

Program development – consultation & changes overview

An overview of changes to the ICTI Ethical Toy Program made in response to consultation feedback and industry engagement

Updates to the ICTI Ethical Toy Program

Introduction

The ICTI Ethical Toy Program (IETP) is the leading responsible sourcing program for the global toy industry. Our program sets the global standard for ethical toy manufacture. We work with toy buyers and factories across the world to build better lives for workers and a stronger industry through the ethical production of toys.

IETP is regularly reviewed to ensure our program remains responsive to the evolving needs of the toy industry, addresses new responsible sourcing and ethical manufacturing issues and challenges, reflects changes in new regulation and legislation, and incorporates good practice.

In reviewing the IETP it is essential that the views of toy factories, retailers, brands, licensors, toy associations, civil society groups and other stakeholders are taken into account.

Our latest review included an 8-week public consultation and subsequent industry engagement to gather feedback on an enhanced, graded version of the IETP Audit Checklist and a proposed new Rating System for IETP Certification. The engagement exercise ran from Nov 2017 to May 2018 and sought the views from the global toy industry, civil society groups, and other industry stakeholders.

Details of the proposed updates to IETP were shared with stakeholders and also made available via our website. The consultation was promoted via social media channels and consultation documents were available in both English and Chinese. Data collection was through a questionnaire via an online survey tool and email. Consultation meetings and events were also held across the toy industry, within China and beyond, to gather views on the proposed changes.

We also held a series of consultation webinars, and organised 1-on-1 calls with toy brands and retailers to gather their feedback on the proposed changes.

In total, over a hundred different organisations participated in the consultation process, with responses received from toy factories, brands, retailers, associations, civil society groups and NGOs.

This document summarises the finalised changes we are delivering to IETP in response to the public consultation and subsequent industry engagement. These changes include:

Updates to our assessment criteria and certification process

- An updated, risk-rated IETP Audit Checklist
- Updates to our methodology for factory certification
- New IETP policies

Updates to our post-certification factory engagement

- Introduction of Progress Visits (to replace existing Progress Audits)

We will continue to update IETP to ensure our program evolves to meet the needs of our stakeholders; is responsive to regulation and best practice; and remains as effective as possible in building better lives for workers, and a stronger industry, through the ethical production of toys.

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Section 1: Updates to our assessment criteria and certification process

1) Updates to the IETP Audit Checklist

The IETP Audit Checklist forms the backbone of our program, setting out the specific and detailed requirements against which we certify factories.

The new IETP Audit Checklist updates and strengthens existing criteria whilst adding new sections and issue areas. The Checklist also introduces new risk criticality grades which are now assigned to all non-compliances.

The new IETP Audit Checklist:

- evolves from a pass / fail approach to provide new risk-rated assessments
- helps both factories and brands understand the severity of issues found during audit
- reflects new regulation and legislation
- determines the Certification status awarded to factories
- is designed to be flexible and responsive to the changing social compliance landscape

We have added a total of 33 new checkpoints to the IETP Audit Checklist, along with new checklist sections and areas of focus. These changes are delivered in response to requests from toy buyers, factories and other stakeholders. They reflect new regulation and legislation and are also made to update existing checklist items, where necessary.

This document provides an overview of the key changes in the new Checklist. You can view full details, including all the new checkpoints, in the new IETP Audit Checklist.

Updates in the new Audit Checklist cover the following issue areas:



Business Ethics (Section 2)

Integrity sits at the heart of the IETP. Together with our toy industry members, we expect all IETP Certified factories and accredited third-party audit partners to adhere to the highest standards of professional ethics, acting with full transparency and integrity at all times.

We have added a new Business Ethics section to the Checklist. This section introduces new and strengthened criteria on business integrity policy, training, accountability and transparency.

Recruitment Fees (3.7)

The Employer Pays Principle (EPP) is a commitment to ensure that no worker should pay for a job. The EPP is being adopted by buyers and manufacturers across a range of industry sectors and locations, including the toy industry. The EPP states: *No worker should pay for a job - the costs of recruitment should be borne not by the worker but by the employer.*

Adoption of the EPP guards against the charging of excessive fees during the recruitment process which can lead to the exploitation of foreign migrant workers in global supply chains.

We have introduced new Checklist requirements on EPP, including strengthened checkpoints which explicitly prohibit the charging of recruitment fees, additional protections for directly-recruited workers, and new requirements governing the use of labor brokers.

Foreign Migrant Workers (3.8)

Workers who travel overseas for work can become victims of exploitation. Industry engagement, stakeholder feedback and changes in the regulatory framework highlighted the need to strengthen protections for vulnerable workers, in line with the EPP referenced above.

The new Checklist introduces checkpoints to ensure that any foreign migrant worker which is directly recruited to work in IETP Certified Factories is hired in accordance with the law and are not charged any recruitment fees. Recruitment fees must be reimbursed to directly-hired foreign migrant workers. IETP will issue supplementary guidance to factories to support implementation of the EPP.

Women's empowerment / gender equality (4.2)

The majority of the global toy manufacturing workforce are women, yet women can face gender discrimination, inequality, and harassment in the factory workplace. Consultation feedback highlights areas in the Checklist to strengthen women's empowerment and promote gender equality.

The new Checklist includes broadened criteria prohibiting all forms of discrimination, including gender. Policy commitments cover all aspects of employment from hiring to retirement, requires designated factory personnel responsible for communicating, implementing and monitoring the policy, and includes procedures for handling

violations and remediation. The contents of the anti-discrimination policy must be communicated to all workers.

Section 4.2 brings new requirements to ensure that suitable job assignments and necessary breaks are provided for workers who are pregnant or breastfeeding. Maternity leave is covered under benefits for all workers in the new Checklist.

Working Hours (5.3.1)

Together with our toy industry members and stakeholders, IETP wants to see a reduction in working hours at toy factories. Given the highly seasonal nature of toy production, any reduction in working hours must be introduced sustainably, with support provided to help factories meet new requirements on working hours.

As an initial step, our new Checklist reduces the maximum working hour limit we permit for IETP certification by 6 hours. Within the new Checklist, any factory working over 72 hours will now receive a 'Major' non-compliance at audit. Working hours over 78 is regarded as a 'Critical' non-compliance.

Compensation (Section 6)

Comprehensive criteria to ensure that workers receive fair, accurate wages - paid in compliance with local law - are included in Section 6. The new Checklist introduces additional requirements ensuring that workers are paid for training / induction periods, and that training / induction periods are not excessive and deliberately used to underpay workers.

Human trafficking (8.4)

In response to feedback, we have created a dedicated Human Trafficking section in the Checklist which brings existing checklist criteria on human trafficking and forced and prison labor together into one section, adding greater prominence to these critical risk areas within the Checklist.

Further provisions to protect both domestic and foreign migrant workers during the recruitment process are introduced via the new Recruitment Fees criteria in the Checklist.

Grievance Mechanisms (Section 10)

In this section, we have grouped together existing requirements which ensure effective grievance mechanisms are available to workers into a new section. This Checklist change is made in response to feedback on the need to increase the visibility

and importance of effective grievance mechanisms at factories for workers with the new Checklist.

Grievance Mechanisms checkpoints cover the provision of internal or external communications channels which workers can use to report issues or concerns, and to ensure that workers are aware of appropriate channels for guidance and support such as the IETP Worker Helpline. The Checklist criteria also ensure that worker representatives are protected.

Reporting requirements for emergencies and major incidents (12.12.2)

The Checklist introduces new requirements requiring factories to report serious incidents or emergencies to IETP within 48 hours. This increases supply chain visibility and allows us to provide timely and necessary support to the factories.

Once an incident is reported, buyers will receive first-hand notifications on the incident including updates on the progress of any associated investigation for follow-up from IETP via the Connect Platform.

In-factory incident investigation and reporting (13.11)

We have added a new checkpoint which requires factories to develop effective systems to record and report all accidents or near misses. Factories should investigate root causes and implement preventive and corrective actions to prevent reoccurrence.

Fire and Emergency (Section 12)

Fire is a critical risk issue in factories and remains a priority area for IETP. Section 12 of the Checklist lists extensive criteria on fire safety and emergency preparedness. The new Checklist also introduces some additional, and strengthened, requirements on fire safety. These criteria offer greater protections for workers and reflect fire safety regulation. The changes are also introduced to bring greater alignment between the IETP Audit Checklist and other fire safety requirements from toy brands and retailers.

The changes include new requirements for Fire Safety Certificates; additional detail on evacuation paths; written policies on fire prevention training (with verification of policy implementation via audit); checkpoints to ensure emergency system switches / control are free from obstruction; requirements for additional fire drills when factory staff participation falls beneath a 70% threshold, or during high level of recruitment of new workers who may not have previously participated in fire drills.

The dormitory section is also expanded in the Checklist to introduce additional requirements for fire safety including fire prevention, emergencies preparedness,

evacuation, firefighting, and fire alarms. The new Checklist requires factories to report all major incidents and emergencies, including fire, to IETP within 48 hours (see 13.11)

Dormitories (Section 14)

In addition to new requirements on fire safety and evacuation in dormitories (see Fire and Emergency section), we have introduced an extra checkpoint focussed on ensuring dormitories are kept clean and are well maintained.

Risk-ratings in the new Audit Checklist

In addition to updating our Audit Checklist by strengthening existing criteria and adding new issues areas, the new Audit Checklist also introduces risk criticality grades which are now assigned to all non-compliances.

In the new risk-graded Audit Checklist each checkpoint is graded into one of the following four risk categories: Zero Tolerance, Critical, Major or Minor non-compliance.

These new risk grades evolve the IETP Audit Checklist from a pass / fail approach to provide new risk-rated assessments. This new approach enables both factories and brands to understand the severity of issues found during the audit, helping them to prioritize remediation and follow-up. Guidance text describing the criteria that determine the risk level assigned is also included in the new checklist.

How do risk-ratings work in the new Checklist?

The graded Audit Checklist assigns a risk rating to all non-compliance checkpoints. The example below shows how risk grades are assigned to each non-compliance and how these grades contribute to factories overall IETP Certification.

Non-compliance (NC) example:	NC level:	IETP Certification Result*
10.2.4 Are there management representatives in place?	Minor	Factory is assigned Progressing status until all Minor NCs are closed
4.1.2 Does the factory keep a list of appropriate assignments for young workers?	Major	Factory is assigned Progressing status until all Major NCs are closed (must be ≤30% Major NC in a single section otherwise Assessed)
3.5.2 Is a labor contract signed with each worker, where required and applicable?	Critical	Factory is assigned Assessed status until all NCs are closed
3.3.1 Are underage workers prohibited in the factory?	Zero Tolerance	Factory is Terminated

*Detailed information on the different tiers of certification and how the non-compliance levels inform which tier a factory can receive is provided in the next section.

2) Updates to methodology for factory certification

Our 2017 public consultation initially proposed a 5 Star Rating System for IETP Certification which was designed to reflect factory performance across all areas in the new Checklist.

Consultation feedback highlighted numerous concerns with this proposed rating system. These included a lack of meaningful differentiation between lower star-rated factories, confusion around different levels of star rating, and concerns on the criteria proposed to define factory performance at the higher end of the star ratings.

Feedback received during the public consultation confirmed the following:

- Factories want a clear and simple factory certification which reflects their performance across all social compliance areas
- Brands and retailers want a certification that enables them to make more informed sourcing decisions

A clear preference was expressed for a simpler system for factory IETP Certification which clearly and simply differentiates between fully-compliant factories and those which are making progress towards achieving full compliance.

We are therefore updating the IETP factory certification methodology to add two new pre-certification statuses:

	FACTORY STATUS	ELIGIBILITY CRITERIA	VALIDATION PERIOD
Working towards full compliance 	Assessed	Completed audit (IAA/ICA)	6 months
	Progressing	Assessed within 3 months No open Critical NCs CAP submitted ≤30% Major NC in a single section	6 months
Fully compliant 	Certified	No open non-compliances	1 year

These new pre-certification statuses '*Assessed*' and '*Progressing*' recognize those factories which are working towards full IETP Certification. Instead of a pass or fail system, these new statuses show where a factory is at in its progression towards full compliance.

As with the previous IETP Seal Classifications, a '*Certified*' factory is fully compliant with our Checklist and has, therefore, met the criteria required to become IETP Certified.

Our current factory statuses of *Probation* and *Termination* remain unchanged, and the length of time for these factory statuses remain the same.

Our updated factory statuses '*Assessed*', '*Progressing*' and '*Certified*' will replace the existing IETP Seal Classifications (A60, A, B & C) which are determined by hours worked at factories. Working hours information will be included within audit reports, accessible via IETP's Connect Platform.

IETP's updated factory certification methodology will launch with the three factory statuses shown above on November 1st 2018. In time, we will consider the introduction of an additional '*Certified PLUS*' status for those factories which demonstrate good performance. The assessment criteria for *Certified PLUS* factories are still in development.

3) IETP Policy changes

IETP is also introducing two important policy updates covering working hours and moving to a 5-day working hour week for wage calculations.

Moving from a 6-day to a 5-day working week

IETP is updating its policy on the number of days which constitute a working week in China. Under this move, IETP will switch from 6-day to 5-day working for working hours calculations. Although operating a 6-day working hour week is not illegal, it can reduce the amount of overtime pay workers are entitled to, thereby restricting their earnings.

Under a 6-day approach, working on a Saturday is not treated as overtime for the entire day. Instead, 'standard' working hours are spread across 6 days (e.g. 6 x 6.7 hours per day) rather than 5 days (e.g. 5 x 8 hours per day) for a working week. Overtime is then paid for any hours worked over the 'standard' days whether working the 5 or 6-day approach.

Whilst operating a 6-day working hour week is permitted and legal under China Labor Law, in some circumstances 6-day working can result in workers being paid differently to those working to the 5-day week, as those working a 6-day week are eligible for less overtime pay on a Saturday which is payable at an overtime rate of 200%.

IETP is focused on ensuring that workers continue to receive adequate rest and accurate pay for the hours they work. Therefore, our policy on weekly working hour calculations is changing. Under the new policy, 6-day working hour weeks in China will no longer be accepted. All certified factories must operate a 5-day working week, with all work performed on Saturdays treated as overtime and paid accordingly.

New maximum weekly working hour limits

Working hours remain an important issue for IETP and the toy factories, brands and retailer members which use our program. Together with our toy industry members and stakeholders, IETP wants to see a reduction in working hours at toy factories. Given the highly seasonal nature of toy production, any reduction in working hours must be introduced sustainably, with support provided to help factories meet new requirements on working hours.

As a first step, we have reviewed our current policy on working hours and we are reducing our upper limit on weekly working hours by 6 hours.

Under this new policy, any factory working over the new limit, currently holding a Class C certificate, would not be able to reach the level required for Certification and would be classified as 'Progressing'. Further detail on the revised criteria to implement this new policy is included in Section 5 of the Audit Checklist.

Section 2: Updates to our post-certification factory engagement

Introducing Progress Visits

An essential part of our program is providing post-certification follow-up, support and guidance to factories. This is key to helping factories remain in compliance with our standards after the auditors have left.

IETP has previously operated *Progress Audits* which are unannounced audits 2 to 6 months after the initial audit to ensure the factory is still operating within our standard.

Whilst we have found this level of monitoring useful, we are now moving towards an engagement-based approach where we visit factories rather than audit them.

These new announced *Progress Visits* will replace existing unannounced Progress Audits and provide an opportunity for IETP to engage with factories, help factories identify and address the root causes behind issues and share best practices toward the difficulties they are facing.

Progress Visits will focus on creating a harmonized environment to exchange feedback, following a Progress Visit the factory's status will not be changed unless a zero-tolerance issue is found.

Progress Visits will commence from 1st October 2018, prior to this date factories will receive a Progress Audit.

Section 3: Implementation Timeline

Taken together all these updates aim to provide a more sophisticated assessment of factory performance and a new model of engagement, helping to ensure that IETP remains relevant and continues to meet the evolving needs of all our stakeholders.

Key dates to implement these changes are as follows:

- From October 1st 2018 Progress Visits will replace Progress Audits in the IETP
- The old IETP Audit Checklist will remain in use until October 31st 2018, including any audits pending in an audit cycle started prior to this date.
- Audits scheduled from November 1st 2018 onwards will be conducted using the new 2018 IETP Audit Checklist.
- From November 1st 2018 factory assessments will utilise our updated certification methodology, factories will be assigned one of the following assessment statuses: Assessed, Progressing, or Certified.

Contact us

Please email us at info@ethicaltoyprogram.org, or visit www.ethicaltoyprogram.org

Updates in Version 3:

On page 11 and 12 text was added to clarify that 'Assessed' are 'Progressing' pre-certification statuses