Our Mission is to enable the worldwide children’s products industry to ensure that its products are manufactured in safe and humane conditions and in a hazard-free and sustainable factory environment. As a not-for-profit operation, the ICTI CARE Process works to share best practices in effective factory monitoring and capacity building in an open and transparent manner.

Our Vision is to be the model for effective ethical manufacturing programs, a major, positive factor in the assurance of fair and humane treatment of factory workers, initially in China and expanding worldwide.

Where We Work

ICP at a Glance

1,433
Registered Suppliers

700,000
Workers Represented

12
Countries Audited by ICP

998
Committed Brands from 31 Countries
Introduction

Dear Friends,

On the occasion of its 10th anniversary, the ICTI CARE Foundation is proud to issue its latest report, “Review of the ICTI CARE Process 2012/13”. This 18-month report highlights the progress made from July 2012 through December 2013. Over the past decade, it has been our privilege to be associated with and support the evolution of the toys and children’s products industry’s unique ethical manufacturing program known as the ICTI CARE Process (ICP).

Now is a good time to commend the industry for its courage and unwavering commitment to ethical labor practices and fair treatment of factory workers. Despite rapidly fluctuating socioeconomic conditions in China, increasing costs and pressure on the supply chain, the ICP initiative has managed to achieve significant progress over a relatively short period of time:

- The foundation for an ethical manufacturing culture has been established in the children’s products industry with three out of four brands and over 1,400 registered suppliers now committed to the ICP program.

- Although 90% of ICP’s work is still in China, the groundwork has been laid for future growth that will shape the program’s future in Asia and other regions in the years ahead.

We have taken into account lessons learned and applied them to achieve significant improvements over the last ten years. A key lesson that the foundation has learned is that operating as a network of stakeholders allows us to better understand each other’s needs and perspectives, and to draw on a wide range of expertise and capabilities. We find this comprehensive and all-inclusive collaborative approach is the only effective way to make sustainable improvement in working conditions a reality. Moreover, we have demonstrated that we listen to our stakeholders and are able to implement changes that are supportive of our mission.

Effective solutions demand innovative thinking. That is why we evolved beyond a simple monitoring program to offer capacity building programs that provide suppliers, buyers, workers and auditors with the information, tools and support necessary to identify and transform substandard health, safety and labor practices. That is also why we introduced a “Continuous Improvement Process” to ICP factories and launched the ICP Worker Helpline in 2010.

Although the ICP initiative has achieved progress in labor law compliance, there are still many challenges to overcome, especially in wages and working hour issues. We remain deeply committed to providing solid stewardship of the ICTI CARE Process and to ensuring we have the best qualified team to deliver on our commitments.

We invite you to read this 10th anniversary report which reflects on the value that the ICTI CARE Process has brought to the factory worker community, companies and countries. It additionally reflects how well ICP has performed against its specific 2013 strategic priorities. For example, further measures were initiated in 2013 to enhance ICP training programs and overall audit quality and integrity. A voluntary self-monitoring procedure was introduced that encourages manufacturers to flag and report their own compliance issues to ICTI CARE Foundation Asia Ltd. (ICFAL) between audits and to work on fixing them. If a subsequent audit finds that the corrections have been made and there has been no recurrence, the reported transgressions will not be taken into account in awarding a seal of compliance.

We thank our stakeholders for their continuing commitment, ideas and expertise. With your help and support we expect that the ICTI CARE Process will enjoy many more positive achievements and anniversaries.

Sincerely,

Alan Hassenfeld, Co-chair

Maria Livanos Cattau, Co-Chair

Christian Ewert, President and CEO

10 YEARS OF PROGRESS
Over the course of 10 years of collaboration with stakeholders on steps to improve working conditions in the children’s products industry, the ICTI CARE Process has achieved at least 10 clear, positive and measurable impacts:

1. Built the foundation for an ethics-based culture throughout the industry supply chain that encourages factories to ensure safe and fair working conditions.

2. Educated and empowered millions of factory workers to exercise their rights under Chinese labor law thanks to the ICP Helpline, ICTI CARE Cards and training programs.

3. Moved ICP program focus beyond auditing to capacity building, thereby enabling factory owners and top management to recognize the value of social compliance in building a more productive workforce.

4. Certified thousands of factories to be able to contract with ICP committed brands and retailers.

5. Achieved 70% industry participation in the ICTI CARE Process, which means that nearly 1,000 brands and retailers are committed to the program’s high ethical manufacturing standards.


7. Offered one independent and comprehensive audit protocol that decreased the number of factory compliance audits by different customers. This resulted in a reduction of up to 75% in audit frequency at a savings of USD 2-3,000 per audit.

8. Gave factories an effective, continuous improvement mechanism to achieve ICP standards and overcome their biggest compliance challenges — fair wages and excessive working hours — conditioned primarily on their commitment to transparency. Initiated expansion of ICP health, safety and labor standards beyond the toy sector to include all children’s and juvenile products, and developed a program model that can be rolled out to other Asian countries besides China.

9. Increased stakeholder engagement and support through ICP participation at industry forums and meetings with stakeholders.

10. We recognize there is still room for improvement; but we believe we are well on our way and are committed to building on the achievements of our first decade.
What We Do

The standards we set to end abusive labor practices are in the ICTI Code of Business Practices. To achieve compliance with these standards, we employ different tools.

ICTI Code of Business Practices
As a representative of the 20 national associations worldwide, the International Council of Toy Industries (ICTI) early on recognized that companies need to get it right when it comes to upholding business and social responsibilities. Stakeholder collaboration aimed at putting the industry’s principles into practice resulted in the ICTI Code of Business Practices, establishing ethical manufacturing standards to ensure worker health and safety and fair labor treatment. These standards still apply today.

Monitoring to Measure Social Compliance
The national associations decided to move beyond simply setting standards. They established an auditing system to monitor whether toy factories comply with industry standards. The monitoring protocols and guidance documents put in place are collectively called the ICTI CARE Process. Five types of audits are currently carried out to ensure supplier compliance with ICP health, safety and labor standards:
- Initial Certification Audits
- Annual Audits
- Surveillance Audits for factories on probation
- Progress Audits
- Quality Control (QC) Audits

Auditor Accreditation and Training
The ICTI CARE Process uses independent audit firms that become ICP-accredited through a biennial Request for Proposal (RFP) process. To ensure high audit quality and integrity, accredited auditors have to participate in compulsory training programs to stay abreast of continually evolving factory monitoring criteria:
- A three-day International Register of Certified Auditors (IRCA) Auditor Accreditation Course plus two days of ICP technical training
- ICP Auditor Refresher Training and regular Technical Manager Meetings

The ICTI CARE Foundation Asia Ltd. (ICFAL) Operations team reviews all inspection reports and conducts spot-checks to ensure audit quality.

Supplier Training and Capacity Building Activities
ICP training programs were developed to improve factory productivity and management-worker dialogue, and to build capacity to meet the industry’s advancing social compliance requirements. The programs are continually updated and currently include:
- ICP Senior Management Roundtable
- ICP Management Systems Training
- ICP Open Day Events
- Developing Self-learning Group Discussions
What We Do

The Continuous Improvement Approach
Factories and other suppliers which met ICP’s standards originally received a “Seal of Compliance” based on a pass/fail system. A more sustainable certification scheme in line with current industrial reality and the demands of seasonality was subsequently adopted. The Continuous Improvement Process (CIP) allows Chinese factories to enter into the ICTI CARE Process even though they are non-compliant in terms of wages and working hours. So long as they are completely transparent about their actual practices, they can enter a CIP program that will lead to full compliance status. The policy establishes standards for Class A, A60, B, Conditional and Probation status for factories which are then listed in the ICTI CARE Process factory database on our website, signifying they are eligible to do business with ICP committed brands.

Buyer Commitment to ICP
All brands and retailers that are members of the 20 national associations which comprise ICTI are asked to become ICP Committed Brands and, as of a specific date, agree to contract only from factories that have an ICP Seal of Compliance. Several associations have gone one step further to make this commitment a membership requirement.

The Convergence Process
The goal of the ICP Convergence Process is to work out with licensors and retailers an approach to a single standard, acceptable to all, that will apply to all children’s products factories. Participating are major retailers throughout the US and Europe, including Toys “R” Us, Wal-Mart, Sears/Kmart, Auchan, Marks & Spencer, Carrefour and Disney.

Worker Access to Information
Since worker awareness is essential, pocket-sized “ICTI CARE Cards” were created to inform factory workers of their rights and responsibilities under Chinese law and to show them how to exercise them. The cards provide the number of the toll-free ICP Helpline, established as a personal and professional information resource, and as a confidential grievance mechanism.

Through the Helpline and ICP audit process, workers have been able to receive back pay and missing social benefits, address unfair termination and improve factory worker-manager relations.

Increased Transparency
Transparency is about our value set and how we act on it. In addition to the Continuous Improvement Process put in place to build factory transparency and eliminate double bookkeeping, a new, voluntary mechanism was recently launched that encourages factories to monitor and report their own non-compliances to ICFAL between audits. Another approach we take is to encourage ICP committed brands and retailers to be open and transparent when it comes to honoring their commitment to source only from factories that have an ICP Seal of Compliance.
Value We Create

Stakeholders play an essential role in the evolution and success of the ICTI CARE Process. Addressing the needs of these interconnected groups promotes ethical manufacturing and sustainably improves working conditions throughout the children’s products supply chain worldwide.

ICP’s primary stakeholder groups, and examples of the benefits that ICP provides to each, and to society, include the following:

**Brands/Retailers/Licensors** - The ICP initiative demonstrates the toy industry’s commitment to socially responsible business practices and employs market leverage to encourage factories to comply. It also reduces the number and cost of multiple audits.

**Suppliers** - ICP serves as a recognized mechanism to certify ethical manufacturing and factory qualification to work with ICP committed brands and retailers. Its training and capacity building programs also enable manufacturers to achieve transparency and social compliance.

**Factory Workers** - ICP audits protect worker health, safety and ethical practices, including those related to wages and working hours. The monitoring program helps to eliminate child labor, forced labor, indentured workers and other unethical hiring practices. Increased access to information through ICP also empowers workers to protect their labor rights.

**NGOs** - ICP continues to engage with NGOs as counselors and critics, identifying common goals, resolving issues of concern, promoting mutual learning and improving the chances that both organizations will make a real difference.

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**Example: How a buyer helped a factory achieve transparency and compliance**

Suspicions were raised during an ICP Quality Control audit that an under-capacity factory might be fronting for another, non-compliant factory, but there was no solid evidence. ICFAL confided its suspicions to buyers who ordered from the manufacturer, and one of them actively pushed the factory to own up. Under pressure from the buyer, the factory’s owner and top managers met with an ICP technical team that explained ICP’s transparency policy. The owner admitted to having a second, unaudited factory that employed 1,500 workers, and that the small demo factory was set up for auditing purposes only.

In exchange for the factory’s transparency, ICFAL arranged an audit of the second factory and, if no critical violations were found, agreed to grant a probation seal. This collaborative effort highlights the importance of buyer engagement when it comes to achieving the shared goal of ethical manufacturing.

**The ICTI CARE Process has taken an integrated approach to social compliance that involved engaging thousands of stakeholders throughout the supply chain, many of whom were resistant to change. By persuasively communicating the benefits and reinforcing the notion of compliance as an industry value, ICP has increased stakeholder support for the social compliance process.**
What Our Stakeholders Say

“The ICP program has achieved extraordinary things. I believe it is a jewel in the crown of social responsibility that adorns the toy industry.”

Carter Keithly, President and CEO, Toy Industry Association

“The ICTI CARE Program (ICP) provides leadership monitoring and verification services as well as training and capacity building opportunities that have raised the bar on working conditions. The ICP has resulted in improved factory management systems and has positively impacted the lives of thousands of workers.”

Arthur Kazianis, SVP Quality Assurance, Hasbro

“Over the past decade, I, along with many others, have witnessed the substantial growth of ICP as an effective program that has gained broad recognition by various buyers. ICP is crucial to the improvement of management and efficiency in factories, and has proven to be a key driving force for social responsibility and the well-being of workers in its member companies.”

May Liang, Executive Vice President, China Toy and Juvenile Products Association

“The serious, rigorous, comprehensive explanations, answers to (our) questions, guidance and great interaction shown by the ICP team during the two-day training was very enriching. It helped give us an in-depth understanding of the ICTI (CARE Process) system.”

Daniel Lou, ICP Factory Management System Training Participant

“After several communications and learning experiences with you (Mr. Ip) and your team, our factory has now gained a deep understanding of the scientific and systemic rationale of the ICTI CARE Process. We also learned that ICP isn’t just a standard but the culture of management. If factories could develop efficient management practices that achieve a win-win situation for the factory and workers, it would serve the real purpose of management. This is the point that inspired me the most. Thank you very much! In the coming year, we hope to strictly comply with ICP standards, to transform ICP into our company management culture, and to create a culture and environment that cares about the worker.”

Zhou Qingwei, ICP Senior Management Roundtable Participant

“10th Anniversary of the ICTI CARE Process: Retrospective and Outlook Seminar” (January 7, 2014) held during 2014 Hong Kong Toy Fair.

Panelists:
Lawrence Chan (Honorary President, Hong Kong Toys Council)
Peter Handstein (CEO, Hape International)
Dr. William Lo (Vice-Chairman, Lovable International Holdings Ltd)
Jens Hansen (Group Director- Operations, TOP-TOY Hong Kong Ltd)
Current Risks and Realities

The children’s products industry landscape has evolved rapidly over the past 10 years. As the industry’s only social compliance initiative, the ICTI CARE Process incorporates a unique understanding and approach to managing the challenges facing buyers and suppliers. Audit and annual ICP Factory Survey findings are some of the tools we use to identify key issues and priorities.

- **Labor Shortage** - Due to the decline in China’s working-age population, a result of its One-Child Policy, and with worker turnover rates running up to 25% in some factories, demand for workers now far exceeds supply leading to higher labor costs.

- **Growing Expectations of China’s Youth** - As China’s middle class becomes wealthier and more stable, its youth are no longer interested in blue collar jobs, preferring to work in the service, retail and technology sectors. Migrant workers are also choosing to stay in central and western China where local companies are now hiring, further intensifying the competition for skilled labor in Southeastern China, where the majority of children's product factories are located.

- **Child and Juvenile Labor** - Use of child labor (under 16 years) by children's products manufacturers is unusual, although ICP factory audits revealed a slight increase in the practice (87 instances compared to 75 last year), particularly in the high risk area of Shantou City, where many factories have not yet joined the ICP program. Manufacturers have also begun using high school students and interns though indications are that they do not always respect the special protections to which these groups are entitled.

- **Rise of ‘Demo’ Factories** - Small manufacturers with limited manpower and production equipment that serve primarily as a shipping address are becoming ICP certified then subcontracting large volumes of work to factories outside the ICP system. This practice undermines the audit process and creates unmonitored human resource issues, making it a priority issue for ICP.

- **Double Bookkeeping** - Falsifying records of working hours and wages is an ongoing tactic that manufacturers employ to pass labor compliance audits. Sixty percent of ICP factories calculate wages on an hourly basis, 20% combine hourly wage with a piece work system, 4% pay solely by piece work and 16% pay a monthly wage.

- **Audit Consistency** - Seventy-eight percent of survey respondents report that auditors are not consistent in their interpretation of ICP standards which creates another challenge in the social compliance process.

- **Shifting Sourcing Strategies** - The shrinking labor pool, RMB appreciation, rising China-based costs and factory consolidation are causing companies to set up parallel operations or move manufacturing entirely to countries such as India, Indonesia and Vietnam. ICP has had to adapt its standards to different labor standards and less educated workers.

- **Buyer Practices** - Buyer practices such as shorter lead times, late approvals, smaller order quantities, excessive sampling and late payment lead directly to more overtime, higher labor costs, and increased use of temporary or contract workers – all of which make it harder for manufacturers to meet social compliance standards. Lack of transparency about committed brand sourcing compliance also risks the credibility of the program.

- **Consumer Inaction** - While consumers say they want and are willing to pay more for ethically manufactured products, retailers report they are actually price-driven and do not exert any efforts to make ethical practices a required selling point.
## Progress on 2013 Goals

The strategy we outlined in 2012 was to further improve and invest in the education and training needs of factory managers, auditors and workers, to set priorities for geographic expansion, to determine our environmental mandate and to develop a more effective Date Certain commitment program. Over the past year, we designed and delivered more targeted training sessions, grew the ICP program beyond China to seven other priority countries, began creating an environmental audit module and started refocusing our ICP Brand Commitment program on our core business value of transparency.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Actions Taken</th>
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<tbody>
<tr>
<td><strong>Operations/Factory Monitoring</strong></td>
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</table>
| Increase factory enrollment in ICP | • Enrolled certified factories: 1,087  
• Engaged additional factories: 362  
• Received new applications: 439  
• Issued Seals of Compliance: 1,225 |
| Improve factory compliance with ICP health, safety and labor standards | • Allowed ICP Class A Seal holders to opt out of 18-month audit cycle, eliminate Progress Audit  
• Recognized factories that achieve a 60-hour workweek with new ICP Class A Seal of Compliance  
• Increased use of quality control, shadow audits, and factory probation and termination procedures  
• Factories put on probation: 281  
• Launched voluntary Self-Declaration Procedure |
| Guarantee audit capacity | • Issued fourth RFP for audit firms to increase ICPAL auditing quality and ability to service ICP factories more efficiently  
• Maintain number of accredited auditors among seven audit firms  
• Trained and accredited new auditors: 60  
• Trained overseas auditors to meet increasing factory demand; conducted 113 audits  
• Total audits conducted: 3,086  
• QC audits conducted: 145  
• Audit man-days: 8,027 |
| Safeguard audit integrity | • Amended zero tolerance violations and critical violations procedures required under Probation and Termination Policy  
• 22 factories terminated from ICP on suspicion of unethical behavior  
• 4 auditors dismissed for accepting bribes |
<p>| Strengthen auditor quality, integrity and performance | • Updated the ICTI CARE Process Audit Protocol Handbook |
| Eliminate use of underage labor | • 87 reported cases of underage labor (under 16 years of age) found in 37 factories; 56 workers rescued, 18 factories terminated |</p>
<table>
<thead>
<tr>
<th><strong>Objective</strong></th>
<th><strong>Actions Taken</strong></th>
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<tbody>
<tr>
<td><strong>Education, Training, Capacity Building</strong></td>
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</table>
| Build factory capacity to achieve ICP social compliance standards | • Developed comprehensive ICP Management System Training Program to educate newly joined factories or those that need a basic or refresher course to re-train staff on ICP audit checklist  
• Held 3 ICP Senior Management Roundtables, 5 ICP Management Systems Training sessions  
• Held 9 Open Day events |
| Educate and empower factory workers to protect their labor rights | • Received 2,725 Helpline enquiries; 191 emergency complaints investigated by ICFAL staff  
• Distributed 68,000 pocket-size CARE Cards to 94 factories, giving 28,855 workers' access to information  
• Provided 700,000 workers in ICP member factories with access to ICP’s confidential, toll-free Helpline service  
• Required factories to post information about worker’s labor rights and ICP Helpline service in public areas |
| Ensure ICP accredited auditors maintain ICP standards | • Held four ICP refresher courses attended by 140 auditors |
| Increase brand/retailer awareness to ensure socially responsible supply chain practices | • Added 237 new ICP committed brands totaling 998  
• Held webinar for buyers titled “Purchasing Practices and Their Impact on Toy & Children’s Juvenile Product Factories” |
| Complete the pilot ICP Factory Improvement and Support Program (IFIS) | • Successfully completed IFIS pilot program involving 14 factories (October 2013) |
| **Stakeholder Relations** | |
| Manufacturers | • Commissioned ELEVATE Global Ltd. to conduct 4th annual ICP Survey among 400 factories |
| Factory Workers | • 2,725 Helpline enquiries received; 191 emergency complaints investigated by ICFAL staff |
| Brands/Retailers/Licensors/Toy Associations | • Attended meetings with factory owners/managers, and heads of major regional associations  
• Exchanged views with 20 national associations belonging to the International Council of Toy Industries at over 100 major toy industry events or meetings |
| Expert Organizations | • Completed second stage of Global Social Compliance Programme (GSCP) |
| NGOs | • Maintained systematic engagement; periodically met and exchanged views with several international NGO groups focused on labor issues |
| All Stakeholders | • Re-launched ICP website with more user-friendly design |
2013: Moving Ethical Manufacturing Forward

Increasing Trend in ICP Factory Probation and Termination Cases

Factory probation and termination cases increased due to the strict enforcement of three probation policy guidelines implemented during the second quarter of 2012:

1. No repeat bookkeeping inconsistencies
2. Wage violations must be corrected within three months
3. Working hour violations must be remedied within seven months.

The percentage of reinstatements declined from 64.8% in 2012 to 40% in 2013, while the termination rate has increased to 55.2% in 2013 from 21.9% in 2012.

<table>
<thead>
<tr>
<th></th>
<th>Registered Factories</th>
<th>Seals Issued</th>
<th>Factories Terminated</th>
<th>Factories on Probation</th>
<th>Helpline Investigations</th>
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<tbody>
<tr>
<td>2012</td>
<td>1,525</td>
<td>1,222</td>
<td>224</td>
<td>205</td>
<td>251</td>
</tr>
<tr>
<td>2013</td>
<td>1,449</td>
<td>1,194</td>
<td>403</td>
<td>281</td>
<td>199</td>
</tr>
</tbody>
</table>

Key Achievements in 2013

Improved Monitoring Program Performance

“The team is devoted to sharing with stakeholders, especially factories that understand that corporate culture is the key to successful factory management. A code of conduct is more than a set of rules and regulations; it can be used as an efficient management tool to promote compliance with standards and improve its operational performance.”

P.W. Ip, General Manager, Operations, ICTI CARE Foundation Asia Limited

Highlights

Improvements made to the ICP monitoring program in 2013:

- Introduced zero tolerance for systemic failure in fire safety measures.
- Launched a new voluntary self-declaration mechanism that encourages factories to proactively monitor and report instances of their own non-compliance to ICFAL between audits.
- Implemented a new policy allowing ICP Class A Seal holders to opt out of the 18-month audit cycle and eliminate the Progress Audit Seal of Compliance. Factories that meet all three qualifications for a Class A Seal are given a choice between the 12 and 18 month audit cycle in recognition of good practice.
- Started work on a voluntary, facility-related environmental audit module in collaboration with Disney, Hasbro, NBC and Business Environmental Performance Initiative (BEPI).
Key Achievements in 2013

Expanded the ICP Program

“One of our specific goals was to accommodate changing sourcing strategies by offering our services in new regions so that we can ensure that ICP’s social compliance standards and audit protocols are consistently applied industry-wide.

“Supplier education was another priority so we actively work to make sure that all manufacturers can participate in ICP management training seminars to learn best practices, to pass their audits and to earn a Seal of Compliance.

“We are committed to continual improvement throughout the entire supply chain which includes increasing buyer awareness of the negative impact current purchasing decisions have on a factory’s ability to achieve social compliance standards. They are part of the problem and must be part of the solution.”

Christian Ewert, President & CEO, ICTI CARE Foundation

Highlights

Expansion of ICP policies, training activities and geographic reach in 2013:

- Expanded ICP audit services and requirements on an as-needed basis beyond China to India, Indonesia, Japan, South Korea, Taiwan, Thailand and Vietnam.
- Planned the first factory management systems training in India.
- Introduced a new range of training programs to meet specific factory needs including a re-launch of the two-day management training program. To meet the heavy demand, five sessions were scheduled.
- Launched a buyer endorsement mechanism under which buyers are asked to verify the capacity of small factories to produce contracted order volume without sourcing from larger factories outside ICP program. The aim is to protect the credibility of the ICP program.
- Continued the buyers’ orientation program designed to improve their understanding of how ICP programs work, including audit types, the consequences of failing, the reporting system and the role buyer’s play.
- Delivered ICP’s first educational webinar designed to make brands/retailers more aware of the impact of purchasing practices on factory working conditions.

ICP Senior Management Roundtable meeting.
2013 Financial Highlights (US$ %)

<table>
<thead>
<tr>
<th>Income:</th>
<th>Total $3,974,000</th>
<th>Expenses:</th>
<th>Total $3,124,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>$438,000 11%</td>
<td>Oversight and Policy</td>
<td>$404,000 13%</td>
</tr>
<tr>
<td>Audit Operations</td>
<td>$3,536,000 89%</td>
<td>Quality Assurance or QC Audit Expense</td>
<td>$169,000 5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Communication and Stakeholder Activities</td>
<td>$855,000 21%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Capacity Building</td>
<td>$518,000 17%</td>
</tr>
</tbody>
</table>

Increase in Reserve $850,000, 21% of income.
Looking Ahead

ICP Goals

1. **Continue to lead the way** in tackling the biggest labor and social issues facing our industry.

2. **Build ICP’s** brand value and performance.

3. **Establish a suitable staffing and office location framework** in China, and put the necessary resources in place, to maximize mission success.

4. **Ensure buyers and suppliers live up to their ICP commitments.**

5. **Scale up and expand geographically** to meet increasing service needs in Asia and, in due course, in Latin America.

6. **Increase the number and types of factory manager and worker training programs**, establish a reliable funding mechanism that assures sufficient resources for market and training program expansion.

7. **Broaden ICP communications reach**, including use of social media channels, to leverage the profound changes underway in stakeholder engagement and issues management.

8. **Increase collaboration with our partners**, industry organizations and stakeholders who share our goals.

9. **Examine expansion of children’s play** into broader product categories.
Governance Board

Co-Chair: Alan Hassenfeld, Chairman of the Executive Committee of the Board of Directors of Hasbro, Inc.

Co-Chair: Maria Livanos Cattaui, former Secretary General of International Chamber of Commerce

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, Dorchey 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