



**MODERN SLAVERY AND  
TRANSPARENCY IN SUPPLY CHAINS STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2020**

We make this statement to set out the steps we have taken to address the risk of modern slavery and human trafficking in our business operations and supply chains during the financial year ended 31 March 2020 (FY2020). This statement is made in accordance with UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act of 2010 in respect of VTech Holdings Limited (the ultimate parent company in the VTech Group), VTech Electronics Europe Plc, VTech Communications Limited (UK) and Leap Frog Toys (UK) Limited (the UK subsidiaries in the VTech Group), and VTech Electronics (Australia) Pty Limited and VTech Telecommunications (Australia) Pty Limited (the Australia subsidiaries in the VTech Group) (together referred as we, us, our, VTech). This statement is also voluntarily published under Australia Modern Slavery Act 2018.

**Our Organisation**

VTech is the global leader in electronic learning products from infancy through toddler and preschool, and the largest manufacturer of residential phones in the US. It also provides highly sought-after contract manufacturing services.

Our product lines include electronic learning products (ELPs), telecommunication (TEL) products, and contract manufacturing services (CMS). VTech currently has operations in 14 countries and regions including its headquarters in the Hong Kong Special Administrative Region and state-of-the-art manufacturing facilities in China and Malaysia.

In FY2020, VTech had approximately 26,000 employees, including around 1,600 research and development (R&D) professionals in R&D centres in the United States, Canada, Germany, Hong Kong, Taiwan and China.

Over 77% of our major suppliers are from the local industries in China including



the manufacturers of printed circuit board and other electronic components.

## **Our Approach**

We strongly oppose and have no tolerance for child labour, modern slavery or human trafficking in our supply chain or in any part of our business. We are also committed to respecting the labour and human rights of all our employees. To ensure we can fulfil our commitments and meet our statutory obligations, we design and implement policies, procedures and governance measures to prevent child labour, slavery and human trafficking in our business operations and supply chains. These policies were in place and cover all entities within the VTech Group in FY2020.

## **Our Policies and Governance**

### *Ten principles of the UN Global Compact*

We adhere to and implement policies that are coherent with the 10 UN Global Compact principles, in relation to the protection of human rights and the elimination of forced labour and child labour.

### *Code of Conduct*

Our Code of Conduct spells out the guiding principles for maintaining our high standards of integrity, honesty and employees behaviour, that all employees are expected to meet. We also provide regular training for our employees on the Code of Conduct.

Employees are required to confirm, on joining and then annually, in writing, that they have understood the Code of Conduct and how it applies to their role and position in VTech. Employees are required to strictly follow the Code of Conduct ensuring the Group operates to the highest standards of business behaviour and ethics in our engagement with customers, business partners, shareholders, employees and the business community.

### *Freely Chosen Employment*

We do not use forced or prison labour. We ensure that the terms of employment



are voluntary. Our employees work at VTech of their own free will and are free to leave the company upon reasonable notice under the relevant company regulations. We do not require employees to lodge deposits or hand over passports or work permits as a condition of employment, unless required by applicable law.

#### *No Child Labour*

We comply with all appropriate local and international regulations in relation to the restrictions on the employment of child labour.

#### *Freedom of Association*

We ensure our employees have the freedom to join any organisations or professional bodies of their own choices.

#### *Anti-slavery*

Modern slavery and human trafficking is not tolerated in VTech. We are devoted to combating modern slavery and human trafficking, and committed to respecting and treating our employees with dignity. We do not tolerate any forced labour and we do not accept any physical and financial punishment for employee wrongdoing.

#### *Benefits and Wages*

We ensure that the remuneration and benefits for our employees comply with or exceed the minimum legal requirements of the country where employees are employed. We do not make any deductions from wages as a disciplinary measure. Since the regulations of law enforcement for some of the sites that we operate are not fully established, collective bargaining in these sites could not be comprehensively attained. However, we strive to engage with our employees and understand their needs through different communication channels, and we conduct regular communication meetings to create direct dialogue with our employees.

#### *Overtime Policy*

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



### *Equal Opportunity and No Discrimination Policy*

We ensure that our hiring, compensation, training, promotion, termination and retirement policies and practices do not discriminate on the grounds of age, sex, marital status, race, religion, disability or any other non-job related factors. Remuneration is determined with reference to performance, qualifications and experience.

### *Harassment and Abuse*

We do not tolerate any physical, sexual, psychological or verbal harassment or abuse towards our employees.

### **Verification**

VTech strives to establish and maintain close working relationships with its suppliers. Our employees visit the factories and facilities of the suppliers before we decide to do business with them. VTech therefore does not rely upon third parties to verify its product supply chains in order to evaluate and address risks of slavery and human trafficking

### **Auditing**

VTech has a supply chain management system in place to monitor the quality of our suppliers as well as their ethical performance. To ensure that modern slavery and human trafficking is not taking place in our business operations and supply chains, we conduct a supplier survey. Prior to placing any orders with the supplier, our suppliers are required to confirm their commitment to corporate social responsibility (CSR) and human rights protection. This is reviewed by our procurement team and each supplier is given a risk category rating.

All new suppliers need to go through a comprehensive supplier audit to ensure they meet VTech's CSR standards. Our audits are conducted by VTech employees who have been trained to recognise and report non-compliance. Following the audit process, if there are any areas of non-compliance identified



in the supplier's factories, we collaborate with the supplier to develop a corrective action plan. The supplier is required to propose corrective actions with an implementation schedule in order to eliminate the identified deficiencies. Our teams follow up the corrective actions to ensure that the areas of non-compliance have been improved and managed accordingly. We also provide training to suppliers on continuous improvement processes to facilitate their implementation of any corrective actions.

In FY2020, we audited 116 suppliers on their CSR performance including topics on modern slavery. We do not tolerate forced labour, child labour, and human trafficking in our supply chain. If any issues are identified and not resolved in accordance with our requested time frame for any suppliers, we shall terminate the business relationship with them. In FY2020, all audited suppliers passed the CSR audit. We also continue to work closely with our suppliers to further improve their social and working conditions.

### **Certification**

While VTech does not require its suppliers to certify that materials incorporated into their products comply with the slavery and human trafficking laws of the countries where they are doing business, VTech's standard purchasing agreement includes requirements that our suppliers need to comply with all applicable laws, including laws that govern slavery, human trafficking, and other exploitative labour practices. VTech will cease business with a supplier who is found to have any form of modern slavery or forced labour in its supply chain.

### **Internal Accountability**

All VTech employees are required to comply with our written, company-wide Code of Conduct, which promotes honest and ethical conduct, as well as legal and regulatory compliance. VTech's Code of Conduct requires all employees to follow all applicable laws, including those prohibiting forced labour or human trafficking.



Any issues or enquires raised by our employees through different communication channels will be handled and investigated by the company with care and in a confidential manner. All reports under the Whistleblowing Policy are reviewed by the Group's Audit Committee on a biannual basis in order to ensure proportionate action and identify the need for any further policy development.

### **Training**

We have procedures in place to ensure that our policies are properly implemented throughout the VTech Group. Apart from conducting employee interviews and surveys, on-site visits and audits on a regular basis, we also provide training on human right for our employees and suppliers. In FY2020, we delivered over 66,000 hours of human right training for our employees.

VTech's employees that engage with suppliers are expected to report any potentially unlawful or unethical conduct that comes to their attention, including the presence of slavery or human trafficking in VTech's supply chain. Under VTech's Whistleblowing Policy, any such case will be promptly and appropriately investigated.

We have also arranged a supplier CSR workshop for our key suppliers focusing on enhancing their knowledge of supply chain CSR management and social responsibility practices, including topics on elimination of forced labour and child labour, and human trafficking.

This statement has been approved by the Risk Management and Sustainability Committee of VTech Holdings Limited for the year ended 31 March 2020.

**Allan WONG Chi Yun**

Chairman and Group Chief Executive Officer  
VTech Holdings Limited

25 September 2020