

# Corporate Governance Report

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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. This Corporate Governance Report will also explain how the Group applies the principles of good corporate governance as set out in the Corporate Governance Code, so as to enable the shareholders of the Company to evaluate such application.

## Corporate Governance Practices

VTech 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 (the “Code”) set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Throughout the financial year ended 31 March 2024 (“FY2024”), the Company has complied with all the code provisions of the Code, except for the deviation from code provision C.2.1 of Part 2 of the Code as described below.

Under code provision C.2.1 of Part 2 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 more than 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 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 C3 to the Listing Rules regarding securities transactions for the Directors. The Model Code is also extended to apply to specified employees including the senior management of the Group. After having made specific enquiries, all Directors and specified employees confirmed that they had complied with the required standard of dealings set out in the Model Code and its code of conduct regarding securities transactions throughout FY2024.

VTech is also committed to following the ESG Guide set out in Appendix C2 to the Listing Rules. VTech’s Sustainability Report is made available for the public on [sustainability.vtech.com/reports\\_policies](https://sustainability.vtech.com/reports_policies) and the website of the Stock Exchange. A summary of the 2024 Sustainability Report is provided on pages 36 to 38 of the 2024 Annual Report.

## VTech Code: Compliance and More

During FY2024, VTech had certain corporate governance practices exceeding the compliance requirements in the following areas:

### Our Board

- Our Board comprises nine Directors, of which five are Independent Non-executive Directors, exceeding the requirements of the Listing Rules that at least one-third of the Board (and not less than three Directors) shall be Independent Non-executive Directors.
- All members (instead of just majority of members) of the Audit Committee and the Remuneration Committee are Independent Non-executive Directors.
- VTech conducts regular evaluation on the performance of the Board and its Committees. A summary of the evaluation results is presented to the Board for review and discussion, and presented to the respective Board Committees for follow-up.

### Our Disclosures

- VTech announces its interim financial results within 1.5 months after the end of the six-month financial period, and its annual financial results within two months after the end of the financial year. It also publishes its Annual Report and Sustainability Report on its website and sends its Annual Report to the shareholders within three 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's Continuous Disclosure Policy has been established since 2013 and is published on its website. The policy guides the Group in monitoring and disclosing potential inside information.

### Our Other Practices in Corporate Governance

- In addition to the Directors, the Model Code adopted by VTech is extended to apply to specified employees including the senior management of the Group. 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 twice a year.
- 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 the Directors to issue new shares of the Company of 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 not proposed to extend the relevant Issue Mandate granted to the 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 benefit 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.



#### 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 an 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 the "Sustainability Pillars" – "Our People" and "Governance and Business Ethics" sections of the 2024 Sustainability Report.



#### 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, and to each individual employee throughout the Group. With clear objectives and goals in the annual budgets, three-year business plan and five-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 the "Leadership" section of this Corporate Governance Report.



#### 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 benefit 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 and Value Chain Management" and "Environment" sections of the 2024 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:



During FY2024, the Board examined and discussed the following items in respect of the five areas of focus:

### 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 three-year business plan and budget review process, the Board considered and approved the Group's three-year business plan for the financial years ending 31 March 2024 to 31 March 2026 and budget for the financial year ending 31 March 2025.

### Risk Management and Internal Control

The Board acknowledges that it is responsible for reviewing the risk management and internal control systems. As such, the Board, through the Audit Committee and the Risk Management and Sustainability Committee, reviews the overall effectiveness of the Group's systems 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.

### Leadership and People

Human resources management, including a leadership succession plan, is crucial to the Company's long-term success. The Board continuously reviews the Group's human resources management strategy to attract, develop, retain and motivate key talents across the whole organisation. It also encourages management to train the younger 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 FY2024 and the Group's Interim Report for the six months ended 30 September 2023. 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.

### Stakeholder 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 requiring technological advancement, the Board members and management exchanged opinions and agreed on the strategic direction to engage the 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 on 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 three-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.

#### *Board Composition*

The Board currently comprises three Executive Directors, one Non-executive Director and five Independent Non-executive Directors. The Board considers that the composition is well balanced in terms of experience, competencies, expertise, diversity and skills, with a strong independent element ensuring the impartiality of the Board's decision-making process and oversight of the management. 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.

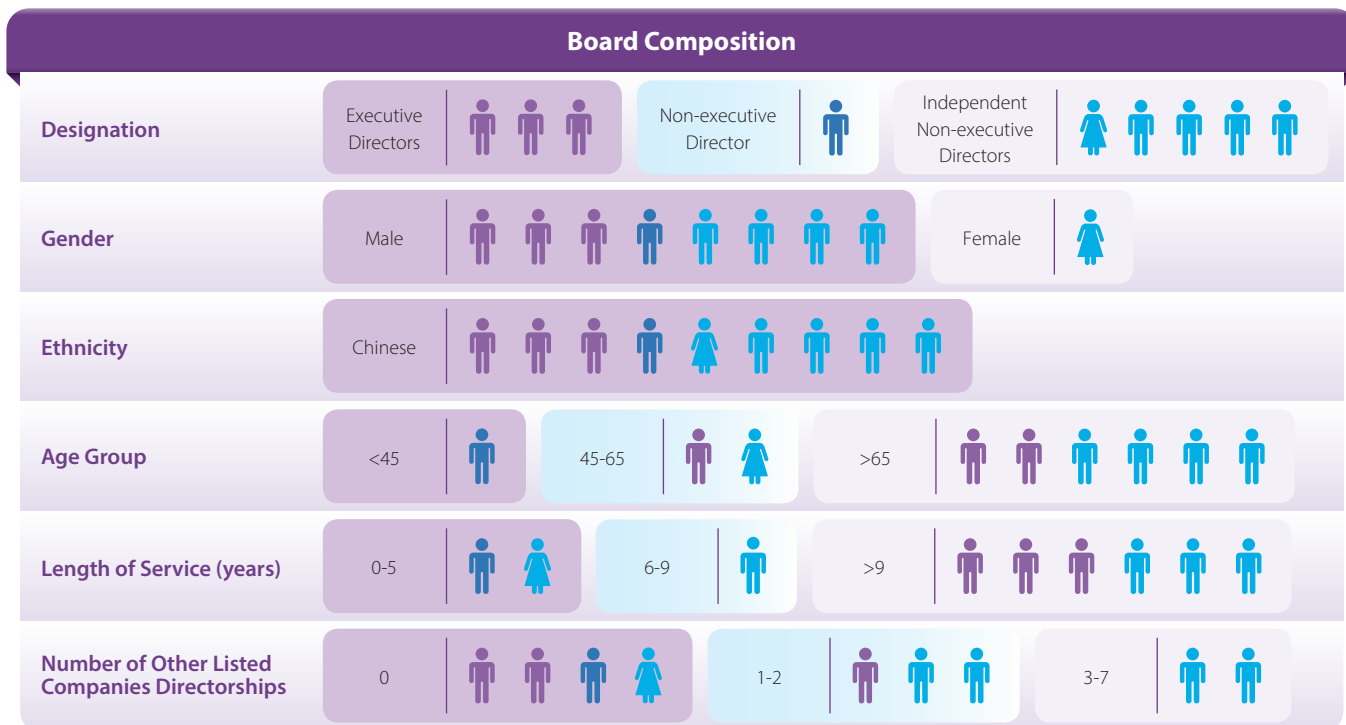
## Commitment to Good Corporate Governance (Continued)

### (1) Leadership (Continued)

#### Board Composition (Continued)

Details of all Directors and their biographies, including relationship between the Board members, are set out on pages 85 to 87 of the 2024 Annual Report.

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



- Executive Directors
- Non-executive Director
- Independent Non-executive Directors

**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 / Finance / Legal & Compliance / Risk Management
 <b>Executive Directors</b>	Allan WONG Chi Yun <i>(Chairman and Group Chief Executive Officer)</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	✓	✓	✓	✓	✓	✓	✓
	GAN Jie	✓	✓	✓	✓		✓	✓
	KO Ping Keung	✓	✓	✓	✓		✓	
	Patrick WANG Shui Chung	✓	✓	✓	✓	✓	✓	✓
	WONG Kai Man	✓	✓	✓	✓		✓	✓
<b>Total (in number):</b>		<b>9</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>5</b>	<b>8</b>	<b>7</b>
<b>Total (in percentage):</b>		<b>100%</b>	<b>89%</b>	<b>100%</b>	<b>100%</b>	<b>56%</b>	<b>89%</b>	<b>78%</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 twice a year. The Directors are also reminded to notify the Company in a timely manner of any changes to such information.

## Commitment to Good Corporate Governance

(Continued)

### (1) Leadership (Continued)

#### *Board Committees*

The Board has four Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the 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 applicable provisions of 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*

The Executive Board consists of three Executive Directors, the President of Telecommunication Products and the Group Chief Financial Officer. 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*

The Executive Committees' 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 evaluations 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 a questionnaire completed by all members of the Board and Board Committees 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 elements based on the ratings to each question, as well as qualitative recommendations on any areas of improvement.

A summary of the 2023 evaluation results, which was anonymous and prepared by the company secretary of the Company (the "Company Secretary"), was presented to the Board for review and discussion at the Board meeting in May 2023. 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 the diversity of the Board and each Board Committee in accordance with the Board Diversity Policy, which requires annual review by the Nomination Committee. The Directors also recognised that the Board's diversity could be further enhanced in the areas of gender and age group. The Board would continue to take initiatives to identify suitable candidates to strengthen the Board's diversity and targeted to at least maintain the current level of female representation of the Board. To develop a pipeline of potential successors to the Board to achieve

gender diversity, the Nomination Committee will select appropriate candidates through various channels and make recommendations to the Board based on the Board Diversity Policy and the Nomination Policy of the Company. For further details of the Board Diversity Policy and Nomination Policy, please refer to the "Nomination Committee Report" section of this Corporate Governance Report.

VTech has also taken, and continues to take, steps to promote diversity at all levels of its workforce. It has a Human Rights Policy with a risk management programme in place to protect and safeguard the human rights of its stakeholders, including the employees. The Group provides equal opportunities to all employees and does not discriminate on the grounds of gender, race, age, nationality, religion, sexual orientation, disability or any other aspects of diversity. It has a target to achieve or maintain the percentage of women in management positions at or above 25%. In FY2024, VTech's global workforce consisted of 42% women, with 27% of management positions held by women. For details of the Group's Human Rights Policy, please refer to the "Respect of Labour and Human Rights" section of the 2024 Sustainability Report.

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

All Directors (including the Non-executive Director 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 Directors 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 the Director's appointment and responsibilities.

#### *Board Independence*

As at 31 March 2024, five out of nine Directors were Independent Non-executive Directors, exceeding the requirements of the Listing Rules that at least one-third of the Board (and not less than three Directors) shall be Independent Non-executive Directors.

## Commitment to Good Corporate Governance

(Continued)

### (2) Effectiveness (Continued)

*Board Independence* (Continued)

#### Mechanism to ensure Independent Views and Input

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;
- cross directorships or significant links with other Directors;
- no involvement in the daily management of the Company nor in any relationships or circumstances which would affect the exercise of their independent judgement;
- further re-appointment of an Independent Non-executive Director (including a long-serving Independent Non-executive Director) is subject to a separate resolution to be approved by the shareholders; and an assessment on whether the Independent Non-executive Director is still independent and should be re-elected;
- the Chairman meets with the Independent Non-executive Directors regularly without the presence of the Executive Directors and Non-executive Director;
- independent professional advice, as and when required by the Directors; and
- the Independent Non-executive Director as the chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee.

#### Conflict of Interest

Directors are requested to confirm the direct or indirect interests of theirs and their close associates, if any, in proposals or transactions to be considered by the Board at Board meetings, and are required to abstain from voting (and not to be counted towards the quorum) on the resolution approving the proposals or transactions in which they or their close associates have a material interest.

#### Independence

The Board has received from each Independent Non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the five 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 confirmations from the Independent Non-executive Directors of their independence also covered their respective 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.

Dr. William FUNG Kwok Lun has diversified industry experience, brings a wide range of skills and experience to the Group and provides valuable insights 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 GAN Jie has extensive experience in both technology innovation and finance. Her areas of expertise include corporate finance, asset management, the Chinese industrial economy, financial regulation, stock markets and entrepreneurship, which enable her to provide valuable and independent guidance to the Board and the Company.

Professor KO Ping Keung has vast knowledge and experience in a 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, continue to provide great benefits to the Board and the Company.

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

### **(2) Effectiveness** (Continued)

#### *Board Independence* (Continued)

##### **Independence** (Continued)

Dr. Patrick WANG Shui Chung has vast international experience with extensive knowledge of the manufacturing industry and a deep understanding of the environment in which the Company operates, which enable him to provide valuable insights and independent 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 breadth of knowledge and diversity of their experience 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 Directors 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 on the Board 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 each of the Independent Non-executive Directors has been providing objective views and independent opinions to the Company over the years. In addition, they have continued to show devotion and 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.

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

Professor KO Ping Keung currently holds seven directorships in other listed companies in Hong Kong and China. Taking into account the relevant expertise of Professor KO Ping Keung, the good track records of Professor KO Ping Keung in attending the Company's meetings and providing constructive feedbacks on the Company's affairs from time to time; and that Professor KO Ping Keung has provided a confirmation to the Company that he would ensure to devote sufficient time to the Board and the committees of the Company in which Professor KO Ping Keung is a member. The Nomination Committee and the Board believe that Professor KO Ping Keung would still be able to devote sufficient time to the Board.

Taking into account all the circumstances described above, the Board and the Nomination Committee believe that each of the Independent Non-executive Directors continues to be independent and provides invaluable and independent advice to the Board through his/her extensive knowledge and experience that enhance the diversified representation of the Board and that he/she will persist in upholding his/her commitment to the Company.

## Commitment to Good Corporate Governance (Continued)

### (2) Effectiveness (Continued)

#### *Board, Board Committees and Shareholders' Meetings*

Four Board meetings at approximately quarterly intervals are scheduled during FY2024 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 dates of the meetings. Directors are advised to inform the Chairman of the Board and Board Committees before a 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 three 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 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 meetings 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 meetings are kept by 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 Meeting ("NCM"), Remuneration Committee Meetings ("RCM"), Risk Management and Sustainability Committee Meetings ("RMSCM") and Annual General Meeting ("AGM") during FY2024 is set out below:

Meetings attended/Eligible to attend							
		BM	ACM	NCM	RCM	RMSCM	AGM
 <b>Executive Directors</b>	Allan WONG Chi Yun <i>(Chairman and Group Chief Executive Officer)</i>	4/4	–	1/1	–	2/2	1/1
	PANG King Fai	4/4	–	–	–	2/2	1/1
	Andy LEUNG Hon Kwong	4/4	–	–	–	2/2	1/1
 <b>Non-executive Director</b>	William WONG Yee Lai	4/4	–	–	–	–	1/1
 <b>Independent Non-executive Directors</b>	William FUNG Kwok Lun	4/4	2/2	1/1	2/2	–	1/1
	Gan Jie	3/4	2/2	–	–	–	0/1
	KO Ping Keung	4/4	2/2	1/1	2/2	–	1/1
	Patrick WANG Shui Chung	3/4	1/2	1/1	2/2	–	1/1
	WONG Kai Man	3/4	2/2	0/1	1/2	2/2	1/1

## Commitment to Good Corporate Governance

(Continued)

### (2) Effectiveness (Continued)

*Board, Board Committees and Shareholders' Meetings* (Continued)

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 FY2024 that provided an open agenda for the Independent Non-executive Directors to raise matters of interest to the Group with the Chairman.

#### *Directors' Training and Professional Development*

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

During FY2024, the Company had organised a one-day training session as part of the continuous professional development conducted by qualified professionals on accounting, taxation, Listing Rules requirements and anti-corruption 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 had received during FY2024. The records are maintained by the Company Secretary for annual review by the Audit Committee.

A summary of their records of training during FY2024 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 and Group Chief Executive Officer)</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	✓	✓
GAN Jie	✓	✓
KO Ping Keung	✓	✓
Patrick WANG Shui Chung	✓	✓
WONG Kai Man	✓	✓

*Note: Training areas include information related to the Company, laws, rules and regulations (including the Listing Rules), 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 FY2024 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 a 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.

## Commitment to Good Corporate Governance

(Continued)

### (3) Accountability (Continued)

#### *Responsibilities in respect of Financial Statements (Continued)*

The statement by the external auditor of the Company regarding its responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 92 to 94 of the 2024 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 FY2024, 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.

The main features of the Company's risk management and internal control systems comprise:

#### *Internal Control – Internal Control Systems*

The Group's internal control systems aim 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 systems. 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 Company has an internal audit function which 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 of 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 systems. 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 twice a year, and 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.

As stated in the "Audit Committee Report" section, the Audit Committee is satisfied that the risk management and internal control systems of the Group for FY2024 and up to the date of the 2024 Annual Report are effective and adequate. The Company also concurs with the view of the Audit Committee and considers its risk management and internal control systems are effective and adequate during FY2024.

## Commitment to Good Corporate Governance

(Continued)

### (3) Accountability (Continued)

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

##### **Code of Conduct**

The Company's policy on the 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 behaviour expected by the Group. It includes provisions addressing a wide range of areas and it covers, among others, 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 governments, environmental protection, occupational health and safety, respect of labour and human rights, and equal opportunities.

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. Employees are required on joining to confirm that they understand and accept the requirements and standards laid down in the Code of Conduct appropriate to their role and position in the Company, and in addition, avail themselves to attend and complete various governance trainings provided online, and provide annual confirmation of compliance in writing. The Code of Conduct is reviewed periodically to align it with the industry best practice and was last updated in April 2022.

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 to controls and procedures identified during the course of the investigation 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 twice a year. No incident of fraud or misconduct was considered to have a material effect on the Group's financial statements or overall operations for FY2024. The Whistleblowing Policy is reviewed periodically to align it with the industry best practice and was last updated in May 2022.

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 for 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 with the anti-corruption laws and regulations that apply to its local and foreign operations. Every employee, officer and member 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.

Regular training for employees to enhance their understanding of the policy requirements is organised. The annual declaration made by our staff under the Code of Conduct includes their confirmation of the compliance with the Policy. The Anti-Corruption Policy is reviewed periodically to align it with the applicable laws and regulations and 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).



## Commitment to Good Corporate Governance

(Continued)

### (3) Accountability (Continued)

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

#### Risk Register

As part of its process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects (if any), the Company maintains a 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 twice a year. At management level, department representatives of each key business unit/function maintain a risk register documenting the key risks and the response measures for 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 appropriate management, and the continuing operation of appropriate risk responses.

#### *Liability Insurance for the Directors*

The Company purchases annually 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) Shareholder 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 information disclosure requirement under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Listing Rules. The Continuous Disclosure Policy is reviewed periodically to align it with the applicable laws and regulations as well as the industry best practice and 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).

#### *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 10% 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 requisitionist(s).

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

Shareholders holding not less than 5% 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 a 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 at the address of 23rd Floor, Tai Ping Industrial Building, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong, or by email to [investor\\_relations@vtech.com](mailto:investor_relations@vtech.com).

#### **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 the "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 at the address of 23rd Floor, Tai Ping Industrial Building, Block 1, 57 Ting Kok Road, Tai Po, New Territories, Hong Kong or by email to [investor\\_relations@vtech.com](mailto:investor_relations@vtech.com).

## Commitment to Good Corporate Governance

(Continued)

### (4) Shareholder Engagement (Continued)

#### *Annual General Meeting*

VTech's AGM is held in July each year. The AGM, which is attended by the 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 despatched to the shareholders at least 20 clear business days before the AGM.

VTech also conducts all voting at the AGM by poll with the whole process scrutinised 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. The results of the voting on the resolutions are announced and posted on the websites of the Stock Exchange and the Company.

The 2024 AGM will be held on 24 July 2024. The Notice of the 2024 AGM, which constitutes part of a circular to the shareholders, will be sent together with the 2024 Annual Report. The Notice, the circular which sets out details of the business to be conducted at the 2024 AGM, and the proxy form will be available on the websites of the Stock Exchange and the Company. The results of the voting on the proposed resolutions will be published on the websites of the Stock Exchange and the Company after the 2024 AGM is held.

#### *Changes in Constitutional Documents*

During FY2024, the Directors obtained the approval of the shareholders at the 2023 AGM to amend the existing Bye-laws of the Company and for the adoption of the new Bye-laws, for the purposes of bringing the Bye-laws in line with the Core Shareholder Protection Standards set out in Appendix A1 to the Listing Rules, and providing for an electronic or a hybrid meeting where the shareholders of the Company may attend the shareholders' meetings of the Company by electronic means in addition to a traditional physical meeting, where the shareholders of the Company can only attend physically. Appropriate housekeeping amendments were also proposed to bring the Bye-laws of the Company in line with the major amendments proposed.

The updated version of the Bye-laws of the Company is available for download from the websites of the Stock Exchange and the Company.

#### *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 or communicate their view to the Company 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 Company reviews the implementation and effectiveness of the Shareholders Communication Policy annually. The most recent review was conducted in May 2024 and the effectiveness of the policy was confirmed, as multiple channels of communication and engagement were in place and adopted.

The methods used to communicate with the shareholders and the investment community are set out in the "Investor Relations" section of the 2024 Annual Report from page 82 to 84. 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).

#### *Financial Key Dates*

The financial calendar highlighting important dates for the shareholders in 2024 is set out in the "Investor Relations" section of the 2024 Annual Report and is also available on the Company's website.

## Commitment to Good Corporate Governance

(Continued)

### (4) Shareholder Engagement (Continued)

#### *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 retaining 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:

- 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 which 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 GAN Jie, 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 systems and internal 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 had held two meetings during FY2024. 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 of the Company.

### 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 FY2024

The work performed by the Audit Committee during FY2024 included, but not limited to, reviewing the following before recommending them to the Board for consideration and approval:

- the Group's audited consolidated financial statements and reports for the year ended 31 March 2023;
- the report from the external auditor for the year ended 31 March 2023;
- the corporate governance report setting out the corporate governance policies and practices in the 2023 Annual Report in compliance with the Code;
- the training and continuous professional development of the Directors and senior management for the year ended 31 March 2023;
- the 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 reporting for the year ended 31 March 2023;
- the Policy on Provision of Non-Assurance Services by Auditor;
- the fee level and nature of non-audit work performed by the external auditor for the year ended 31 March 2023;
- the re-appointment of the external auditor and its remuneration for FY2024;
- the key ESG issues, performance (including risks and strategies) and the 2023 Sustainability Report;
- the Group's unaudited Interim Financial Report and unaudited interim results for the six months ended 30 September 2023;
- the 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 2023;

## Audit Committee Report (Continued)

### Highlights of the Committee's Work in FY2024 (Continued)

- the corporate governance section setting out the corporate governance policies and practices in the 2023/2024 Interim Report in compliance with the Code;
- the accounting principles and practices adopted by the Group;
- the respective audit plans of the internal and external auditors;
- the significant findings by the Internal Audit Department and recommendations for corrective actions; and
- the reports made by Internal Audit Department under the Whistleblowing Policy.

On the date of the 2024 Annual Report, the Audit Committee reviewed the Group's audited consolidated financial statements and reports for FY2024 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 FY2024 have been reviewed with no disagreement by the Audit Committee. The Audit Committee has also reviewed and approved the revised Policy on Provision of Non-Assurance Services by Auditor, the key ESG issues and the related risks and strategies, and the 2024 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 and risk management during FY2024. 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 twice a year.

It should be noted that a system of internal control and risk management, 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 systems, and the internal audit function of the Group for FY2024 and up to the date of the 2024 Annual Report are effective and adequate.

### Internal Audit

The Audit Committee reviews the report prepared by the Head of Internal Audit. The report covered the implementation status of the annual internal 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 internal audit plan for the upcoming financial year was 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 its audit with senior management. The external audit engagement partner is subject to periodical rotation of not more than seven years.

During FY2024, the fees in respect of audit services and non-audit services provided by KPMG, the external auditor, are summarised below:

	2024 US\$ million	2023 US\$ million
Audit services	<b>0.8</b>	0.8
Audit related services	<b>0.1</b>	0.1
Tax services	<b>0.8</b>	0.6
Other advisory services	<b>0.1</b>	–

## 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 Nomination Policy and the Board Diversity Policy for appointment to the Board as appropriate.

The Nomination Committee is also responsible for assessing the independence of the Independent Non-executive Directors, including the annual confirmation of the independence of the Independent Non-executive Directors, the assessment on their ability to devote sufficient time to the Board and the length of service of the proposed Independent Non-executive Directors according to the requirements of the Listing Rules, and making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for 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. These criteria and procedures are designed to assist and enable the Board to have all the relevant information and necessary recommendations for determining the suitability of a candidate for appointment so that the Board shall continue to have a balance of skills, experience and diversity of perspectives appropriate to the requirements and ongoing and future development 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 that takes into consideration a number of factors including gender, age, cultural and educational background, skills, knowledge, industry and professional experience, business perspectives and the legitimate interests of the Company's principal shareholders;
- 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; and
- compliance with the criteria of independence under the Listing Rules for the appointment of an Independent Non-executive Director.

If the Board recognises the need to appoint a new Director subject to the provisions of the Company's Bye-laws, the Nomination Committee would generally adopt the following procedures:

- the Nomination Committee, with or without assistance from external agencies, will identify candidates in accordance with the selection criteria and factors including such other factors as may be considered by the Nomination Committee from time to time;
- the Nomination Committee will consider and evaluate the merits of each identified candidate;
- the Nomination Committee will recommend the candidate(s) considered most suitable for the Board's consideration and, if the Board deems fit, appointment as a Director in accordance with the Company's Bye-laws;

## Nomination Committee Report *(Continued)*

### Roles and Responsibilities *(Continued)*

#### *Nomination Policy (Continued)*

- the Board will decide on the appointment based upon the recommendation of the Nomination Committee; and
- the Company Secretary shall ensure all disclosure obligations under the Listing Rules regarding the appointment are duly complied.

In considering the re-appointment of any existing member(s) of the Board, the Nomination Committee shall review the retiring Director's overall contribution to the Company as well as the selection criteria set out in the Nomination Policy and the Board Diversity Policy. The Nomination Committee will then make recommendations to the Board for its consideration, with the Board determining whether to recommend the proposed Directors for re-election at the annual general meeting.

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.

During FY2024, the Nomination Committee concluded that no further change to the Nomination Policy was needed.

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

#### *Board Diversity Policy*

The Board Diversity Policy sets out the approach to achieve diversity on the Board. The Company believes that a diverse board will include and make good use of a broad range of skills, experience, background and technical knowledge. The diversity will be harnessed so that the Company can continue to make sound business decisions and enhance the quality of its performance, and to provide strong and insightful governance.

With a view to achieving a sustainable and balanced development, the Company makes diversity in the Board an essential element in its corporate strategy. In designing the Board's composition, diversity is 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. Due regard is given to the benefits that each diversity aspect may have for the Board.

To ensure the effectiveness and relevance of the Board Diversity Policy, the Nomination Committee will review it annually. It will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

During FY2024, the Nomination Committee concluded that no further change to the Board Diversity Policy was needed.

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. The Nomination Committee was satisfied that the current composition and size of the Board are appropriate for the time being and will continue to identify suitable candidates to enrich the Board's skills and diversity to strengthen the Board's capability and support its strategic decision-making.

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

## **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 FY2024**

The Nomination Committee had held one meeting during FY2024. The work performed by the Nomination Committee during FY2024, included, but not limited to, discussing the following:

- structure, size and diversity of the Board;
- Board Diversity Policy;
- Nomination Policy;
- independence of the Independent Non-executive Directors;
- re-election of retiring Directors at the 2024 AGM;
- succession planning for the Directors; and
- mechanism that independent views and input are available to the Board.

The Nomination Committee was also satisfied with the Board's diversity in terms of independence, skills, industry and professional experience, cultural and educational background as well as the length of service of the Board members. As for the gender and age composition, the Nomination Committee considered that enhancement of gender and age diversities should be beneficial to the Group's sustainable development.



## 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 making recommendations to the Board. The Remuneration Committee reviews the emoluments of Executive Directors and senior management based on skills, knowledge and performance, together with reference to the salaries paid by comparable companies, time commitment and responsibilities, the prevailing market conditions, the financial performance of the Company, employment conditions elsewhere in the Group, and the desirability of performance-based remuneration linking rewards to corporate and individual performance. In addition, the Remuneration Committee is also responsible for reviewing and approving matters relating to the share schemes under the Listing Rules.

### 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 FY2024

The Remuneration Committee had held two meetings during FY2024. The work performed by the Remuneration Committee during FY2024 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;
- proposed annual salaries increment for Executive Directors and senior management;

- performance-related remuneration packages for Executive Directors and senior management, including the grant of share options to a member of the senior management under the Share Option Scheme, and the grant of share awards to Executive Directors and senior management under the Share Award Scheme subject to achievement of certain targets for FY2025. The management bonus and long-term incentive awards for Executive Directors and senior management, which are linked to corporate and individual performance, and the financial performance of the business for which they are responsible, have been reviewed and approved by the Remuneration Committee; and
- adoption of the 2023 Share Option Scheme and the 2023 Share Award Scheme.

The Remuneration Committee also reviewed and approved the grant of awarded shares to the management staff (who are neither Executive Directors nor senior management) under the 2011 Share Award Scheme during FY2024.

There is no vesting period, performance target or clawback mechanism attached to the share awards granted to the management staff under the 2011 Share Award Scheme during the year.

The Remuneration Committee is of the view that the absence of a vesting period and any performance targets for the awards granted to the management staff is appropriate considering that the grant of the awarded shares to the management staff serve as a recognition of their past contribution to the Group based on the overall business performance achieved or outstanding performance in the preceding financial year, and incentivise them to continuously contribute to the operation, development and long-term growth of the Group.

The Remuneration Committee also believes that even without a clawback mechanism, the grant of the awarded shares could retain such management staff to continue serving the Group whilst at the same time providing these employees incentive in achieving the goals of the Group, which is in line with the purpose of the Share Award Scheme and aligns the interest of the management staff with that of the Company and its shareholders.

# Corporate Governance Report

## Remuneration Committee Report (Continued)

### 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 of the respective Board committees. The review of the Directors' fees is also conducted with reference to, among other things, the average annual remuneration of directors of similar listed companies in Hong Kong as well as the other major manufacturing companies.

The Non-executive Director and Independent Non-executive Directors receive no compensation from the Company other than the fees for the Directors disclosed below.

The last revision of the Directors' fees from the year ended 31 March 2022 was approved by the 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	35,000
<b>Audit Committee</b>	
Chairman	10,000
Member	5,000
<b>Nomination Committee</b>	
Chairman	5,000
Member	3,000
<b>Remuneration Committee</b>	
Chairman	5,000
Member	3,000

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 three Executive Directors, one Independent Non-executive Director, the President of Telecommunication Products, 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 any significant findings to the Audit Committee twice a year.



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 ("BCP") in the event of disruption. 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 twice a year.

### 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 FY2024

The Risk Management and Sustainability Committee had held two meetings during FY2024 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 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 FY2024** (Continued)

During FY2024 and up to the date of the 2024 Annual Report, the Risk Management and Sustainability Committee reviewed and approved the 2024 Sustainability Report, which informs the Group’s stakeholders of its sustainability strategies and activities, and the performance progress against its sustainability targets and five-year Sustainability Plan 2025. The relevant disclosures in the 2024 Annual Report have also been reviewed by the Risk Management and Sustainability Committee before recommending them to the Audit Committee for consideration and approval. The Risk Management and Sustainability 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 to 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>Provide regular trainings for staff who are responsible for ensuring compliance with the relevant laws and regulations;</li> <li>Take appropriate legal measures to protect technological know-how and trade secrets, apply for and register IP Rights protection.</li> </ul>
	<p>Patents, trademarks, designs, copyrights (collectively Intellectual Property Rights (“IP Rights”)): VTech not only needs to protect the IP Rights for the products developed by the Group, but also to ensure that it does not infringe the 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>In FY2024, VTech implemented a comprehensive Endpoint Detection &amp; Response solution that leverages AI and behaviour models to strengthen real-time threat detection and response capabilities. Additional fit-for-purpose security monitoring controls are also in place to proactively enhance infrastructure security while maintaining business productivity. These cover our network gateways, computing devices and business systems;</li> <li>Engage external professionals to conduct cyber security audit and deep-dive review of 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 claims, 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 FY2024** (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 the US bring political uncertainties and the cost of products manufactured in China is increased as a result of the tariff imposed by the US.</p>	<ul style="list-style-type: none"> <li>• In addition to the manufacturing facilities in China, Malaysia and Mexico, the Group continuously expands its global footprint of manufacturing site strategically outside Asia.</li> </ul>
	<p>International Sanctions and 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 (e.g. inflation in consumables and commodities) and expose the Group to potential liabilities and criminal penalties.</p>	<ul style="list-style-type: none"> <li>• Closely monitor the development and assess the potential impacts of trade embargoes and sanctions on the Group’s business. Relevant parties within the Group regularly access the official sources to obtain the latest trade embargoes and sanctions list in order to avoid having business transactions and dealings, directly or indirectly, with sanctioned entities or in sanctioned territories.</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 events 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 to ensure the plan is in place.</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 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 optimise 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 FY2024** (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
 <b>Operational</b>	<p>Human Resources Management: Due to the ever-changing market environment and the technological innovation requirements 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 the working environment, including precautionary measures to protect the health and safety of employees in a 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>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 five-year Sustainability Plan 2025 with projects and initiatives in place to minimise its impact on the environment and mitigate 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 42 to 46 of the 2024 Sustainability Report.</li> </ul>



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

**Highlights of the Committee’s Work in FY2024** (Continued)

Major Risks	Risk Description	Risk Mitigation Measures
 <p><b>Financial</b></p>	<p>Credit Risk: This 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>	<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> </ul>
	<p>Currency Risk: This is mainly arising from the sales and purchases that are denominated in 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>	<ul style="list-style-type: none"> <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 24 to the consolidated financial statements.</li> </ul>
	<p>Inventory Risk: The Group’s production schedule is based on customer orders and forecasts, taking into account historical trends, results of market research and current market information.</p> <p>As actual orders are affected by consumers’ acceptance of products, strength of competing products, changes in buying patterns of consumers as well as the overall economic conditions, unexpected changes in these factors may result in excess inventory.</p>	<ul style="list-style-type: none"> <li>• The Group actively monitors its inventory position and assesses the net realisable value of slow moving and excess stocks with reference to latest sales forecasts, anticipated future selling prices and the stock ageing report. Stocks are written down to their net realisable value where this falls below their cost.</li> </ul>

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

**Highlights of the Committee’s Work in FY2024** (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> <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>• The Group has implemented a comprehensive quality management system framework with quality assurance policies and procedures in place to monitor product quality and reliability, starting from the product development stage, on an on-going basis. These include inspection of incoming materials, quality audits in the manufacturing process, quality evaluation of finished products and after-sales quality management;</li> <li>• All VTech’s manufacturing facilities are certified with ISO 9001, which ensures our products are of the highest quality standard.</li> </ul> <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 transactions, leakage of confidential information, non-compliance with the Group’s policies and regulatory requirements, which 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 audits 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 FY2024 (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 active monitoring on the progress of the improvements 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 Chief Executive Officer of Contract Manufacturing Services, the President of Telecommunication Products, 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 to ensure compliance with the latest privacy ordinances and data protection regulations in the various jurisdictions in which the Group operated during FY2024 and up to the date of the 2024 Annual Report. It has also reviewed the progress of implementation of the data breach preventive measures, system technology enhancement and staff trainings for mitigating the Group's exposure to cybersecurity risks and meeting the industry standards.

During FY2024 and up to the date of the 2024 Annual Report, the Risk Management and Sustainability Committee has reviewed and approved the meeting minutes of the Data Security Governance Board.

### Overall Risks Assessment

Based on the risk assessments prepared by the process owner of each function and the respective management teams, the Risk Management and Sustainability Committee considered that for FY2024:

- An ongoing process is in place for identifying, evaluating and monitoring the major risks faced by the Group and functioning effectively; and
- Risk mitigation measures have been developed to ensure that the major emerging and existing risks are identified and reported to the Risk Management and Sustainability Committee are managed effectively to mitigate the risks of disruption to 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	FY2024 Score
Hang Seng Corporate Sustainability Benchmark Index	AA+
FTSE4Good Global Index	4.0
MSCI ESG Rating	AA