

VTech CMS Procurement Policy

As one of the world's largest EMS provider, VTech CMS not only provide world class full turnkey manufacturing services, but also provides comprehensive electronics design and product management services to the global original equipment manufacturers (OEMs) of wireless equipment, LED lighting, energy conversion systems, professional audio, home appliances and medical devices.

VTech CMS Procurement organisation is present in Hong Kong, China, Malaysia, Singapore and U.S.

- We manage a spend of approximately USD 700 million per year to support our business operations and our approach is to source from suppliers that are best-in-class in their respective category of supply (of products or services) and contributing to the goal of optimum total cost of ownership
- We actively manage our global supplier base and ensuring our partners meet high standards of quality, cost, delivery, service and technology excellence through the use of a consolidated supplier performance scorecard.
- We standardise our engagement with all our partners through signing of the Master Purchase Agreement that provides transparent terms, conditions & requirements.
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- We practice Sustainable Supply Chain Management where we manage our supply chain in a socially and environmentally responsible manner and source from approved suppliers who meet VTech's Corporate Social Responsibility requirements

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- We require our partners to comply with our Code of Conduct to ensure an open and impartial business opportunity and to create a long-term, stable and healthy business relationship that is beneficial to all parties.

[Code of Conduct Agreement](#)

- We select and develop key strategic suppliers to consolidate spend and supply base. Strategic suppliers are selected based on evaluation against a stringent list of criteria of quality, delivery, business development, engineering and financial. They will be the default candidate for new project business RFQ in the relevant categories and must be able to perform to or above measurement. They will be able to tap on the growth that is in line with VTech CMS's success rate.
- We conduct regular business reviews with our suppliers to ascertain that the collaboration at the strategic, tactical and operational level continue to be relevant to the business needs of both parties, so as to achieve a mutually beneficial business outcome.
- We engage our partners through annual supplier summit to highlight our business performances, strategies and goals as well as collaboration framework & goals with our partners.

1. BASIS OF PURCHASE

1.1 The Seller shall from time to time inform the Buyer of the product category for the products (“Products”) so as to determine the applicable cancellation and rescheduling rules referred to the agreement between Buyer and Seller.

1.2 The Buyer shall on a regular basis, furnish to the Seller a rolling forecast indicating its demand for the following three (3) months. Such forecast shall be non-binding and is for capacity planning purpose only and without any obligations for Buyer. Buyer will not be liable for Seller’s investments in production capacity or other production commitments.

1.3 Prices (“Pricing”) to be paid by Buyer for the Products shall be as shown in the relevant pricing agreement(s) to be entered into by the Parties and shall remain in effect during the Term of this Agreement. Seller cannot vary the Pricing without the prior written consent of Buyer and shall be required to deliver the Products. Seller’s refusal to follow such Pricing or deliver the Products accordingly will constitute a breach of its obligations under this Agreement, enable Buyer to terminate this Agreement/ Individual PO and/or to claim damages hereunder.

1.4 The Buyer, its Affiliates or any third-party contractor authorized by Buyer is/are entitled to issue a purchase order or blanket purchase order (“BPO”) based on the Products’ leadtime subject to the terms and conditions set out hereof. Agreement by Seller to furnish the Products or its furnishing such Products in whole or in part or the commencement of work by Seller with reference thereto shall constitute acceptance by Seller of such purchase order or BPO subject to terms and conditions hereof. Seller’s acceptance of any of such purchase order or BPO shall constitute an individual legally binding purchase order (“Individual PO”) subject to the terms and conditions of this Agreement.

1.5 Buyer utilizes e-Procurement for all Individual PO. Buyer will require Seller to obtain a license from e-Procurement service provider to utilize the e-Procurement tool. Seller shall be solely responsible for all payments and obligations that may arise in connection with Seller’s license or use of the e-Procurement tool.

1.6 Where a Seller is supplying Buyer with electrical components, on an individual basis, these date codes must be within 2 years of the date of manufacture. Where date codes are greater than 2 years the Seller shall not ship without Buyer’s prior approval. For assemblies which may contain components with date codes of greater than 2 years Buyer assume that the Seller has completed due diligence prior to using these components

1.7 Seller shall not ship a product to Buyer where less than 75% of the total shelf life remains without prior notification and approval.

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2. DELIVERY

2.1 Delivery Conditions

Seller will comply with all terms and conditions for delivery set forth in the Individual PO. Unless expressly agreed otherwise in writing, all Products will be delivered DDP named place (as defined in the latest version of the Incoterms).

2.2 Timely Delivery

(i) Delivery instruction (DI) will be issued 7 days in advance of delivery date

(ii) The Seller acknowledged and agreed that time is of the essence of this Agreement and each Individual Order. If the delivery date is defined (a) by day, Seller shall not deliver more than 2 days earlier; (b) by week, Seller shall deliver within the agreed delivery week.

(iii) In case Seller cannot adhere to the agreed delivery date, it shall without delay inform Buyer and indicate the prospective duration of the delay, set forth the reasons for the delay (actual or potential), the steps being taken to remedy the delay, and the schedule that Seller believes it will be able to meet. Such notice shall not relieve Seller of any responsibilities in this Agreement. If Seller is in delay for deliveries, Buyer may, at its own absolute discretion on case-by-case basis, grant Seller a reasonable grace period. Upon the expiry of the grace period, Buyer may either (a) cancel the Individual PO relating to the delayed Products without further obligations to the Seller, (b) reduce prices of the Products delivered late by 1% for each one day of delay in delivery, and/or (c) claim for the damages and losses, either direct or indirect, due to the delay. Any acceptance of the delivery of the Products shall not constitute a waiver of the Buyer on such right.

(iv) Partial deliveries or delay will not be accepted without the prior agreement in writing of the Buyer. In the event that Seller fails to notify Buyer of any delay, Buyer may at its sole discretion require Seller to pay to Buyer a compensation at a rate of one percent (1%) for each day of delay of the price of the Products for which delivery was delayed. Such compensation shall be payable by Seller and Buyer shall not be obliged to demonstrate to Seller any actual damage as a result of the delay in delivery. Buyer shall be entitled to issue an invoice to Seller for the payment of aforementioned compensation or to deduct the penalty from any outstanding invoice of Seller under this Agreement. Upon written request by Buyer, Seller shall provide Buyer with a credit note in the amount specified, or Buyer may issue a debit note. The payment of any compensation by Seller shall not discharge Seller of its obligation to supply the Products or of any other obligation or liability under this Agreement or any Individual PO accepted by it.

(v) Seller shall be responsible for all damages of any kind incurred or suffered by Buyer which were caused by a delay of Seller in meeting delivery schedules. Seller shall also be responsible for all premium logistics cost resulting from Seller's inability to meet delivery schedules, including costs incurred in getting Products to Buyer.

2.3 Overshipment

Buyer will pay only for maximum quantities ordered under Individual PO. Overshipment will be held at Seller's risk and expenses for a reasonable time awaiting shipping instructions from Seller. Return shipping charges for excess quantities and any other charges incurred in relation thereto will be at Seller's expense.

2.4 Rescheduling and Cancellation

(i) Buyer may cancel and or reschedule an Individual PO subject to agreed cancellation window and rescheduling window.

(ii) If Buyer cancel the Individual PO, Seller should keep the Products for another 90 days before invoicing Buyer per liability agreement.

(iii) If Buyer cancel or reschedule standard/commodity Products, it will not have liability. For customized/unique Products, Buyer and Seller will define on a case-by-case basis, the applicable cancellation and rescheduling window. Customized/unique Products shall include only those which Seller specifically designates as such in its quote to Buyer and/or build to Buyer's technical specifications.

2.5 Acceptance

All deliveries of Products shall be subject to inspection and shall not be deemed to have been accepted until the Buyer has furnished the Seller with a formal acceptance notice. Any Products rejected by the Buyer shall on the request of the Buyer be taken back by the Seller without delay and at its entire cost and the Buyer shall be entitled to charge the Seller for storage of the rejected Products prior to their recovery by the Seller. Returned Products shall be rescreened, reworked or replaced by the Seller at no additional cost to Buyer. Seller's delivery of non-conforming Products constitutes late delivery and a breach of this Agreement and Buyer shall have all rights and remedies as otherwise stated herein.

2.6 Sub-Contractors and third party contractors

(i) Buyer may appoint a third party to handle logistics, administration, integration, assembly or other activities relating to the Products and Seller shall provide all such assistance as Buyer may require in connection with such activities, on conditions to be agreed in good faith between the Parties.

(ii) Buyer may assign its rights to receive Products under this Agreement to any third party contractor who performs contract work for Buyer and shall notify Seller of any such appointment, in writing. Such third party contractor(s) may place orders directly to Seller, for its/their own account. The provisions of this Agreement shall apply to any Individual Order placed by such third party contractor provided that, Buyer shall not be liable for any damages of whatever nature and howsoever caused by either Seller or any such third party contractor within the context of their relationship.

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3. PAYMENT

3.1 Payment Terms

- (i) Unless otherwise agreed to in writing by the Parties, invoices shall be paid ninety (90) days end-of-month from the later of the date on which Buyer receives
 - (a) A correct invoice that contains the Individual PO number, item number, description, quantity, unit price and extended totals at a minimum; or
 - (b) The Products described in such invoice

- (ii) Invoices raised without a corresponding Individual PO shall be rejected

3.2 All payments are made conditional upon acceptance by Buyer for the materials, products or service ordered under the Individual PO.

3.3 Invoices for special tooling and moulds will not be paid until production pieces are approved by Buyer.

3.4 If the payment condition is by L/C, the Individual PO is only valid when the L/C is issued by the Buyer.

3.5 Seller agrees that Buyer shall have the right to set-off any amount which may become payable by Buyer to Seller under this Contract, or otherwise, against any amounts which Seller may owe Buyer.

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4. QUALITY

4.1 Management Systems

Seller must establish and maintain a documented quality management system which is certified, where possible, to the most current revision of ISO 9001 by an accredited 3rd party registrar. Industry specific registrations and regulations may also be required. Buyer may grant exceptions to this requirement pending specific circumstances.

4.2 Quality Plan

A quality plan should be established for each Product supplied to Buyer. This quality plan shall include all requirements for controlling the quality of the Product. These requirements may include (but are not limited to) incoming inspection, process controls, in process inspection, final inspection, equipment and product validation, verification of personnel training, qualification and competence, testing, packaging, and shipping. These quality plans shall be reviewed and updated on a regular basis to take into account any changes to the product, corrective actions implemented, etc. They shall also be available for Buyer to review upon request.

4.3 Process Control

Buyer believes that placing more emphasis on process control than just product quality will ultimately provide a product that consistently meets the requirements. In order to develop a world-class process, a complete evaluation shall be carried out to determine capability and stability of the process performance. Appropriate methods shall be put in place to control the processes.

As part of an effective Process Control Plan, Seller should use one or more of the following tools or techniques: process flow charts, process failure mode and effects analysis (PFMEA) and similar tools, control plans which identify all critical part features and key characteristics according to design documentation and critical process parameters, gage repeatability and reproducibility (GR&R) on all measurement equipment used for quality decisions with GR&R <20%, statistical process control (SPC) on all critical processes with minimum Cpk=1.33, clearly defined procedures to deal with out of control conditions, and any other applicable tools. Seller will make their internal process performance results available for review upon request. Continuous improvement goals or targets should also be established for process performance.

4.4 Control of Non-conforming Material

Seller shall have a formally documented process for the control of nonconforming material. This process shall include procedures and methods for the following:

- (i) Clear identification and labelling of nonconforming material
- (ii) Purge and physical segregation of nonconforming material from acceptable material
- (iii) Quarantine and securing of nonconforming material to prevent accidental use
- (iv) Prevention of shipment of nonconforming material
- (v) Responsibility and authorization for disposition of nonconforming material

- (vi) Feedback into the Buyer continuous improvement process.
- (vii) Notification to the Buyer of non-conforming material that has shipped immediately after the issue is identified

Seller shall not knowingly ship nonconforming material to Buyer without concession and written approval from an authorized Buyer representative. Material shipped with approval may require additional documentation and labelling upon shipment.

4.5 Quality Records

Seller's record retention will be in accordance with their Quality Management System or as defined by the customer requirements.

4.6 Corrective Action Process

Seller should provide corrective and preventive action (CAPA) responses that address the problem root cause upon receiving a formal Buyer complaint or upon receiving a Supplier Corrective Action Request (SCAR). This should include documented root cause analysis tools and investigation details. Upon receipt of a formal complaint or SCAR, Seller should initiate immediate containment actions and report these to Buyer in a preliminary response within 48 hours. A Seller documented CAPA Plan must then be generated and submitted to Buyer within 10 working days, unless otherwise justified and mutually agreed. CAPA Plans shall include the committed dates for completing the specific actions and the name of the individual responsible. Be specific to the changes or corrections made (e.g. processes, equipment, staffing, and etc.). Any training solutions must include employee attendees, subject matter used, trainer name, and date of the training.

Corrective and Preventive action effectiveness shall be verified and documented by the Seller after implementation.

4.7 Lean Manufacturing, Six Sigma and Continuous Improvement

Buyer encourages our Seller to engage in lean manufacturing and six sigma practices. We encourage our Seller to pursue 5S, continuous improvement models, and use of six sigma tools such as DMAIC which result in cost take downs and improved quality. Buyer highly encourages our Seller to seek training and certifications in these practices and are willing to provide our Seller with training and guidance in these areas as resources permit.

At a minimum, Seller should have continuous improvement programs in place and that staff and operators shall be trained in continuous improvement techniques that emphasize root cause analysis and preventive based processes.

4.8 Buyer Audits

Buyer and its customers shall have the right, following reasonable notice to the Seller, to audit the production facilities and quality control procedures of the Seller during normal business hours, both

prior to the first delivery of the Products under this Agreement and periodically thereafter, in order to assure compliance with the requirements of this Agreement and other standard industry practices and procedures. In the event it is discovered that the procedures applied are insufficient as to ensure consistent acceptable quality, then reasonable corrective measures shall be taken by the Seller without delay.

Seller with the needed support of Buyer shall develop and agree upon an action plan to promptly address and resolve any deficiencies, concerns and/or recommendations arising out of any audit, and Seller, at its own expense, shall undertake remedial action and resolve any deficiencies in accordance with such action plan and the dates specified therein.

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5. WARRANTIES

5.1 Notwithstanding any inspection, acceptance or delivery of the Products by the Buyer pursuant to this Clause, the Seller warrants and undertakes to the Buyer the followings: -

The Seller has good and marketable title to the Products free of any third party rights, interests or other encumbrances, including retention of title rights.

The Products are of good and merchantable quality, free from latent or patent defects, and are fit for the purpose for which goods of that description are commonly used and/or made known to the Seller.

The Products are genuine. None of the Products supplied under this Agreement are fake or counterfeited.

The Products comply with all applicable statutory requirements and do not infringe any patent, trademark or other intellectual property rights.

5.2 Without prejudice to and in addition to the warranties given above, the Seller further warrants that the Products delivered shall be new and free from defects, whether latent or patent, in design, materials and workmanship for a period of 12 months after acceptance by the Buyer. If Products furnished under this Agreement contains one or more manufacturer's warranties, Seller hereby assigns such warranties to Buyer and to Buyer's customers to the extent permissible. All warranties shall survive inspection, acceptance and payment. The Seller undertakes to replace any defective Products, spare parts and components or, at the election of the Buyer, make good all defects in the Products as soon as possible free from all costs to the Buyer including transport charges.

5.3 Buyer's Remedies

If the Products do not comply with the warranties set forth in Clause 5.1 & 5.2, Buyer may then elect to have the Products:

- (i) returned to Seller for repair or replacement;
- (ii) repaired or replaced by Seller in the field;
- (iii) repaired or replaced by Buyer in the field, including Products in distributor inventory and Buyers' installed base;
- (iv) returned to Seller in exchange for a full refund of the Price paid under this Agreement;
- (v) repair the Product(s) or cause the Product(s) to be repaired by any third party at Seller's sole risk and expense in case the Seller fails to repair or replace the Products within a reasonable time period specified by Buyer; or
- (vi) sourced from alternative Seller(s).

5.4 Seller shall bear all cost of repair, replacement and transportation of the nonconforming Products, and shall reimburse Buyer in respect of all costs and expenses (including, without limitation, inspection, handling and storage costs) reasonably incurred by Buyer in connection therewith, including the cost of sourcing from alternative Seller(s). If Seller agrees that Buyer performs the repair, Seller shall provide Buyer free of charge with any replacement Product or upgrade necessary, and shall reimburse Buyer for all costs relating to such repair, including any related labor costs.

5.5 If Buyer, due to Non-Conforming Products, incurs damages and expenses including but not limited to costs for notification, compensation, stoppages in production, installation and removal work, defect tracing, tests, transport, business trips, labor or impacts on inventory, Seller shall reimburse Buyer such costs and damages. If Buyer has integrated other components with a Non-Conforming Product, and as a result of such integration any/all other components do not function properly or are otherwise affected, Seller shall compensate Buyer the purchase price of such integrated components.

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6. INDEMNITY

6.1 The Seller will indemnify the Buyer, its Affiliates and customers from and against all liability, claims, demands, actions, costs and damages arising out of or in connection with any infringement or alleged infringement or non-compliance with statutory requirements. Without prejudice to the specific indemnity hereinabove mentioned, the Seller will indemnify the Buyer, its Affiliates and customers for all loss, damage or other liability whatsoever arising from the supply of Products under this Agreement, whether arising directly or indirectly from any breach by the Seller of the terms and conditions hereof or from any negligent or wrongful act or omission on the part of the Seller, or its contractors, subcontractors or agents.

6.2 Seller will not make any settlement that affects Buyer's rights or interests without Buyer's prior written approval, which will not be unreasonably withheld. If the use by Buyer or its affiliates, subsidiaries, assigns or customers of any Products furnished under the Individual PO is enjoined ("Infringing Good"), Seller shall, at its own expense, procure for Buyer the right to continue using the Infringing Good. If Seller is unable to do so, Seller shall, at its own expense, either replace the Infringing Good with a non-infringing Good or modify the Infringing Good so that it becomes non-infringing. If Seller is unable to replace or modify the Infringing Good, Seller shall promptly refund in full all costs paid by Buyer for the Infringing Good and cancel any remaining portion of the Individual PO. Exercise of these remedies shall not be exclusive of or without prejudice to any other remedies provided at Law or in equity which are available to Buyer.

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7. CHANGE PROCEDURE AND PRODUCT DISCONTINUATION

7.1 The Seller is entitled to technical change of the Products in so far that such changes do not materially affect the quality, specification or performance of the Products. If such changes in any way affect form, fit or function of the Products, or in connection with manufacturing location, process, machine, material, testing measurement of or other factors which may affect production of the Products hereunder including but not limited to those set forth in Schedule hereto, the Seller shall inform Buyer about such changes in writing by sending a product change notification (“PCN”) ninety (90) days before start of delivery of the altered Products. Buyer reserves the right to cancel the Individual PO before the scheduled delivery date upon receive the PCN.

7.2 Buyer needs immediate notification of the intent to procure material from a Broker or Secondary (Non-Franchised) source. This notification shall include a detailed description of the issue with justification and documentation that supports the change in source. Such purchases must be approved in advance by Buyer and may also require approval from the end customer.

7.3 If a Buyer’s customer requests a change directly from the Seller, the Seller shall notify Buyer for approval before the change is implemented.

7.4 Buyer may at any time, by written direction, make changes in the drawings, specifications, material, processes, quantities, delivery schedules, method of shipment or packaging. Should any such change increase or reduce the cost of, or the time required for performance of, the Individual PO, an equitable adjustment will be made in the contract price or delivery schedule. Any requests or claims for an increase in the contract price or an extension in delivery schedule must be made or asserted in writing within ten (10) working days from the date of such written direction. Failure to agree upon an equitable adjustment shall not relieve Seller from proceeding without any delay in performance under this Contract, as changed.

7.5 Should Seller plan to discontinue the production of Products, of which Buyer has procured from Seller a substantial amount within the last twelve (12) months, Seller shall inform Buyer hereof in writing twelve (12) months prior to the last possible delivery date due to such discontinuance. Buyer may, in order to cover his remaining demand, place orders until six (6) months after receipt of such discontinuation notice at the latest.

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8. CONFIDENTIALITY

8.1 The Non-Disclosure Agreement (NDA) between Buyer and Seller that has been signed continues in full force and effect according to its terms. In any event, the Parties agree that Seller must not disclose any confidential information to third party of all Buyer's Request For Quotation (RFQ), unit price, price structure, lead-time, purchase quantity, end-customer information, forecast, planning, technical specifications, the existence of this Agreement and/or any other sale and purchase relationship between Buyer and Seller, unless such disclosure is approved in advance by Buyer in writing.

8.2 Confidential Information does not include information that: (i) was known by the receiving Party prior to disclosure by the disclosing Party as evidenced by written records of the receiving Party; (ii) is or becomes part of the public domain through no breach of this Agreement; (iii) is received from a third party without breach of any obligation of confidentiality; or (iv) is independently developed by the receiving Party without reference to Confidential Information.

8.3 Each Party shall use Confidential Information of the other Party only for the purpose of performing its obligations or exercising its rights under this Agreement. Neither Party shall, for the duration of this Agreement and for a period of 5 (five) years thereafter, disclose any Confidential Information of the other Party to any third party. Each Party shall protect Confidential Information of the other Party against any unauthorized disclosure in the same manner and with the same degree of care, but not less than a reasonable degree of care, with which it protects confidential information of its own. Seller shall restrict disclosure to those of its employees who have a strict need to know in connection with the performance of this Agreement.

8.4 A receiving Party may disclose Confidential Information to those of its Sub-Contractors but only on a strict need-to-know-basis and to the extent necessary to perform the obligations under this Agreement and provided that such Sub-Contractor has agreed in writing to be bound by the same confidentiality obligations.

8.5 Promptly upon the expiry or termination of this Agreement, or upon the written demand of the disclosing Party, the receiving Party shall return all tangible Confidential Information received from the disclosing Party in connection with this Agreement and shall not retain any copies thereof.

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9. NON-DISCLOSURE OF INDUSTRIAL AND INTELLECTUAL PROPERTY RIGHTS

9.1 Products purchased hereunder shall inclusive of any tooling or moulds in accordance with Buyer's patents, designs, copyrights, trademarks, specifications, drawings, data, confidential information of any nature inclusive of technical know-how and/or in accordance with Buyer's samples (hereinafter collectively called "Industrial and Intellectual Property Rights") shall not be quoted by Seller for sale or sold to others without Buyer's written authorization. Such Industrial and Intellectual Property Rights furnished by Buyer shall be kept confidential by Seller and all ownership thereof shall remain at all times with Buyer. Seller shall not divulge any of the said Industrial and Intellectual Property Rights to third parties and shall not use any of the same in any manner other than for the purpose of performing its obligation pursuant to this Agreement. Seller shall upon expiry or early termination of this Agreement or upon request return forthwith any of the said Industrial and Intellectual Property Rights to Buyer.

9.2 Any special tooling used in the performance of Seller's obligation pursuant to this Agreement and manufactured in accordance with Buyer's Industrial and Intellectual Property Rights and/or the costs of which are charged to Buyer under this Agreement or other orders made pursuant hereto shall at all times be the property of Buyer. Seller shall upon expiry or early termination of this Agreement or upon request return the same to Buyer forthwith and shall at all times be subject to the same obligations as set out in clause 8 herein. All special tooling must be approved by Buyer and if considered by Buyer to be defective and beyond repair or if rejected by Buyer shall be destroyed by Seller or delivered up to Buyer for destruction at Buyer's option and shall under no circumstance be used by Seller for any purpose.

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10. PRIVACY & DATA PROTECTION

Seller undertakes and warrants that it and its personnel involved with the performance of this Agreement shall:

10.1 Process all information in any form relating to an identified or identifiable individual (“Personal Data”) in accordance with all laws and regulations applicable to the Processing, protection, confidentiality or security of Personal Data and all further instructions provided by Buyer with regard to the Processing. When used in this agreement, “Processing” shall mean any operation or set of operations performed by automatic means or otherwise, including, without limitation, the collection, recording, rearrangement, organization, storage, loading, adaptation or alteration, retrieval, consultation, display, use, disclosure, dissemination, removal, erasure or destruction of Personal Data, (“Process” and “Processed” shall be construed accordingly).

10.2 Process the Personal Data appropriately and accurately and only insofar as necessary to provide the Products.

10.3 Not Process the Personal Data for purposes not so authorised or instructed by Buyer

10.4 Implement the appropriate technical and organizational security measures to protect the Personal Data against unauthorized or unlawful Processing, accidental or unlawful destruction or accidental loss, alteration, damage, and unauthorized disclosure or access, and against all other forms of unlawful Processing (including but not limited to unnecessary collection or further Processing).

10.5 Inform Buyer, as soon as reasonably possible, but no later than 24 hours after Seller or any Seller personnel has become aware of any actual or suspected Data Security Breach. As soon as Seller or any Seller personnel has become aware of a Data Security Breach, Seller shall promptly take all necessary and appropriate corrective actions to remedy any deficiencies in its security measures, and take any action pertaining to such security incident required by applicable law and by Buyer. Information on such security measures shall be available upon Buyer’s request. “Data Security Breach” shall mean any attempted or successful unauthorized access, acquisition, use, disclosure, modification, or destruction of Personal Data or interference with system operations in an information system that permits such access, acquisition, use, disclosure, modification or destruction of Personal Data.

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11. SUSTAINABILITY

11.1 Social Accountability

Seller should conduct their business in accordance with the Electronics Industry Citizenship Coalition (EICC) Code of Conduct, and pursue a management system approach to labor, ethics, the environment and health and safety. Seller shall maintain and enforce internal policies and procedures that meet all applicable industrial, labor, environmental health and safety and ethics laws and regulations. Additionally, Seller shall maintain and enforce internal policies and procedures that prevent the use of child or forced, bonded (including debt bondage), indentured, involuntary prison, slave or trafficked labor. Seller hereby agrees and undertakes to observe, respect and comply with at all times the requirements and principles set out in the Undertaking- Corporate Social Responsibility and Environmental Protection, the current version of which is included in Exhibit hereto and is communicated to Seller from time to time. Seller shall upon signing of this Agreement return to Buyer such Exhibit as they signified and confirmed as appended thereof.

11.2 Regulated Hazardous Materials

Seller represents, warrants, certifies, and covenants that it will comply with applicable Regulation with respect to regulated hazardous materials and none of the Products supplied under this Agreement contain minerals or chemicals in violation of Regulation in any jurisdiction to which the Products are to be shipped. Seller shall: (i) if and as requested by Buyer, include with shipments of Products the material composition data related to all homogenous material contained within such Products; and (ii) assist Buyer, as necessary in Buyer's reasonable opinion, in Buyer's attempts to comply with its obligations, if any, under applicable Laws. "Regulation" refers to the following laws and/or regulations on content, packaging, or labeling of Products, Components or substances, and/or similar issues: "RoHS"; "WEEE" when Buyer determines and notifies the same be applicable to Seller; "REACH"; and EU Member State's implementations of the foregoing; the People's Republic of China (PRC) Management Methods for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products; and/or any other mutually agreed PCR; together with implementing regulations and/or administrative rules.

11.3 Conflict Minerals.

Seller shall use due diligence to comply with Conflict Minerals legal requirements. Seller represents and warrants that no Conflict Minerals that originated in the DRC or an adjoining country are present in any Products. Seller shall indemnify, defend, and hold harmless Buyer from and against any and all Claims which arise out of any Seller noncompliance with this Section. Seller shall further assist Buyer with any requests for information, certifications, or other similar documents as Buyer may reasonably request to ensure Products' and Seller's compliance with this Section and shall notify Buyer promptly upon discovering or having reason to believe that any Products fails to comply with the representation and warranty in this Section. "Conflict Minerals" as defined in the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act § 1502(b), implementing legislation and rules.

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12. DISPUTE RESOLUTION

12.1 Any dispute arising out of, or in connection with this Agreement or an Individual PO shall be escalated to senior management of the respective Parties, with the aim of resolving such issue amicably.

12.2 If the Parties fail to resolve the dispute within thirty (30) days from the time a Party first requested for negotiations to settle the dispute, then either Party may serve a notice on the other Party requiring the dispute to be settled by binding arbitration under the applicable rules of the arbitration body. The arbitration body shall be the Hong Kong International Arbitration Centre (HKIAC) and the place of arbitration shall be in Hong Kong at the HKIAC. The arbitration shall be administered by the HKIAC in accordance with the HKIAC Procedures for the Administration of International Arbitration in force on the date of the request for arbitration, including such additions to the UNCITRAL Arbitration Rules as contained therein. Unless otherwise agreed by the Parties or ordered by the arbitral tribunal, each Party to this Agreement shall be made a Party to any arbitration conducted pursuant to this clause. A request for interim measures or equitable remedies, including injunctive relief, by a Party to a court shall not be deemed to be or construed as incompatible with, or a waiver of, this agreement to arbitrate. The arbitral tribunal shall have the authority and power to make such orders for interim relief, including injunctive relief, as it may deem just and equitable. The arbitration shall be kept confidential and the existence of the proceeding and any element of it (including but not limited to any pleadings, submissions or other documents submitted or exchanged, any evidence and any awards) shall not without prior consent by both Parties be disclosed beyond the Parties to the arbitration and their representatives, the arbitral tribunal, the administering institution (if any) and any person necessary to the conduct of the proceeding, except as may be lawfully required whether in judicial proceedings or otherwise in the normal course of business of the Parties.

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13. ASSIGNMENT

Seller may not assign its rights or obligations under this Agreement to any third party. Buyer may freely assign its rights and obligations hereunder, without prior written consent of Seller, to any of its Affiliates or to any third party as part of a divestiture of a significant part of its business. Any Buyer-approved subcontract work shall be subject to the terms and conditions of this Agreement, and Seller in all events shall be responsible for the subcontracted work as if performed by Seller.

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14. TERMINATION

14.1 The Buyer shall be entitled to by way of written notice forthwith terminate all or any part of Individual PO if Seller fails to perform its obligations under this Agreement or Individual PO as specified or at Buyer's absolute opinion fails to make progress to fulfill the obligations under the Individual PO and in accordance with its terms. Buyer shall exercise its absolute discretion under such circumstances.

14.2 In case of Seller's failure to deliver fully conforming Products within the time specified in the Individual PO, Seller will indemnify Buyer, its Affiliates and customers for all losses, damages, costs, expenses and charges it may suffer. Buyer may at its discretion exercise the following rights in respect of the aforesaid non-conforming deliveries (which also include delay, incorrect or missing deliveries, over-deliveries or unscheduled deliveries):

(i) demand Seller to deliver to Buyer the raw materials and/or materials acquired for the purpose of completing the Individual PO as well as the Products and work in progress, whereas Buyer (by itself or via third party contractor designated by Buyer) may complete the work or rework and deduct the cost of such completion/ rework from the price originally payable by Buyer to Seller or alternatively pay to Seller the cost of such raw materials and work in progress;

(ii) procure the raw materials, materials, Products and/or work in progress from alternative third party sources as reasonably required at Seller's expenses, whereby Seller shall be required to pay Buyer the price difference between the price originally payable by Buyer to Seller and such alternative sources; and/or

(iii) claim Seller for additional warehousing and logistics costs arising from non-conforming deliveries.

The above provisions of this paragraph are in addition to any rights of Buyer to terminate (in whole or in part) this Agreement and/or to claim damages.

14.3 Buyer shall have no liability to Seller in the event of termination under this clause and Buyer's exercise of the powers herein shall be without prejudice to its rights against Seller for damages and losses incurred by Buyer.

14.4 The Buyer shall also be entitled to terminate this Agreement or Individual PO immediately without liability to the Seller by giving notice to the Seller at any time if:

(i) the Seller makes any voluntary arrangement with its creditors or becomes subject to an administration order or goes into liquidation (otherwise than for the purpose of amalgamation or reconstruction); or

(ii) an encumbrancer takes possession, or a receiver is appointed, of any of the property or assets of the Seller; or

(iii) the Seller ceases, or threatens to cease, to carry on business; or

(iv) The Buyer reasonably apprehends that any of the events mentioned above is about to occur in relation to the Seller and notifies the Seller accordingly.

14.5 The provisions concerning Seller's warranties and indemnities, confidentiality and the Industrial and Intellectual Property Rights in this Agreement shall survive expiry or early termination of the same.

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15. FORCE MAJEURE, BUSINESS CONTINUITY & DISASTER RECOVERY

15.1 Neither party shall be held responsible for delay or failure of performance to the extent such delay or failure is caused by flood, strike, civil, governmental or military authority, act of God, or other similar causes beyond its reasonable control and without the fault or negligence of the delayed or nonperforming party; provided, however, that the non-performing party: (i) gives the other party prompt notice of the reason for delay or failure of performance; and (ii) takes reasonable steps to mitigate the duration and effect of the delay or failure of performance.

15.2 If any Force Majeure Event prevents or delays the performance or provision of any business critical Products for more than the agreed remedy period, then at Buyer's option:

(i) Buyer may procure such Products from alternative sources. Provided Buyer has not terminated this Agreement pursuant to Clause 16 and Buyer continues to make payment to Seller according to this Agreement and Buyer exerts reasonable efforts to mitigate amounts payable to the alternate source, Seller will be required to directly and timely pay the alternate source the full amount charged by such alternate source for the provision of such Products or similar products to Buyer until such time as Seller restores the Products and fulfills this Agreement and/or Individual PO. Seller's charges under the Agreement after a Force Majeure Event shall be equitably reduced to take into account the portion of the Products not provided by Seller and the portion of the activities that the Seller is not paying an alternate source or provider to perform and deliver for Buyer; and/or

(ii) Buyer shall be entitled to perform or have performed by third party business-critical services to ensure business continuity, unless Seller proposes an alternative accepted by Buyer. In this option, Buyer shall not pay, or be obligated to pay, for any Products not provided by Seller for the duration of such Force Majeure Event.

15.3 In the event of delay or failure of performance for a period of at least fifteen (15) days, the other party may terminate this Agreement or cancel the Individual PO without liability. Seller's liability for loss of or damage to Buyer's material in Seller's possession or control shall not be relieved or modified by this clause.

15.4 Seller should make reasonable efforts to assess the potential impact of risks that could result in a disruption to their normal business operations. Actions to mitigate risks shall be taken where practical. Documented procedures and plans shall be developed to define the responsibilities and procedures for initiating recovery from a disaster event or shutdown of operations. Buyer recommends a formal document that covers the following aspects of business continuity and disaster recovery planning:

(i) Vulnerability Risk Assessments for infrastructure disruption such as utilities, communications, transportation, etc., natural disasters (flood, earthquake, severe weather, etc.), fire, labor unrest or strike, government stability, pandemic, or disasters affecting Seller.

(ii) Recovery Planning Needs - management succession, disaster team, teams tasks and procedures, emergency contact information, recovery planning and crisis communication, and critical IT applications (operations and data backups).

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UNDERTAKING—CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL PROTECTION

To: VTech Communications Limited (referred as “Buyer”)

We, as Seller, have full power and authority to execute this Undertaking and hereby agree to observe, respect and comply with following requirements and principles:

- 1) Child labor is strictly prohibited in all circumstance. The term “child” refers to a person younger than the local legal minimum age for employment or the age for completing compulsory education, but in no case shall any child younger than fifteen (15) years of age (or fourteen (14) years of age where local law allows) be employed.
- 2) Work and employment is in voluntary basis and the workers should be free to leave work or terminate their employment with reasonable advance notice required by local law. We shall not use any forced or involuntary labor, whether prison, bonded, indentured or otherwise. We shall not require monetary deposits or retain identity papers or work permits as a condition of work.
- 3) We shall ensure that all workers are employed legitimately and no slavery, servitude or human trafficking is taking place within our company.
 - a) The term “slavery” refers to the status or condition of a person over whom all or any of the powers attaching to the right of ownership are exercised. The key element of slavery is the behaviour on the part of the offender as if he/she did own the person, which deprives the victim of their freedom.
 - b) The term “servitude” refers to the obligation to provide services that is imposed by the use of coercion and includes the obligation for a “serf” to live on another person’s property and the impossibility of changing his or her condition.
 - c) The term “human trafficking” refers to a person arranges or facilitates the travel of another person with a view to that person being exploited, even where the victim consents to the travel. This reflects the fact that a victim may be deceived by the promise of a better life or job or may be a child who is influenced to travel by an adult. In addition, the exploitation of the potential victim does not need to have taken place for the offence to be committed. It means that the arranging or facilitating of the movement of the individual was with a view to exploiting them for sexual exploitation or non-sexual exploitation.
- 4) We shall provide workers with a safe and healthy workplace in compliance with all applicable Laws ensuring, at a minimum, reasonable access to potable water and sanitary facilities, fire safety, adequate lighting and ventilation. We shall ensure that the same standard of health and safety are applicable to any housing provide for workers.
- 5) We shall respect workers’ freedom of association and right of collective bargaining.
- 6) We shall not allow any forms of discrimination in hiring and employment practices, particularly on the grounds of race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation union membership, national origin, or marital status.

- 7) Workers shall not be subjected to corporal punishment, mental coercion, physical contact, sexual coercion, verbal abuse or the use of gesture, language or graphic materials that are threatening, abusive or exploitive.
- 8) We shall comply with the local regulations of working hours, minimum legal wages and benefits. Overtime must not exceed legal limits and must be freely accepted by workers. Worked overtime and legal paid leave must also be paid according to the local regulation.
- 9) All wages and fringe benefits must be clearly defined and meet legal and industry minimums. Except to the extent permitted by applicable law, deductions from wages as a disciplinary measure are not permitted.
- 10) We shall comply with all applicable local governmental laws, regulations, codes of conduct and international standards in respect of environmental protection and preservation, health and safety.
- 11) We shall have adequate systems in place designed to identify and disclose to Buyer all chemicals in our merchandise, components or materials that are regulated by the governments and/or competent authorities in the regions where they are being used and are deemed hazardous, toxic or carcinogenic. We shall at our expenses obtain, maintain and keep current all required environmental permits, approvals and registrations at all material times.
- 12) To the extent any records or documents may be relevant in determining whether we are complying with the obligations as set out in this Undertaking, Buyer and its authorized representatives shall have reasonable access to such records for inspection and audit during normal business hours include site visit to our offices and manufacturing facilities.
- 13) We undertake to promptly report to Buyer if we fail to observe, respect and comply with the above requirements and principles. We shall indemnify save and hold Buyer harmless from all claims, liability, loss, damages, cost and expenses arising from or in connection with our failure to observe, respect and comply with any of the requirements and principles hereof.

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Code of Conduct Agreement

VTech Communications Ltd. (“VTech”) encourages an open and impartial business opportunity to all suppliers to create a long-term and stable business relationships. In order to create a healthy business environment beneficial to both VTech and suppliers, VTech and your company hereby agree to comply with the below Code of Conduct policy:

1. Suppliers are not allowed to give, offer or promise to offer any bribe (such as Rebates, gifts, red pocket etc.) to any of VTech’s employees under any circumstances.
2. Suppliers’ quotation(s) are to fairly and accurately reflect in the most competitive offer to VTech, without taking into account of any external factors that may affect such fairness or accuracy, such as any business entertainment expenses incurred with respect to or any rebates offered to any of VTech’s employees.
3. To avoid conflict of interest and ensure VTech dealing with Suppliers in an impartial manner, no employee(s) of VTech is/ are allowed to receive any form of rebates, gifts, red pocket for any reasons from suppliers. In case of such situations, please contact VTech management team to report or file complaint immediately
4. If the Supplier, either (i) employs or is owned or partially owned by any staff of VTech or its affiliate companies, or by family member(s)/ relatives of such staff, or (ii) whose major officer(s) or management members have known any such staff and/or his/her family members/ relatives before the start of the business with VTech, the supplier shall be required to declare and disclose to VTech the same in writing in advance.
5. If the major officer(s) or management members of any new supplier(s) which Supplier refers or introduces to VTech is/are family members, relatives or friends of Supplier’s major officer(s) or management members, the supplier shall be required to declare and disclosure to VTech the same in writing in advance.

Violations of any of the above policy may result in:

1. That all business relationship between VTech and Supplier will immediately terminate without compensation or liability to Supplier. VTech may revoke its approval of Supplier as Approved Vendor immediately without further notice to Supplier and blacklist Supplier(s) and not engage them permanently.
2. That the payment(s) payable to supplier(s) for products/ services supplied to VTech shall be cancelled and treated as liquidated damages to VTech in connection with the said violation by supplier(s). VTech will not be responsible for any losses or liabilities with respect to termination of business relationship as mentioned above.
3. That any of staff failing to observe any of this policy will be subjected to severe penalties according to the company policy.

We urge suppliers to cooperate and comply with the above policy. Should you have any questions about this policy or implementation, please feel free to mail the contact below.

23/F, Tai Ping Industrial Centre, Block 1
57 Ting Kok Road, Tao Po, Hong Kong
Attend: Mr. Y.W. Chang, Chief Compliance Officer
E-mail to yw_chang@vtech.com

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