

VTech Group

Anti-Corruption Policy

May 2022

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Message from the Group Chief Compliance Officer

VTech group operates with integrity and honesty and upholds these values everywhere it operates.

Ethics and compliance are at the core of VTech's businesses. Our commitment to ethics and compliance is part of our success and reputation. Every employee, officer and members of the Board of Directors is charged with the responsibility for conducting themselves with the utmost integrity, defined not only by the laws and regulations that we are subject to worldwide, but also by the determination of striving to do the right thing despite difficult circumstances.

We expect all our employees, agents, vendors and other business partners to adhere to the requirements set forth in this Anti-Corruption Policy so any party who works with VTech or represents VTech is required to comply with the requirements.

This Policy supplements our Code of Conduct and our overall system of compliance. It outlines the specific duties that VTech personnel and business partners must follow to combat corruption.

I ask for your unwavering commitment to the principles embodied within this Policy and together, we shall continue to make VTech a great company to work with and work for.

Raymond Ho
Chief Compliance Officer
VTech Holdings Limited

1. General Overview

This Anti-Corruption Policy (the “Policy”) provides detailed guidance and expectations of adherence to all anti-corruption laws and regulations where VTech Holdings Limited and its group companies (“VTech” and each of the group members, a “Company”) operate. Additional expectations and requirements may also result from the local and regional laws that apply to VTech, as well as VTech’s policies and procedures that promote accurate, compliant and ethical conduct. Anyone who has questions regarding this Policy or any anti-corruption rule or law should contact the Legal & Compliance Department at Hong Kong.

2. Purpose and Objectives

This Policy represents the desired culture and core values of integrity, honesty, fairness, impartiality and ethical business practices which VTech management commits to and seeks to promote. VTech takes a zero-tolerance approach to corruption and requires all its personnel, partners and agents to act fairly and with integrity in all its business dealings wherever it operates.

VTech upholds all anti-corruption laws with respect to its conduct both at home and abroad. These include but are not limited to:

- the Prevention of Bribery Ordinance in Hong Kong (“POBO”)
- the U.S. Foreign Corrupt Practices Act (“FCPA”)
- the U.K. Bribery Act 2010 (“BA”)
- the national anti-corruption legislation in the member states of the European Union¹
- the anti-corruption legislation in China², the PRC Anti-unfair Competition Law³ and the Interim Regulations on Prohibiting Commercial Bribery

VTech is also committed to the prevention, deterrence and detection of all types of corrupt behavior. It is the responsibility of all directors, officers, employees, agents, suppliers and business partners of VTech to be vigilant in identifying these types of issues and reporting them. Specific guidance regarding reporting suspected violations of this Policy is included herein. We provide anti-corruption guidance and assistance to our staff in the form of training, regular updates and other procedures throughout the year. We also work closely with our business partners and agents around the world to ensure their compliance with this Policy.

3. Scope and Applicability

This Policy is applicable to the VTech staff at all Company locations as well as everyone we do business with, including any third parties that may act on behalf of a Company. The Company will strive to ensure that these third parties who act on VTech’s behalf adopt policies and procedures consistent with this Policy. Our Code of Conduct further defines our commitment to ethics and

¹ Such as the French Criminal Code, the Dutch Penal Code and the law as required under the 1997 Convention on fighting corruption involving officials of the EU or officials of Member States and the 2003 Framework Decision on combating corruption in the private sector.

² The PRC Criminal Law is applicable to both official bribery (where government officials and state functionaries are involved) and commercial bribery (where private enterprises and/or their staff are involved).

³ Applicable to commercial bribery only

compliance, including complying with anti-corruption laws and principles. There are no exceptions or waivers granted for non-compliance with this Policy.

There are times due to the operating environment and the law and regulations uniquely applicable to a particular jurisdiction, a Company may issue policy and guidelines addressing some of the same subject matters covered by this Policy (the “Local Policy”). Compliance of the Local Policy is expected. Where any terms or requirements prescribed in the Local Policy are more onerous than those laid down in this Policy, the former shall be followed. You are reminded that in order for us to uphold a high standard in corporate governance, the compliance of the more onerous duties and requirements is to be treated as the guiding norm.

4. Relevant Laws and Regulations

While VTech may be subject to any number of anti-corruption laws depending on where the Company is doing business, the Appendix of this Policy aimed to serve as a general guidance sets out for your reference the main features of the several key anti-corruption legislation that affects our businesses. These include the Hong Kong POBO, the U.S. FCPA, the U.K. BA and the anti-corruption laws in China. The information given in the Appendix is not exhaustive and you are advised to consult the Legal & Compliance team in Hong Kong if you have any questions.

You may note that under the U.K. BA, a foreign company which carries on any “part of a business” in the UK could potentially be prosecuted under the legislation for failing to prevent bribery committed by any of its employees, agents or other representatives, *even if* the bribery takes place outside the UK and involves non-UK persons. Several Companies of the VTech group are established in the UK. This factor of their place of incorporation alone does not mean that their overseas direct and indirect parents are carrying on business in the UK. However, it is almost certain that as long as these entities act as agents of their overseas parents, the latter will be treated as having a demonstrable business presence in the UK and thus within the extra-territorial reach of the legislation.

The treatment for VTech group under U.S. FCPA is equally important. The FCPA consists of two parts: anti-bribery provisions and accounting provisions. The anti-bribery provisions prohibit the payment of money or anything of value to a foreign official in order to obtain or retain business. Of the three (3) categories of entities and individuals covered by the law, two (2) affect VTech, namely,

- “domestic concerns” (US citizens, nationals and residents, as well as any business entity that has its principal place of business in the US or is organized under US laws including directors, officers, employees and agents acting on their behalf), that make use of US mails or US interstate commerce (such as wire transfers or email) in furtherance of an improper payment
- non-US persons that take action in furtherance of an improper payment “while in the territory of the US”

Based on the above, the US established Companies of VTech are domestic concerns and the law applies to them. Their parent companies can also be accountable for the actions of these subsidiaries in two (2) circumstances. First, a parent that participates sufficiently in a given activity by, for

example, directing its subsidiary's misconduct or otherwise directly participating in the bribe scheme, may be directly liable for such conduct. Second, a parent may be directly liable for the actions of its subsidiary based on the characteristic of control. Therefore, if a parent enjoys a certain measure of knowledge and direction of the subsidiary's actions, both generally and in the context of the specific transaction, then the regulator will consider the subsidiary to be the agent of the parent. As such, the subsidiary's conduct and knowledge are imputed to its parent.

5. Your obligations

Corruption can take many forms and may not always be as clear-cut as one would think. The important thing to remember is that if you feel uncomfortable or see something that makes you uncomfortable, the right thing to do is to report it. A quick rule of thumb is if you do not feel comfortable having colleagues, friends or family know what you are doing, you probably should not be doing it.

In addition to the general guidelines set out below, we have issued the Policy on Gifts, Entertainment and Gratuities ("GEG Policy") guiding our employees on offer and receipt of gifts, entertainment and gratuities, and you shall read the following in conjunction with the prescribed requirements under the GEG Policy.

Generally, the areas of business where corruption may occur include:

- business relationships and third parties
- gifts, entertainment and hospitality
- facilitation or "grease" payments and kickbacks
- charitable donations and political contributions
- hiring of government officials or associated parties

(1) Business relationship and third parties

It is an offence for an employee to solicit or accept an advantage in connection with his work without the permission of the Company. The term "advantage" includes gift, loan, fee, reward, office, employment, contract, service and favour. The circumstances below are the Company's general policy on the acceptance of advantages by employees on official duties:

a. Soliciting Advantages

The Company prohibits the solicitation of any advantage by an employee from clients, suppliers or any person in connection with Company business.

b. Offering and Accepting Advantages

Directors and staff are prohibited from offering advantages to any director, staff member or agent of another company or organisation, for the purpose of influencing such person in any dealing, or any public official, whether directly or indirectly through a third party, when conducting the Company's business.

Even when an offer of advantage carries no intention of improper influence, it should be ascertained that the intended recipient is permitted by his employer / principal to accept it under the relevant circumstance before the advantage is offered.

Provided that the advantage is not given to influence the performance of his duties, an employee is permitted to accept the following unsolicited advantages only:

- food for festive occasions (e.g. moon cakes, fruits, rice dumpling, dim sum, candy, chocolate, cookie, sticky rice cake and wine for Chinese New Year and Christmas, etc.) of whatever actual or estimated market value after completing and submitting Form A and obtaining the requisite approval
- corporate souvenirs or promotional gifts e.g. paper weights, stationery, coffee mug, etc. not exceeding HK\$300* in value
- "Lai Sees" (red packets) not exceeding HK\$300* presented to employees during Chinese New Year
- other gift not exceeding HK\$300 in value
- other cash or non-cash gifts not exceeding HK\$500* presented to employees attending functions on behalf of the Company including gifts won from lucky draw
- commercial discounts which are equally available to other persons outside the Company

**or its prevailing equivalent in other currencies*

Gifts or souvenirs described above that are presented to directors and staff in official functions are deemed as offers to the Company. The directors and staff concerned should report the acceptance to the Company and seek direction as to how to handle the gifts or souvenirs from the approving authority using Form A. If a director or staff member wishes to accept any advantage not covered in this paragraph (b), he should also seek permission using Form A.

A director or staff member should decline an offer of advantage if acceptance could affect his objectivity in conducting the Company's business or induce him/her to act against the interest of the Company, or acceptance will likely lead to perception or allegation of impropriety.

c. Request for Sponsorship

Request for sponsorship of gifts from clients or supplier in Company functions (such as Annual Dinner) is organized by the Human Resources & Administration Department ("HRAD") or the concerned department. Individual employee or department without prior consent of an Executive Director is prohibited to request for sponsorship on the Company's behalf.

(2) Gifts, Entertainment and Gratuities ("GEG")

If you feel the acceptance could affect the proper discharge of your duties or place you under an obligation to act against the Company's interests, you should decline to accept any advantages. In case of doubt, you should refer the matter to the Chief Compliance Officer for advice and

instructions. If necessary the Chief Compliance Officer may discuss with the relevant department manager about the possible impact that an acceptance may cause.

While acknowledging that GEGs are acceptable forms of business and social behaviour, employees should decline gifts, or invitations to meals or entertainments from outside parties that are excessive in nature or frequency in order to avoid embarrassment or loss of objectivity in future dealings with them or their related parties. Where declining an invitation could be interpreted as impolite, employees might accept, on the understanding that he be allowed to reciprocate. Receiving appropriate and properly documented gifts, entertainment and gratuities is permissible under the GEG Policy.

In order to avoid “excessive” entertainment, you and the Company should keep records to ensure proper control. You are required to submit records of all business entertainment given to and received from customers and suppliers to the approver⁴ for approval after the occasion by completing Form C on a bi-weekly basis. All department heads should collect the information for their department on a monthly basis and such records should be filed by the HRAD.

You must also comply with our counterparty’s GEG policies and accordingly, you are expected to know and understand these policies prior to giving or receiving GEG. Problems can arise if there is an expectation from either party that favours or preferential treatment will be given in return.

The giving and receiving of GEG is acceptable under this Policy if all the following requirements are met. The GEG:

- is not made with the intention of influencing a party to obtain or retain business, obtain some sort of business advantage, or in exchange for favours or benefits for a corrupt purpose
- complies with local laws and customs
- complies with the policy of the organization that the giver works for
- does not include cash or cash equivalents (e.g. gift cards / certificates or vouchers)
- is appropriate under the circumstances (e.g. Christmas gifts in the US during the month of December, mooncakes in China during the Mid-Autumn Festival)
- is given openly, not secretly, and in a manner that avoids the appearance of impropriety

(3) Facilitation Payment

It is our policy to conduct all business in an honest and ethical manner. We take a zero-tolerance approach to corruption including facilitation payments. Explanation of what constitutes such payments can be found in the Appendix (U.S. FCPA). If you are unsure whether certain payments represent facilitation payments, please contact the Chief Compliance Officer. Kickbacks are typically payments made in return for a business favour or advantage and they are strictly prohibited. You must avoid any activity that might lead to, or suggest that a kickback will be made or accepted by us.

⁴ Country CEO / Head for overseas offices and Divisional CEO / President for HK and China offices

(4) Charitable Donations and Political Contributions

No donations to any charitable or non-governmental organisations and political contributions to any political bodies are allowed unless the relevant approver⁵ has given his express written pre-approval to the request. All requests must be in writing and shall include details about the value of and the reason(s) for the donation or contribution, the identity of the recipient, and the thresholds and the corresponding approvers set out in Appendix II. All donations and contributions must be made in accordance with our Code of Conduct as well as this Policy. All such donations and contributions, once approved, must be properly accounted for and documented with the appropriate internal departments.

(5) Hiring of Government Officials and affiliated parties

It is not permissible to hire or engage a government official, or his or her immediate family members, to improperly influence the official, or in exchange for any improper favour or benefit. Any job application submitted by a government official (or his relative) shall have the government background declared on the application form and approved by the Chief Compliance Officer. If you are aware that any current or potential personnel are, have been or are related to a government official whose official duties have bearing on the Company's business, you are required to report this to the HRAD for further handling.

6. Records, Accounts and Other Documents

We must keep accurate documentary and financial records and have appropriate internal controls in place to evidence the due diligence conducted before establishing commercial relationship with third parties, and the business reasons for such relationship including making any payments to third parties.

Anti-corruption laws generally require detailed and accurate accounting records for transactions including business expenses, employee expenses and cash disbursements. You should ensure that all records, receipts, accounts or other documents you submit to the Company give a true representation of the facts, events or business transactions as shown in the documents. There shall be no concealment or deliberate mis-classification of accounting records. Intentional or reckless use of documents containing false or misleading information to deceive or mislead the Company, regardless of whether there is any gain or advantage involved, is a serious misconduct and may constitute an offence under the law.

Prior to engaging any third party for services or provision of goods, the Company shall undertake sufficient due diligence process to establish the background of the services/goods provider, and in particular, its policies and procedures in detecting and preventing corruption, and whether the provider poses any actual or potential corruption risk.

In certain circumstances, VTech may be liable for corrupt activities by third parties acting on its behalf. The engagement and use of an intermediary is an area that it will examine closely. Intermediary is any third party that is reasonably likely to interact with a government entity or public

⁵ The details are set out in Appendix II Donations/Contributions: Approvers and Thresholds.

official on VTech's behalf (eg. agents, contractors for development projects and tax advisers). A Company will apply additional measures to mitigate the risks which intermediaries may bring and these include enhanced due diligence check, proper payment arrangements, inclusion of appropriate anti-corruption terms in engagement contract and where necessary, additional approval for the engagement.

The Company shall maintain books and records in reasonable detail that accurately and fairly reflects transactions and disposal of assets, and the following basic requirements shall be observed at all times:

- all payments and other entries must be properly recorded in the Company's books and records
- no false, misleading or incomplete entries shall be entered into the Company's books and records
- no Company shall engage in transactions that require or contemplate the making of false or fictitious records
- no undisclosed or unrecorded funds or accounts may be established for any purpose
- circumventing or evading the Company's internal accounting controls, or any attempt to do so, is prohibited
- all Company's payments must be approved and supported with appropriate documentation
- no payments shall be made with the intention or understanding that all, or any part of the payment, is to be used for any purpose other than the specific purpose described by the documents supporting the payment
- no employee will personally enrich himself through a transaction at the expense of the Company, or which is contrary to any existing Company policy, particularly in relation to the procurement of goods and services

All employees shall note that falsifying documents or furnishing false accounting records are strictly prohibited and are serious criminal offences.

7. Conflicts of Interest

You should avoid any conflict of interest situation (ie. situation where your private interest conflicts with the interest of the Company) or the perception of such conflicts. A conflict of interest arises when your personal interest is in conflict with your official position, which may lead to your discharge of duties counter to the best interest of the Company, if not properly managed. While sometimes, conflict of interest may be unavoidable, it is important to handle a conflict of interest situation properly. Otherwise it may easily end up with committing fraudulent acts or breaching the law.

When actual or potential conflict of interest arises, you are required to declare to the approving authority. All employees must declare to the Company any financial interest, which they or members of their immediate family may have in any supplier, contractor or parties that do business or compete with the Company. All declarations should be made in writing to department manager using Form B.

These are common examples of conflict of interest and they are by no means exhaustive:

- (1) An employee involved in a procurement exercise is closely related to or has financial interest in the business of a supplier who is being considered for selection by the Company.
- (2) One of the candidates under consideration in a recruitment or promotion exercise is a family member, a relative or a close personal friend of the employee involved in the process.
- (3) A director of the Company has financial interest in an outside entity whose quotation or tender is under consideration by the Board.
- (4) An employee (full-time or part-time) undertaking part-time work with a contractor whom he is responsible for monitoring.

If a staff member wishes to take up employment (either regular or on a consulting basis) outside the Company, he must seek the prior written approval of the department manager. The approving authority should consider whether the outside employment would give rise to a conflict of interest with the staff member's duties in the Company or the interest of the Company.

In order to avoid conflict of interest, you should be careful and if relevant, avoid in engaging in the following activities or transaction with suppliers, contractors and corporate customers, you:

- (1) are advised not to engage in frequent or excessive gambling activities of any kind (eg. mahjong) with persons having business dealings with the Company. An employee who joins in any game of a gambling nature with any person having business dealings with the Company must exercise judgment and withdraw from any game in which the stakes are excessive;
- (2) should not accept any loan from, or through the assistance of, any individual or organisation having business dealings with the Company. Further, you and your immediate family should not grant or guarantee a loan to, or accept a loan from or have borrowings guaranteed by any individual or organization having business dealings with the Company. Normal bank lendings are excluded; and
- (3) may only use Company contractors for personal work provided that you pay for the services at commercial rates and report the use in writing to your manager before commencement of work.

8. Training and Communication

You will be given access to this Policy during the new hire process and it will be made readily available for all VTech employees.

On a periodic basis, you will receive additional training and awareness material on anti-corruption related issues, policies and concerns. All employees are responsible for reading, acknowledging and adhering to this Policy and the Code of Conduct.

You will be required to certify your compliance with this Policy as part of your annual certification for the Code of Conduct. VTech's zero tolerance approach to corruption will be communicated to all its vendors, suppliers, customers and other third parties at the commencement of any business relationships. Managers and functional heads are required to continually share anti-corruption related communications and VTech's latest information on anti-corruption and matters covered in this Policy with employees under their charge in an effort to promote awareness and compliance.

9. Breach of the Policy and Report

In line with other Company's policies, breach of this Policy will result in disciplinary actions including termination of employment and in some circumstances, criminal prosecution under the applicable law in the relevant jurisdiction.

If you have questions about the requirements in this Policy, or are concerned that corruption is occurring or has occurred, please report this immediately to the Chief Compliance Officer by email to cco@vtech.com.

10. Compliance, Review and Monitoring

It is the responsibility of every director and staff member of the Company to understand and comply with this Policy, whether performing his duties of the Company in or outside Hong Kong. Managers and supervisors should also ensure that the staff under their supervision understand well and comply with this Policy.

VTech will periodically review and update this Policy to ensure that it is helping the Company meet and address its anti-corruption requirements and responsibilities. Periodic audit and internal controls test will be conducted to assess compliance with this Policy and the applicable anti-corruption laws, and to evaluate the effectiveness of the controls. We may also monitor compliance with this Policy through the use of various means which may include interviews, review of documents and transactions, hotline reports, management reporting and data analytics.

Appendix I

Summary of Relevant Laws and Regulations

1. United States

Domestic corruption

Given the federal system of government in the US, the legislative framework for combating corruption and the related enforcement efforts exists at the local, state and federal levels. The US federal government and in particular the US Department of Justice (DOJ) and the Federal Bureau of Investigation (FBI), have special roles in addressing public corruption. These federal agencies have at their disposal a wide variety of federal public corruption offences, ranging from a very broad federal bribery and gratuity statute (U.S. Code Title 18 Part I Chapter 11 Section 201) to more focused legislation such as the Foreign Corrupt Practices Act of 1977 (FCPA).

The primary statute that expressly criminalises corruption of US federal public officials is 18 USC Section 201. The statute has two principal subparts: Section 201(b), which criminalises bribery, and Section 201(c), which prohibits the payment or receipt of gratuities. The primary difference is that Section 201(b) requires proof of a quid pro quo, while the gratuities provision does not.

To obtain conviction of the bribe payer under Section 201(b)(1), the government must prove that something of value was given, offered, or promised to a federal public official corruptly to influence an official act. To secure conviction of the person bribed under Section 201(b)(2), the government must show that a public official accepted, solicited or agreed to accept anything of value corruptly in return for ‘being influenced in the performance of any official act’.

A gratuities conviction only requires that the thing of value be knowingly or wilfully offered or given ‘for or because of any official act’, rather than corruptly to influence the official act.

The Hobbs Act, 18 USC Section 1951, targets public corruption by criminalising extortion under colour of official right. It applies to any public official who ‘has obtained a payment to which he was not entitled, knowing that the payment was made in return for official acts’.

The bribery and gratuities provisions of 18 USC Section 201 prohibit both making and receiving either bribes or gratuities. The Hobbs Act prohibition on extortion under colour of official right applies only to the receipt of bribes.

Public officials are defined broadly under Section 201 as not only federal government officers or employees, but also ‘person[s] acting for or on behalf of the United States, or any department, agency, or branch of Government thereof in any official function, under or by authority of any such department, agency, or branch of government’.

The giving of gifts or gratuities to public officials is restricted by 18 USC Section 201(c). The statute also prohibits public officials from receiving gifts under certain circumstances. The gratuities

provisions of Section 201 largely overlap with the bribery provisions contained in the same statute, except that the gratuities provisions do not require the gift to be given with the intent to influence the public official. Instead, a gratuities violation occurs if a person offers anything of value ‘for or because of’ any official act performed or to be performed.

In the US, there is no federal statute specifically addresses private commercial bribery. Federal prosecutors may prosecute commercial bribery through the use of several existing laws. Section 1346 of Title 18 gives prosecutors broad leeway by extending liability under the mail and wire fraud statutes to ‘a scheme or artifice to deprive another of the intangible right to honest services’. Honest services fraud has been used to prosecute employees of private companies who breach a fiduciary duty to their employers by, for example, taking or paying bribes.

With respect to international business, another federal criminal statute that the DOJ has used to prosecute commercial bribery in some circumstances is the Travel Act, 18 USC Section 1952. The legislation makes it a crime to travel in interstate or foreign commerce or to use ‘the mail or any facility in interstate or foreign commerce’ with intent to ‘promote, manage, establish, carry on, or facilitate the promotion, management, establishment or carrying on, of any unlawful activity’. The definition of ‘unlawful activity’ broadly includes ‘extortion [and] bribery . . . in violation of the laws of the State in which committed or of the United States’. This definition assimilates state commercial bribery laws and provides a basis for federal criminal liability where an individual violates state commercial bribery laws and uses, for example, a phone, fax, wire transfer or email to further the commercial bribe, or travels across state lines in furtherance of the scheme.

Approximately 36 US states (such as California, Delaware, Massachusetts, New Jersey, New York, and Texas) have commercial bribery laws. In the case of California (codified in Penal Code Sec. 67, 68, 85, 86, 92, 93, 137, 138, 165, and 641.3), the law defines the crime of bribery as offering, giving or taking something of value, with corrupt intent, in order unlawfully to influence a person in any public or official capacity. Bribery is typically prosecuted as a felony and is punishable by up to 4 years in prison.

The table below sets out the statutory punishment for the key offences covered above:

Law	Statutory Punishment
Section 201 for bribery	payer and recipient of the bribe - up to 15 years’ imprisonment or a fine of up to USD250,000 or both, or triple the value of the bribe, whichever is greater
Section 201 gratuities provisions	maximum 2 years’ imprisonment & fine of USD250,000
18 USC Section 666	maximum 10 years’ imprisonment & fine of USD250,000
Hobbs Act	up to 20 years’ imprisonment & fine of up to USD250,000
Travel Act (based on bribery conduct)	up to 5 years’ imprisonment & fine of the greater of USD250,000 or twice the pecuniary gain or loss

Foreign corruption

The Foreign Corrupt Practices Act (“FCPA”), as amended in 1988 and 1998, broadly prohibits making corrupt payments to foreign officials in connection with international business. The operative prohibition of the FCPA's ‘anti-bribery provisions’ has the following elements:

- a. the defendant falls within one of three categories of legal or natural persons covered by the FCPA (issuer, domestic concern, or foreign company or national);
- b. the defendant acted corruptly and wilfully;
- c. the defendant made a payment, offer, authorisation or promise to pay money or anything of value, either directly or through a third party;
- d. the payment was made to any of the following (a ‘covered recipient’):
 - foreign official
 - a foreign political party or party official
 - a candidate for foreign political office
 - any other person while knowing that the payment will be passed on to one of the above; and
- e. the payment was for the purpose of:
 - influencing any official act or decision of that person
 - inducing that person to do or omit to do any act in violation of his or her lawful duty
 - inducing that person to use his or her influence with a foreign government to affect or influence any government act or decision
 - securing any improper advantage to obtain or retain business, or direct business to any person

The FCPA prohibits payments made directly or indirectly to ‘any foreign official’ or ‘any foreign political party or candidate thereof, or any candidate for foreign political office’. The Act defines a foreign official as any ‘officer or employee of a foreign government or any department, agency, or instrumentality thereof, or of a public international organization, or any person acting in an official capacity for or on behalf of such government or department, agency, or instrumentality, or for or on behalf of any such public international organization’.

Whether payments for gifts, meals, travel or entertainment for the benefit of a foreign official are permissible under the FCPA depends on whether the gifts or payments in question are made with the requisite corrupt intent. There is no de minimis provision or materiality threshold in the statute. Even gifts of nominal value made to a foreign official in exchange for favourable official action could trigger liability.

There are two primary affirmative defences to liability under the FCPA. First, it allows reasonable and bona fide expenditures directly related to the promotion, demonstration or explanation of products and services or for the execution or performance of a contract with a foreign government. This defence, does not apply to all promotional expenses: ‘If a payment or gift is corruptly made, in return for an official act or omission, then it cannot be a bona fide, good-faith payment, and this

defense would not be available'. Second, it is a defence that the payment was lawful under the written laws of the foreign country. This defence is rarely of much practical utility, since the conduct in question must be expressly permitted by a country's written laws (i.e. the absence of an express prohibition on the particular conduct is not sufficient).

The FCPA contains a narrowly defined exception for 'facilitating' or 'grease' payments made to expedite routine governmental action by a "covered official". Routine governmental action is defined as only an action which is ordinarily and commonly performed by a foreign official in:

- a. obtaining permits, licenses, or other official documents to qualify a person to do business in a foreign country;
- b. processing governmental papers, such as visas and work orders;
- c. providing police protection, mail pick-up and delivery, or scheduling inspections associated with contract performance or inspections related to transit of goods across country;
- d. providing phone service, power, and water supply, loading and unloading cargo, or protecting perishable products or commodities from deterioration; or
- e. actions of a similar nature.

US authorities have construed this exception only to apply to relatively small payments, though the FCPA is silent on this point. At a minimum, grease payments should be approached with considerable caution.

Both companies and individuals can face liability for violations of the FCPA. The FCPA's jurisdiction extends to 'issuers', 'domestic concerns' and, in some circumstances, foreign nationals or businesses. An issuer is a corporation that has issued securities registered in the United States or is required to make periodic reports to the SEC. A domestic concern is any individual who is a citizen, national or resident of the US, or any business entity with its principle place of business in the US or that is organised under the laws of any state of the US. US issuers and US persons (i.e. US nationals and legal entities organised under the laws of the US or any state thereof) may be held liable for any act in furtherance of a corrupt payment, regardless of any connection to the territory of the US or US interstate commerce. Jurisdiction will apply with respect to foreign issuers and non-citizen US residents if they make use of the US mails or US interstate commerce in furtherance of a corrupt payment.

The DOJ is responsible for all criminal enforcement of the FCPA and for civil enforcement with respect to domestic concerns, foreign companies that are not issuers, directors, officers, shareholders, employees, and agents of the foregoing, as well as foreign nationals.

Companies that violate the anti-bribery provisions of the FCPA may be fined the greater of USD2 million per violation or twice the gain or loss resulting from the improper payment. Individuals who violate the anti-bribery provisions are subject to penalties of the greater of USD250,000 per violation or twice the gain or loss resulting from the improper payment and may also face up to 5 years' imprisonment.

Any entity found to have violated the FCPA's anti-bribery provisions may also be barred from US government contracting. Even an indictment may render an entity ineligible to sell goods or services to the US government.

2. Hong Kong

The Prevention of Bribery Ordinance (“POBO”) criminalizes bribery of and by public officials and private individuals in mainly Sec. 4 and 9 of the legislation. A bribe is not limited to monetary form only.

The POBO provides a clear definition of “advantage” which includes money, gifts, loans, contracts, services, etc. It includes:

- a. any gift, loan, fee, reward or commission consisting of money, valuable security or other property of any description
- b. any office, employment or contract;
- c. any payment release, discharge or liquidation of any loan, obligation or other liability;
- d. any other service or favour (other than entertainment);
- e. the exercise or forbearance from the exercise of any right or power or duty; or
- f. any offer, undertaking or promise, whether conditional or unconditional, of any advantage within the meaning of any of the above ,

but does not include “entertainment”.

“Entertainment” means the provision of food or drink, for consumption on the occasion when it is provided, and of any other entertainment connected with. “Hospitality”, such as ticket to a performance or sport event and hotel accommodation, is advantage, not entertainment under the POBO.

Under the POBO, a person shall must not:

- a. solicit or accept any advantage from others as a reward for or inducement to doing any act or showing favour in relation to the company’s business or affairs, or offer any advantage to an agent of another as a reward for or inducement to doing any act or showing favour in relation to his principal’s business or affairs;
- b. offer any advantage to any public servant (including government / public body employee) as a reward for or inducement to his performing any act in his official capacity or his showing any favour or providing any assistance in business dealing with the government / a public body; or
- c. offer any advantage to any staff of a government department or public body while they are having business dealing with the latter.

There is no minimum value or threshold for an advantage to ‘qualify’ as a bribe. Further, there is no exemption for facilitation payments (small payments to fast-track a routine government action) under the anti-bribery law of Hong Kong. The bribe does not need to be actually accepted as long as an offer is made or an agreement is reached to offer or take a bribe, an offence is committed. “Custom” (e.g. trade practice of giving rebates to purchasing staff) is not accepted as a defence.

Private bribery can also be committed without the offer of any advantage. It is an offense for any agent who, with intent to deceive his principal, uses any receipt, account or document:

- a. in respect of which the principal is interested;
- b. that contains any statement that is false or erroneous or defective in any material particular; and
- c. to his knowledge is intended to mislead the principal.

The legislation establishes the same penalties for public servants and individuals who bribe public servants. The penalties include the following:

- a. up to 10 years in jail and a fine of up to HKD500,000,
- b. payment for value of any advantage received as the court sees fit, and/or
- c. ordering that the convicted person be prohibited from taking employment or becoming a director for up to 7 years

3. China

China does not have a single comprehensive legislation / statute governing bribery offenses. Rather provisions governing bribery-related offenses are contained within a number of laws and regulations, which principally are the PRC Criminal Law, Anti-Unfair Competition Law (“AUCL”), and the Interim Provisions on Prohibiting Commercial Bribery (the Bribery Provisions).

Under China’s anti-bribery regime, a bribe is the giving of money or property with corrupt intent for the purpose of obtaining improper benefits or competitive advantage.

Money or property includes cash, in-kind objects, or “property interest which can be measured by money” such as the provision of housing decoration, prepaid cards, travel expenses, debt relief etc. An improper benefit is any benefit which is obtained or granted in violation of an applicable law, regulation or administrative rule, or by requiring the bribe recipient to provide aid or an advantage in violation of an applicable law, regulation or administrative rule.

The Chinese legal regime provides for two types of bribery offenses (i) a criminal bribery offense, and (ii) an administrative law bribery offense. The latter offense does not amount to a crime and is punishable by administrative sanctions such as fines and confiscation of illegal gains.

Bribery-related offenses are categorized into two types under the PRC Criminal Law, official bribery (the bribe recipient is state functionary) and commercial bribery (the bribe recipient is non-state functionary). State functionary includes:

- (i) officials who perform public services in state offices (such as governmental authorities) or the military;
- (ii) people who perform public services in state-owned enterprises (“SOEs”), institutions, or civil organizations or other public entities;
- (iii) people assigned by the government or SOEs to non-SOEs to perform public services; and
- (iv) those who perform public services according to law (such as political representatives).

A public entity includes SOEs, public institutions, public enterprise units, etc.

There are eleven (11) criminal bribery related offenses (relevant articles are in the PRC Criminal Law):

- Offering of a bribe to a/an:
 - state functionary (Article 389)
 - non-state functionary (Article 164)
 - foreign public official or official of an international public organization (Article 164)
 - entity (Article 391)
 - close relative of, or any person close to, a current or former state functionary (Paragraph 1, Article 390)
- Offering of a bribe by an entity (Article 393)
- Introduction to a state functionary of an opportunity to receive a bribe (Article 392)
- Acceptance of a bribe by a/an:
 - state functionary (Article 385)
 - close relative of, or any person close to, a current or former state functionary (Article 388)
 - non-state functionary (Article 163)
 - entity (Article 387)

Business operators are prohibited from offering a bribe to three categories of recipients for the purpose of selling or purchasing goods and services. Any:

- (i) employee of the counterparty in a transaction;
- (ii) entity or individual authorized by the counterparty to handle relevant affairs; and
- (iii) entity or individual which can use power or influence to affect a transaction.

This offense targets commercial bribery from an administrative law enforcement perspective. Different from the criminal offenses, there is no expressly stated threshold as to what constitutes an administrative commercial bribery offense. For this administrative offense, the regulator, the State Administration for the Market Regulation, has wide discretion in determining when an offense has been constituted.

For criminal bribery offenses under Chinese law, the local authorities shall have jurisdiction where the bribery offense:

- that is committed by a Chinese or foreign individual or entity takes place within the territory of China
- committed takes place outside the territory of China with the intention of obtaining improper benefits within China
- committed by a Chinese individual or entity takes place outside the territory of China

As to the administrative commercial bribery offense under the AUCL, any offense that is committed within China will be subject to the jurisdiction of the Chinese authorities.

Private individuals, public officials and state functionaries, and legal entities concerned can be held liable for bribery offenses. An entity will be held liable for a bribery offense if the offense is

committed under the direction of company management level (typically a senior person in the company such as a director or legal representative) and for the interest of the entity.

The act of an employee will be deemed to have been committed by the entity and it is the entity that commits an administrative commercial bribery offense under the AUCL.

Provided they meet the criteria of a bribe under the PRC legal regime, facilitation payments are considered to be bribery, no matter how small the amount.

Whether hospitality given amounts to a bribe would be assessed on the basis of whether there was sufficient evidence to show that it was given with the intention of obtaining improper benefits or competitive advantage. The Bribery Provisions provide that business operators shall not offer gifts in the form of cash or in-kind objects to the counterparty in the conduct of a transaction except for marketing gifts of small value pursuant to business practices.

The authorities have taken the view that a bribe can be distinguished from a legitimate gift by reference to the below factors:

- the circumstances leading to the transaction, such as the relationship between the two parties, and the frequency of their interaction
- the values of the property concerned
- the reasons, timing and method of the transaction, and whether the giver made any request for favour from the recipient
- whether the recipient of the property took advantage of their position to obtain any benefit for the giver

In cases of criminal bribery offenses under the Criminal Law, individuals face criminal detention, or up to 10 years' or life imprisonment in combination with monetary penalties and/or confiscation of property. Corporates are subject to monetary fines.

In cases of administrative commercial bribery offenses under the AUCL, offending entities are subject to a fine of CNY100,000 to 3 million in combination with confiscation of illegal gains, and/or revocation of the entity's business licence.

An individual convicted of a bribery offense is likely to be disqualified from holding a position as a director, supervisor or senior manager of a company for up to 5 years.

4. United Kingdom

The UK Bribery Act creates offences of significant scope and extra-territorial reach. It contains five bribery offences. The first two are the "general offences", covering bribery in both the private and public sphere. The third targets bribery specifically in the public sphere. The fourth targets the complicity of senior officers of corporate bodies which have committed bribery. The fifth and most concerning for corporate bodies covers their failure to prevent bribery, no matter where in the world the bribery takes place.

All of these offences apply not only to behaviour in the UK, but also potentially to behaviour by individuals and corporate bodies all over the world.

These are the principal elements of each offence, and the territorial reach of each of them.

Offence	Covers	Applies to
Bribing another person (active bribery)	<ul style="list-style-type: none"> Offering, promising, or giving a financial or other advantage Intending to induce or reward the <i>improper performance</i> of a relevant function or activity OR knowing that accepting the advantage is improper 	<ul style="list-style-type: none"> Any acts committed in the UK Any acts committed anywhere in the world by a person with a “close connection” with the UK (among others, a UK company or a British citizen or resident)
Being bribed (passive bribery)	<ul style="list-style-type: none"> Requesting, agreeing to receive, or receiving a financial or other advantage Intending a relevant function or activity to be improperly performed OR rewarding improper performance OR where accepting the advantage is improper 	<ul style="list-style-type: none"> Any acts committed in the UK Any acts committed anywhere in the world by a person with a “close connection” with the UK
Bribing a foreign public official (“FPO”)	<ul style="list-style-type: none"> Offering, promising, or giving a financial or other advantage Intending to influence the FPO in their official capacity Intending to obtain or retain a business advantage Where the FPO is neither permitted nor required to be influenced 	<ul style="list-style-type: none"> Any acts committed in the UK Any acts committed anywhere in the world by a person with a “close connection” with the UK
Senior Officer offence	<ul style="list-style-type: none"> The corporate body has bribed or has been bribed The senior officer has consented to or connived in the bribery 	<ul style="list-style-type: none"> Acts committed by any senior officer with a “close connection” with the UK. Acts committed any senior officer, if the bribery takes place in the UK
Failure to prevent bribery	<ul style="list-style-type: none"> A person associated with a commercial organisation bribes someone else Intending to obtain or retain a business advantage for the organisation The organisation did not have in place “adequate procedures” 	<ul style="list-style-type: none"> Where the commercial organisation is a UK company or partnership Where the commercial organisation carries on all or part of its business in the UK

A person is subject to the Bribery Act if:

- (a) as regards the offense of giving a bribe, being bribed, or bribing a foreign public official,
 - (i) you are a person or corporate or unincorporated body located anywhere in the world and you commit any act or omission in the UK which forms part of such offense; or
 - (ii) you commit any act or omission outside the UK which would form part of such an offense if done or made in the UK, and have a close connection with the UK, meaning you are a

British citizen, overseas territories citizen, national (overseas) or overseas citizen, an individual ordinarily resident in the UK or a body incorporated under the law of any part of the UK,

- (b) as regards the offense of failing to prevent bribery by a commercial organization, you are subject to the legislation if you are a body incorporated or partnership formed:
- (i) in the UK and carrying on a business anywhere; or
 - (ii) anywhere and carrying on a business, or part of a business, in the UK.

The Act refers to “a financial or other advantage”. This is deliberately broad and goes beyond the payment of money and the handing over of “brown envelopes”. It may cover a wide range of things including:

- gifts and corporate hospitality
- promotional expenses, travel expenses and accommodation costs
- employing public officials or their relatives
- vouchers or other cash equivalent
- provision of services such as use of a car or provision of a designer
- awarding a contract to a company connected to a public official
- awarding a contract to a particular company
- making political or charitable donations

For a person to commit the active bribery offence, there has to be intention, knowledge or belief on the part of that person in addition to the giving of the bribe. The necessary conduct element is when a person “offers, promises or gives” a “financial or other advantage”, either directly or through a third party. Both the active and passive offences incorporate the notion of “improper performance”, a “wrongfulness element”. The wrongfulness element is committed where either the advantage is intended to induce (or be a reward for) improper performance of a relevant function or activity, or the person knows or believes that the acceptance of the advantage offered, promised or given in itself constitutes the improper performance of a relevant function or activity. Prosecutors will need to consider any direct evidence (documentary or otherwise) there may be of actual intention or knowledge or belief as well as whether they can be inferred from the circumstances including the value of the advantage.

If any of the offences of active or passive bribery, or bribery of an FPO, take place in the UK, any individual or body corporate can be prosecuted irrespective of whether they have any connection with the UK. The offences of active or passive bribery, or bribery of an FPO, also apply to acts of bribery committed outside the UK where the:

- (a) act or omission in question would have amounted to an offence if it had occurred within the UK; and
- (b) person whose acts or omissions form part of an offence has a close connection with the UK (eg. British citizens; British nationals (overseas); individuals ordinarily resident in the UK; and British overseas citizens or bodies incorporated under the law of any part of the UK).

For a corporate to be convicted of one of the offences the prosecution will need to prove that a senior person in the organisation, eg. the CEO or managing director, committed the offence as that person's activities would then be attributed to the organisation (the “directing mind” test). If a body corporate commits one of the offences, a senior officer or person purporting to act in that capacity may also be held individually liable if he/she consented to or connived in the commission of the offence.

The legislation creates an offence of failure on the part of a commercial organisation to prevent bribery being committed in connection with its business. A commercial organisation may face prosecution where a person associated with the organization bribes another person, and the bribe was made with the intention of obtaining or retaining business, or an advantage in the conduct of business, for the organisation. The organisation will have a complete defence if it can show that “adequate” procedures designed to prevent bribery were in place.

An individual guilty of an offence of giving or receiving a bribe or bribing an FPO is liable to a maximum 10 years’ imprisonment or a fine, or both. Any other person (such as a body corporate) guilty of the offence is liable to a fine. An organisation guilty of an offence of failing to prevent bribery is liable to a fine.

It is important to note that organisations at risk of committing the corporate offence of failure to prevent bribery include not only those which have been incorporated in the UK, but also non-UK companies which carry on a business, or part of a business, in any part of the UK. The courts will decide whether a commercial organisation carries on business in the UK. The authorities will adopt a “common sense” approach so that companies that do not have a “demonstrable business presence in the United Kingdom” are not caught. Using this approach, one would not expect the mere fact that a company's securities are traded on the London Stock Exchange will make it a company as carrying on a business or part of a business in the UK. Likewise, having a UK subsidiary will not, in itself, mean that a parent company is carrying on a business in the UK because a subsidiary may act independently of its parent or other group companies.

Unlike the US FCPA which contains an express carve-out of facilitation payments paid to secure routine, non-discretionary acts from public officials, the UK law does not provide exceptions. As a result, facilitation payments are not distinguished from any other offences under the Bribery Act, and are therefore criminalized.

Appendix II

Donations / Contributions: Approvers and Thresholds

All donations or contributions with a value or in the sum of the Thresholds stipulated below shall be approved by the corresponding specified Approvers.

VTech's Executive Board reserves the right to change any of the Thresholds and/or Approvers immediately without prior notice. Such change may apply generally to all subsequent donations and contributions or specifically to individual donation or contribution at the sole discretion of the Executive Board. Any party proposing a donation or contribution by VTech is advised to check with the Chief Compliance Officer the latest applicable Thresholds and Approvers.

Thresholds (USD)	Approvers
Up to 10,000	Country CEO ⁶
Between 10,001 and 20,000	Divisional CEO ⁶
Over 20,000	Executive Board

⁶ Country Head / CEO for overseas offices and Divisional CEO / President for HK and China offices.

Form A

Report on Gifts/Advantages Received

Report on Gifts/Advantages Received

To: Department Manager
c.c.: Human Resources Manager
Date: []

Part A – To be completed by receiving employee

I refer to the Group's Code of Conduct and its Anti-Corruption Policy. To the best of my knowledge and belief, I would like to report the following receipt of a gift and/or an advantage and seek approval of the suggested method of disposal for the gift/advantage (the Gift):

A. Description of Offeror:

Name & Title: _____
Company: _____

B. Relationship (Business / Personal): _____

C. Occasion on which the Gift was/is to be received:

D. Description & actual/estimated value of the Gift⁷:

Suggested method of disposal:

- Retain by the Receiving Employee
- Retain for display / as a souvenir in office⁸
- Share among the office
- Reserve as lucky draw prize at a VTech function
- Donate to a charitable organisation
- Return to Offeror
- Others (please specify): _____

Remarks: _____

[Name of Receiving Employee]
[Title / Department]
[Date]

⁷ Actual/estimated value for Festive Food is not required

⁸ Inapplicable to Festive Food

Part B – To be completed by approver

To: [name of Receiving Employee]

The suggested method of disposal is *approved / not approved. *The Gift should be disposed of by way of:

Approver

[Name of Approver]

[Title]

Date: []

*delete as appropriate

Form B

Declaration of Conflict of Interest & Acknowledgement

Declaration of Conflict of Interest

To: [Country CEO / Head⁹] / [Divisional CEO / President¹⁰]
c.c.: Human Resources Manager
Date: []

I refer to the Group's Code of Conduct and its Anti-Corruption Policy. To the best of my knowledge and belief, I would like to report the following potential or actual conflict of interest.

I undertake to inform the Human Resources & Administration Department in case any details provided by me herein may change in future:
(Please tick as appropriate)

Conflict of Interest

Party(ies) involved: _____

Your relationship with the Party:

Party's relationship with VTech Group: Supplier / Contractor / Competitor / Customer*
(*delete as appropriate)

Brief description of your work/duties which involved the above party(ies) / Financial interest involved (please indicate the nature and value):

Use of Contractor(s) for Personal work

Name of Contractor: _____

Contractual work to be done: _____

Outside Employment:

(Approval should be obtained from department head before accepting the employment)

Name of outside employer: _____

Proposed commencement date: _____

Working hours: _____

Nature of work: _____

Others (please specify) _____

Reporting Staff: Name _____ Title _____

Signature _____ Co./Div. _____

Date _____

⁹ For overseas offices

¹⁰ For HK and China offices

Acknowledgement of Declaration

The information contained in your above declaration is noted. Please take note that we have decided that you:

- should refrain from performing or getting involved in performing the work/duties, as described in the Declaration, which may give rise to a conflict.
- may continue to handle the work or discharge the duties as described in the Declaration *provided that* there is no change in the information declared above, and you must uphold VTech's interest at all times without being influenced by your private interest.
- others (please specify): _____

Approver

[Name]

[Title]

Date: []

Form C

Approval Form for Entertainment with Customers and Suppliers

Company:

Name of Employee:
Period:

Employee No.:

Divison / Department:

	Name of Existing / Potential Supplier / Customer	Date	Place	Type of Entertainment	Receipts Provided (if applicable)	Approx. Value of the Entertainment if not claimed	Names & Titles of Persons Entertained / Total No. of People Entertained (including & stating no. of VTech staff)	Business Reason
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
11.								
12.								
13.								
14.								
15.								
16.								
17.								
18.								
19.								
20.								

TOTAL :

Employee

Approval given by

Date:
Extension no.:

Name:
Date: