ICTI CARE Foundation

2014 Review of Activities

A brief update on our activities and finances
Welcome to the 2014 Review of Activities

2014 has been an important year for ICTI CARE. During this year we said goodbye to our long term President & CEO, Christian Ewert. Christian leaves us after 10 plus successful years. During this time he has been critically important in creating the independent, not-for-profit organization that we are today. He leaves us with our sincere thanks and very best wishes for the future.

We concluded the search for Christian’s replacement successfully and are delighted that, as of February 2015, Carmel Giblin will be our new President & CEO. Carmel has worked in the area of Responsible Sourcing and Sustainability for more than 10 years and has also worked in both Buyer and Manufacturer organizations in a variety of roles. Her knowledge of managing successfully complex supply chains will bring new expertise of much value to ICTI CARE.

The appointment of a new President & CEO gives us the opportunity to review our organization and program. We are committed to achieving our objective of being the most effective ethical manufacturing program operating globally and through our program securing our priority action of protecting workers involved in the manufacture of toys.

Much has been achieved by ICTI CARE, manufacturers, brands, retailers and other stakeholders we work with over the last 10 plus years but we know there is much more to be done. We have built an excellent foundation now to move to the next stage of our development and increase the positive impacts we have for hundreds of thousands of workers globally.

We look forward to sharing with you updates in future reports as we implement new strategic thinking and activities that will ensure we have the organizational capability and capacity along with the support of all our stakeholders to achieve our ambitions.
Our vision is for the ICTI CARE Program (ICP) to be the model for effective ethical manufacturing programs, a major, positive factor in the assurance of fair and positive treatment of factory workers.

1,084 SITES CERTIFIED
1,173 SITES REGISTERED
11 COUNTRIES REPRESENTED

627,076 WORKERS COVERED*
73% FACTORIES* CUSTOMERS RECOGNISE ICP SEAL
29 NATIONAL TOY ASSOCIATIONS SUPPORT ICP
7 AUDIT FIRMS 151 AUDITORS 6 COUNTRIES

TOP 3 CATEGORIES OF MANUFACTURERS IN THE ICP PROGRAM:

PLASTIC TOYS
PLUSH AND SOFT TOYS
ELECTRONIC TOYS

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of factories</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,028</td>
</tr>
<tr>
<td>Vietnam</td>
<td>22</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>13</td>
</tr>
<tr>
<td>South Korea</td>
<td>1</td>
</tr>
<tr>
<td>Taiwan</td>
<td>6</td>
</tr>
<tr>
<td>Thailand</td>
<td>11</td>
</tr>
<tr>
<td>Japan</td>
<td>1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7</td>
</tr>
<tr>
<td>Singapore</td>
<td>3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3</td>
</tr>
</tbody>
</table>

* Workers from registered manufacturers are eligible to seek support from ICTI CARE
Highlights from Key Areas of Activity

1: Audits and Monitoring
The ICTI CARE Program helps to reduce the number, and cost, of multiple audits by multiple customers in each factory by providing one standard audit program. Our program is widely accepted by brands and retailers globally.

**INCREASE AUDIT CAPACITY**
- 12 additional auditors accredited globally
- 2,771 audits conducted in China, 116 Overseas (106 Quality Control audits completed globally)
- 2,845 audits performed by accredited audit firms & 42 by ICFAL, with a total of 7,473 person-days

**ENHANCE AUDIT QUALITY & INTEGRITY**
- 150 auditors (89%) participated in our tailor-made capacity building program
- 72% of factory participants surveyed indicated that they found our 3rd party auditors to be professional*
- 324 factories terminated from the ICP as they no longer met our responsible sourcing standards
- 5 independent auditors removed from ICP due to unethical behavior

2: Engagement with Buyers and External Stakeholders
The ICP increases collaboration amongst stakeholders to promote and implement socially responsible supply chain practices throughout the global toy industry.

- 1,007 Corporations have committed to order from ICP certified suppliers
- 2 new agreements signed with local toy associations in China, Jiangsu Toy & Juvenile Products Chamber of Commerce (JSTJPCC) and Ningbo Toy & Juvenile Products Association (NBTJPA), who commit to support the objectives of the ICP

We regularly engage with NGO, Brands, Retailers, Manufacturers, Workers and Audit Firms to promote responsible sourcing.

* Result from the 2014 ICP Annual Survey
3: ICP Workers Helpline

The ICP educates and empowers workers, as well as supports factories to help them build positive and productive relationships with their management to build a harmonious and productive working environment.

1,470 INDIVIDUALS SOUGHT ASSISTANCE FROM OUR HELPLINE

91% surveyed factories distributed CARE card to their workers*

47,200 Free CARE cards were also distributed to 944 factories through Initial Certification Audit and Initial Annual Audit process.

CALLER GENDER

CALL LOCATION

Male (70%)  Female (30%)

Guangdong (85%)  Elsewhere (15%)

Surveyed factories’ satisfaction with the ICP Workers Helpline increased significantly from 55% to 93%, the top 3 reasons are:

- it provides helpful suggestions
- it helps management better understand workers
- it helps management promptly resolve workers’ concerns

* Result from the 2014 ICP Annual Survey
Top 5 reasons why workers call the helpline

<table>
<thead>
<tr>
<th>Category of enquiry</th>
<th>Number in 2014</th>
<th>Percentage in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delayed Payment</td>
<td>196</td>
<td>9.89%</td>
</tr>
<tr>
<td>Working Hours</td>
<td>153</td>
<td>7.72%</td>
</tr>
<tr>
<td>Other</td>
<td>151</td>
<td>7.62%</td>
</tr>
<tr>
<td>Dismissal/Termination</td>
<td>149</td>
<td>7.52%</td>
</tr>
<tr>
<td>Resignation</td>
<td>147</td>
<td>7.42%</td>
</tr>
</tbody>
</table>

How workers found out about the helpline

- **78%** CARE Cards
- **13%** Other
- **4%** Informed by friends
- **2%** Posters
- **2%** Networks
- **1%** QQ

Origin of calls

<table>
<thead>
<tr>
<th>Province / Municipality City</th>
<th>Number of factories</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangdong</td>
<td>291</td>
<td>84.6%</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>15</td>
<td>4.3%</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>7</td>
<td>2.0%</td>
</tr>
<tr>
<td>Shandong</td>
<td>7</td>
<td>2.0%</td>
</tr>
<tr>
<td>Fujian</td>
<td>6</td>
<td>1.7%</td>
</tr>
</tbody>
</table>
4 : Capability Building Programs

ICTI CARE seeks to support factories and build capability in a variety of ways including training events, seminars, and the sharing of best practice.

GEOGRAPHICAL COVERAGE EXPANDED TO 5 NEW COUNTRIES:

During 2014, our tailor-made capability programs developed further. The programs expanded geographically to cover India, Indonesia, Singapore, Taiwan and Vietnam.

4 new ICP Country Specific Guidelines were also developed with the local experts in these countries.

A TOTAL OF 38 CAPABILITY TRAINING SESSIONS WERE HOSTED IN 13 CITIES WORLDWIDE, INCLUDING:

- ICP Senior Management Roundtable
- ICP Management System Training
- ICP Open Day Event
- China Manufacturers Summit
- ICP training for Brands & Retailers

PILOT PROGRAM TO SHARE BEST PRACTICE AND INSPIRE:

Once a factory has been established for a period of time, it’s easy to stop reviewing management concepts which might have become outdated. This proactive self-learning program inspires participants to acquire new ideas through open forums and site visits.
Financials
2014 Financial Highlights, all figures displayed are in US Dollars.

**INCOME**
TOTAL: $3,404,000

- $371,000  Partner Support Program (11%)
- $3,033,000  Audit Operations (99%)

**EXPENSES**
TOTAL: $3,255,000

- $170,000  Oversight & Policy (5%)
- $180,000  Quality Assurance (5%)
- $960,000  Comms and Stakeholder (29%)
- $414,000  Capacity Building (13%)
- $1,031,000  Audit Operations (50%)

Increase in Reserve $140,000, 21% of income.
Governance Board

CO-CHAIRS

Alan Hassenfeld
Chairman of the Executive Committee of the Board of Directors of Hasbro, Inc.

Maria Livanos Cattau
Former Secretary General of International Chamber of Commerce

MEMBERS

Synésio Batista da Costa President and CEO, Associação Brasileira Dos Fabricantes De Brinquedos (ABRINQ)

Roland Earl President, British Toy and Hobby Association; and President, International Council of Toy Industries

Peter Eio Former President of LEGO in the Americas and former Chairman of the Toy Industry Association

Gary Hutchens Former CEO, Dorcey Irwin Pacific and former President, Australia Toy Association

George Irwin Chairman and CEO, IToys Inc.

Alan Munn Former President and CEO, Tomy Europe

Jane Nelson Senior Fellow and Director, Corporate Social Responsibility Initiative, Kennedy School of Government, Harvard University

William Reese President and CEO, International Youth Foundation

Arnie Rubin Former President of the International Council of Toy Industries and CEO of Funrise Toys

Shi Xiaoguang Independent, Non-Executive Director of Goodbaby International Holding Ltd. (China)

Pär Stenbäck Former Minister of Foreign Affairs of Finland

Kenneth Ting Woo-Shou Chairman, Kader Industrial Company Limited

Auret Van Heerden CEO, Academy for Sustainable Business, former head of the Fair Labor Association

Jim Walter Former Senior Vice President, Global Product Integrity & Chief Regulatory Officer at Mattel

T.S. Wong Chairman of Jetta Company Ltd., Honorary President of Hong Kong Toys Council