The business-as-usual scenario was chosen to assess the impact of physical risk under a high-emissions scenario, while the Paris-aligned scenario is a below 2°C scenario for identifying impact of transitional risks under transformation towards low-carbon economy respectively.</p> <p>VTech has established the Sustainability Plan 2025 to ensure our continuous improvement programmes and approaches on sustainability would be carried out effectively and consistently. We will continue to explore energy saving opportunity and reduce GHG emissions.</p>  | Pages 23, 42-45  |
| <b>Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.</b>   |  |                  |
| a) Describe the organization's processes for identifying and assessing climate-related risks.  | <p>Potential climate-related risks have been identified with reference to TCFD recommendations. We have evaluated the impact level and likelihood of occurrence of the risks under the two scenarios identified. For physical risks, we consider the impact of extreme climate events on our supply chain, manufacturing process as well as in-bound and out-bound logistics. For transition risks, we have considered the development on regulatory requirements and carbon tax, as well as the impact of technological advancement and shifting market preferences on our product life cycle.</p>  | Pages 42-45      |

| TCFD recommendation   | Disclosure  | Reference                             |
|---|---|---------------------------------------|
| b) Describe the organization's processes for managing climate-related risks.  | Risks have been formally identified and recorded in the risk register for key operations. The risk register is updated regularly and risk exposure and mitigation performance are reviewed biannually.<br><br>The RMSC held two meetings during the financial year to review the Group's business and sustainability risk management and internal control systems and their effectiveness.  | Pages 25-26, 42-45                    |
| c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.                    | Climate-related risks are considered throughout the entire company-wide risk identification, assessment, and management processes. The climate-related risks are identified and assessed by the Sustainability Sub-Committee and related operation departments, and further reviewed by the RMSC. The committee is responsible for putting in place policies, procedures and frameworks for the identification and management of risks. | Pages 25-26, 42-45                    |
| <b>Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</b> |   |                                       |
| a) Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.                   | We have established our Sustainability Plan 2025 as a metric for managing the risks and opportunities posed by climate change. Results are reported every year.   | Page 23                               |
| b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.   | Scope 1: 4,728 tonnes of CO <sub>2</sub> e<br>Scope 2: 81,013 tonnes of CO <sub>2</sub> e<br>Scope 3: 16,295 tonnes of CO <sub>2</sub> e<br>As of FY2022, scope 3 emission only included GHG emission data from ocean and air shipment of contractors engaged by VTech  | Key Performance Data                  |
| c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.   | In our Sustainability Plan 2025, we have set GHG emission target – to reduce GHG emission per production output in assembly factories and plastic factories by 10% compared with FY2020 respectively, as well as targets on water usage and energy usage. For details, please refer to our Sustainability Plan 2025 on page 23.   | Pages 18, 23,<br>Key Performance Data |

## Certifications in Manufacturing Facilities

| TEL Products                |   |
|-----------------------------|---|
| ISO 9001/TL 9000            | Quality Management System   |
| ISO 14001                   | Environmental Management System   |
| IETP                        | ICTI (International Council of Toy Industries) Ethical Toy Program  |
| ISO 45001                   | Occupational Health and Safety Management System  |
| SA 8000                     | Social Accountability   |
| Work Safety Standardisation | Work Safety Standardisation   |
| ELPs                        |   |
| GSV                         | Global Security Verification  |
| ISO 9001                    | Quality Management System   |
| ISO 14001                   | Environmental Management System   |
| ISO 17025                   | Laboratory Accreditation Certificate by China National Accreditation Service for Conformity Assessment (CNAS) |
| IETP                        | ICTI (International Council of Toy Industries) Ethical Toy Program  |
| ISO 45001                   | Occupational Health and Safety Management System  |
| Work Safety Standardisation | Work Safety Standardisation   |
| CMS                         |   |
| ISO 9001                    | Quality Management System   |
| ISO 13485                   | Medical Devices Quality Management System   |
| ISO 14001                   | Environmental Management System   |
| IAFT 16949                  | Automotive Quality and Management System  |
| ISO 45001                   | Occupational Health and Safety Management System  |
| SA 8000                     | Social Accountability   |
| QC 080000                   | Hazardous Substance Process Management System   |