ICTI Ethical Toy Program (IETP) is the leading responsible sourcing program for the global toy, play, entertainment, and publishing industries.

We work with factories, brands, retailers, and civil society groups to protect labor standards in global supply chains, address common challenges, and improve standards through the provision of training.

We provide certification, assessment tools, capability building, and training programs which support companies to achieve their objectives and support supply chain stability and reliability.

Our in-factory worker well-being programs support thousands of workers employed at factories around the world, as well as a Worker Helpline in China which has supported over 16,000 factory workers since launch.

In addition to offices in Asia, Europe, and North America, we work with 4 approved audit firms who provide us with the global network needed to implement our certification program, and other industry partners on worker well-being programs.
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Executive Summary

The last few years have been a time of significant growth and development as we further invested in the ICTI Ethical Toy Program to make a difference in factory workers’ lives.

We updated our assessment tools, certification and training programs, added new capabilities, launched new member services, and expanded the breadth and depth of our worker well-being programs.

In 2018 we started the year by refreshing our branding and launching our new program name, the ICTI Ethical Toy Program (IETP), as well as our new website. With our new program name and branding, we redoubled our commitment to improve the lives of workers and deliver greater impacts through our program.

In 2018, we concluded our largest program review to date which included the launch of IETP’s new audit checklist alongside enhancements to our certification methodology. 2018 also saw us pilot, and subsequently launch, our new factory Progress Visits which offer enhanced capability building and extra support to factories.

In 2019, we piloted a new remediation program which increases support for those factories which struggle to maintain compliance, launched further updates to the IETP Audit Checklist and continued the roll-out of Progress Visits to cover all IETP Certified Factories. We also expanded the training and development programs to meet the needs of our members identified through Progress Visits, including seminars focused on regulations in Vietnam and an introduction to Lean Manufacturing.

In 2018, we increased our day-to-day support for workers with longer operating hours for our Helpline and redesigned Helpline Cards and resources. In 2019 we ran our biggest worker well-being program to date rolling out the Family-Friendly Spaces program at 30 factories supporting over a thousand workers and their children, expanded our Migrant Parent Training program, and piloted new approaches to strengthen
women’s empowerment at toy factories in India.

We added new functionality to our online Connect Platform for Licensor and Retailer members and responded to requests from buyer members to conduct special investigations and to deliver on-site factory training.

2019 was also the year in which we celebrated the 15th anniversary of the Ethical Toy Program and at this milestone we reflected on our progress and achievements to date. We began work on our future action plans, ensuring we encompass our commitment to deliver positive impacts directly for workers in all our activities.

At a Governing Board level, we welcomed new members from civil society and industry. We also strengthened our commitment to auditor integrity with the integration of APSCA registration information within our audit reports.

The ongoing development of our program to provide more support for our buyer and factory members through training, as well as our continued development of unique programs that provide a positive impact for workers directly, has further confirmed IETP’s role as a leading labor standards program.

This report shares IETP’s achievements over the past two years and looks ahead at our priorities for 2020 as we continue work to improve conditions and raise standards for more workers across a wider range of countries and sectors.
Key Achievements

2018

Launched new branding, new name, new logo, new website, refreshed communications

Completed extensive program review including the launch of a risk-rated Audit Checklist

Welcomed 18 new buyer members including LEGO, Nickelodeon Viacom and Bandai

Piloted and launched Progress Visits, a shift in the way we engage with factories

Women’s Empowerment Program conducted with BSR in India

Growth of Worker Helpline with 57% increase in call volume compared to 2017

Hosted first Family-Friendly Spaces Sharing Conference attended by 90 sponsors and participating factories

150 workers strengthened relationships with their 255 children through Migrant Parent Training
Launched new membership program and services for brands and retailers to raise standards in the toy industry supply chain.

588,206 workers supported

Enhanced audit quality and integrity measures including adding APSCA registration for all auditors with numbers displayed on all audit reports.

3,458 followers reached on WeChat channel (launched August 2017)

2,138 audits conducted

Program consultation received 1,558 responses from hundreds of factories, brands, retailers, NGOs and Toy Associations.

Reducing duplication – factories connected with up to 11 different customers on Connect.

3,030 factory-brand connections on Connect

Introduction of After-School Clubs to continue FFS impact year-round

Growth of our Family-Friendly Spaces program meaning 40% more children attended this year.
2019

3,428 factory-brand connections on Connect

Completed roll-out of Progress Visits, offering enhanced capability support to all IETP Certified factories

8.5% increase in Helpline inquires compared to 2018, supporting a total of 1,838 workers

859 workers strengthened relationships with their 1,289 children through Migrant Parent Training

Expanded the Family-Friendly Spaces program to 30 factories across 5 provinces in China, providing childcare support of 1,100 children and supporting over 1,200 workers

2,784 audits conducted

480,772 workers supported

Expanded factory training and development to meet needs identified through Progress Visits, seminars focused on sourcing in Vietnam and introducing Lean Manufacturing
Concluded our Women’s Empowerment Program piloted in 3 toy factories in India reaching a total workforce of 824 workers.

10 new buyer members including Target, Games Workshop, Melissa & Doug and Schleich.

Hosted second Family-Friendly Spaces Sharing Conference attended by 100 representatives of program sponsors and participating factories.

4,763 followers on WeChat channel 37% increase YoY.

Reducing duplication – factories connected with up to 13 different customers on Connect.
Program review and enhancements

We regularly update the IETP Audit Checklist and review our ways of working to ensure the program is responsive to the evolving needs of our members and workers.

Updated Audit Checklist

Towards the end of 2017, we ran an extensive consultation process on proposed updates to our audit checklist and enhancements to our audit certification methodology.

During 2018, we analyzed the consultation responses and published the finalized version of the enhanced, graded version of the IETP Audit Checklist and simplified our factory certification methodology, replacing the existing Factory Seal Classifications. Our enhanced 2018 Audit Checklist (Version 2.0) launched in October 2018.

We added a total of 33 new checkpoints to the IETP Audit Checklist, along with new checklist sections and areas of focus. Changes were also made to reflect good practice and new legislation. New and updated checklist areas include business ethics, recruitment fees, foreign migrant workers, women’s empowerment, working hours, human trafficking, grievance mechanisms, emergency and incident investigation and reporting.

1,558 comments received from hundreds of brands, factories, retailers, NGOs, toy associations consulted

5 consultation webinars held for brands and retailers

10 checklist training sessions held for factories welcoming 748 attendees from 437 factories
We also strengthened requirements to support the implementation of the ‘Employer Pays Principle’ a globally endorsed position to eradicate modern-day slavery from supply chains, and to reflect other changes in global legislation.

Version 2.0 of the IETP Audit Checklist also introduced risk criticality grades to all non-compliances, evolving the IETP Audit Checklist from a pass or fail approach to provide risk-rated assessments. This enables both factories and brands to understand the severity of issues found during the audit, helping them to prioritize remediation and follow-up.

In September 2019, we introduced further changes to the IETP Audit Checklist. Version 2.1 added new definitions to support existing checkpoints and removed the one-year grace periods which were initially added to some checkpoints in Version 2.0 to allow time for factories to adjust to new or strengthened criteria.

In 2018, we added two new pre-certification statuses for factories, Assessed and Progressing. This additional information helps provide greater transparency to all on the progress being made by the factory towards achieving certification.

New name, renewed commitment

In January 2018, we rolled out our refreshed branding, including our new program name, new logo, updated mission statement and new website.

Our new website includes new content, features, and resources for all our members, including a dedicated section for factories looking to start or renew certification; resource libraries to help build factory capability and drive worker well-being; and a new membership section for brands and retailers.
Introducing Progress Visits

In 2018, we piloted and launched Progress Visits (PVs). PVs replaced the mandatory Progress Audit. Launched from October 2018, PVs have delivered a step-change in the levels of guidance, training and support we offer to factories. Different from a traditional audit approach, PVs are announced factory visits during which we review and discuss the factory’s progress in maintaining IETP social compliance standards with both senior management and workers.

PVs are promoting communication, trust and transparency by providing opportunities for factories to openly share and discuss social compliance challenges. During PVs, factories receive guidance and support to help them address issues identified. We also share feedback from workers with senior management, helping improve communication and understanding.

The introduction of PVs means fewer audits and more support for factories. PVs also increase understanding of the social compliance issues which factories face, enabling us to offer tailored training programs and increased guidance which help factories address current challenges and drive business improvements.

At the end of 2018, we had conducted 184 Progress Visits in China, Vietnam, Indonesia, South Korea, Malaysia, and Thailand. By the end of 2019, 814 PVs were conducted. PVs are a positive demonstration of how a mix of audit and support versus audit only can deliver effective results.

“I seldom write letters of thanks to audit programs, but Progress Visits have changed my mind, creating a positive environment for discussion and reducing tension between our factory and the audit firm, thank you very much!”

– Factory Manager, Dongguan, China
Building capability, driving improvements

Strengthening factory capability to drive continuous improvements is a key priority at IETP. Throughout 2018-19, we expanded the range of training opportunities offered to factories, including online resources, in-person training sessions, seminars, and best practice roundtables.

Our training courses focus on building factory knowledge and capability on responsible sourcing, supporting factories to make sustainable improvements, and helping them to get the most from our program. We also deliver training and support to help factories improve well-being across their workforce.

Our Program Support and Engagement Teams offer further support to factories. Common enquiries from factories throughout 2018-19 included wage calculation queries, information on environmental health and safety requirements and questions related to audit results and the audit process.

As of 2019, the majority of IETP training for factory members was either free or subsidized through funds allocated to our Training & Development fund, which is generated from Progress Visit fees.

Factory seminars delivered in 2019 included a session focused on regulations in Vietnam as well as an introduction to Lean Manufacturing delivered in partnership with the Hong Kong Productivity Council. IETP’s Training & Development fund will continue to support the needs of factories as identified through Progress Visits.

During 2018-19 we also responded to requests from factory Management and Buyers to deliver on-site factory training.

<table>
<thead>
<tr>
<th>training programs:</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td>sessions held</td>
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<tr>
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<td>1,119</td>
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<tr>
<td>factories</td>
<td>790</td>
<td>634</td>
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</table>
Advancing worker well-being

Promoting worker well-being lies at the heart of IETP. Supporting factories to deliver improvements that not only benefit factory workers – but also deliver positive business outcomes – is central to our mission to build better lives for workers and stronger supply chains through ethical production.

2018-19 saw further expansion of IETP’s innovative programs to advance worker well-being at factories.

Family-Friendly Spaces

Back in 2016, IETP identified opportunities to support factory workers in China who have migrated domestically for work and, as a consequence, live separately from their children. Similar to other manufacturing centers, millions of workers migrate domestically to find work in China, but many are unable to bring their children with them when they move from their hometowns to larger cities. This has led to millions of ‘left-behind children’ in the countryside many of whom only see their parents once or twice a year.

Our Family-Friendly Spaces (FFS) create factory based childcare facilities that enable factory workers to spend more time with their children. FFS provide a fun, safe and secure environment for the children to play, access learning opportunities,

“Without any hesitation, I will bring my sons to the FFS again if our factory opens it next year. After spending quality time together, we’ve developed a strong bond with each other!” – A worker whose two sons attended FFS

The number one reason parents leave their children behind when they migrate for work is not having anyone to look after them when they are at work.

An estimated 15.5 million children are ‘left-behind’ in China.
The spaces enable migrant parent workers and their children to spend valuable time together during the summer school holiday period.

Thanks to generous sponsorship support from the Target Foundation, LEGO and TUV Rhineland, IETP was able to expand the FFS program in 2018-19 to benefit more workers and reach more workplaces.

In addition, LEGO, Mattel, Hallmark, Crayola, The Walt Disney Company, Hape, and Ying De Best Top Toys Co., Ltd. provided support for the program in the form of donating gifts given to the children attending the spaces.

Starting from a small-scale FFS pilot at two factories in 2016, we grew our FFS program to cover 18 factories in 2018 providing childcare support for 685 children and supporting 700 factory workers. Of these, 7 factories were new to the program and 11 had previously opened FFS.

In 2019, we further expanded the FFS program to cover 30 factories spread across 5 provinces in China – providing childcare support for 1,100 children and supporting over 1,200 factory workers.

In 2019, all 30 factories expressed an interest in opening FFS again in future years, with some committing to increase the size of the spaces to accommodate more children.

“Family-Friendly Spaces, as a best practice, lowers social compliance risks for factories and helps achieve UN Sustainability Development Goal 12

– Program sponsor
I think Family-Friendly Spaces is a really great project. When workers know that we care about them and their families, their relationship with us improves. Our production efficiency has significantly increased. We believe this project will have a great impact on the factory in the long run, so we have decided to run the project in the coming years.

– General Manager of a factory participating in FFS

Benefits for workers and factories

*99% of workers* report that they were satisfied with the program

*98% of workers* felt their child had a safe place to go to while they were at work

*93% of workers* stated they will most likely send their children again

*73% stated* that their relationship became closer

182% increase in **worker satisfaction**

58% increase in **worker trust** in management

13% increase in **worker retention** rate

*FFS satisfaction survey 2019*

18 spaces opened in 2018

30 spaces opened in 2019
Family-Friendly Spaces – a reminder of why we do this

Over the past 4 years of operation, our FFS program has consistently delivered profound benefits for workers and their children, transforming parent-child relationships and supporting the developmental needs of children. It is because of these measurable, positive impacts that the FFS program grows each year.

FFS are also hugely positive for factories, with all participating factories reporting increases in trust levels between management and workers, improved retention and easier attraction of workers, and reduced volumes of re-work needed due to a far more stable and committed workforce. These positive impacts are also seen from workers who do not have children but have increased belief that the management care about their well-being. It is because of these measurable, positive impacts that the FFS program grows each year.

IETP’s Family Friendly Spaces and Migrant Parent Training programs is delivered with the support of the Centre for Child Rights and Corporate Social Responsibility (CCR CSR), with CCR CSR providing implementation support to assist with the setup of new FFS.

“I like this FFS a lot because I can stay with my parents and meet new friends and teachers. Living without my parents in my hometown makes me feel so lonely, despite the company of my grandma. I used to call them three times a day and tell them to come home because I missed them so much. But I also understand that they have to work in Dongguan to provide a better future for me. Even so, I have always wanted them to spend more time with me and my wish has come true this summer. Both my parents came to the cookery workshop and it was really fun! We made steamed pork buns together and visited a museum. These are moments that I will always cherish.”

– a 10-year-old girl from Heyuan, Guangdong Province
Migrant Parent Training

Migrant Parent Training (MPT) sessions help workers build relationships with their left-behind children. MPT complements FFS by providing training and support to help migrant workers overcome the stress and challenges associated with being separated from their children.

The half-day MPT courses strengthen remote parenting skills and improve workers’ awareness of the importance of personal well-being.

"I have to work. I had no choice but to leave my children behind. Of course, I miss them, especially after work. I often wonder what they ate, what happened at school. Before I didn’t verbalize my feelings. But since the training, when I miss my child, I tell them I miss them. Saying it out loud is a totally different feeling. My child says to me: Mommy, I miss you too. In this way, we feel closer!"

– A participating mother with left-behind children

2018:

3 sessions conducted
150 workers participated
225 children benefited

2019:

20 sessions conducted
859 workers participated
1,289 children benefited

214% increase in workers feeling more confident about educating their children well even from a distance

85% of factories plan to do the training again

MPT satisfaction survey 2019
Worker Helpline

The IETP Worker Helpline offers free, confidential information and advice to support the well-being of front-line workers at factories.

The purpose of the IETP Worker Helpline is to inform, educate and empower workers so they can effectively manage work-related issues and their personal lives. It also provides a confidential grievance mechanism, when needed.

The confidential, toll-free Worker Helpline service supports workers with issues relating to their work or personal lives. The Helpline has supported over 17,000 workers since it was first launched in 2010.

We continue to invest to enhance the level of service and support offered via the Worker Helpline. In 2018, we extended hours of operation to be 9 am to 9 pm and brought the helpline operation team in-house. Since this move, we have managed 70% more calls than our previous outsourced provider. By the end of 2019, 17,469 calls had been received. All calls are fully resolved to the satisfaction of the caller.

In 2018, we also introduced re-designed Helpline Cards (issued to all workers) and Posters to help more workers access the Helpline. In 2019, we published a briefing explaining how the IETP Worker Helpline operates and the impacts it has made nine years since launch in 2010.

“I used to work in another factory where I often had to work overtime and was treated poorly, but I had no one to talk to about it. I am grateful that my new employer provides this Helpline service for us, and I am pleased to see a more caring and supportive environment.”

– Call from a worker who had recently started working in an IETP Certified Toy Factory
The reach of the Worker Helpline continues to expand as it gains user confidence and trust. From the time of its launch in April 2010 until the end of 2019, a total of 17,469 workers inquiries were raised, with 1,123 cases escalated to IETP’s teams on the ground in China for further investigation and remediation.

*Data correct as of December 2019*

- **1,879** factories covered
- **17,469** workers called the Helpline
- **1,659,000** Helpline Cards distributed
- **1,123** cases escalated
- **792,116** workers available to
- **10** years in operation

**Top 5 Helpline Inquiries**

**2018:**

1. Resignation: 15.3%
2. Delayed payments: 8.8%
3. Dismissal / Termination: 8.3%
4. Social insurance: 6.9%
5. Holiday / Leave application and arrangement: 6.7%

**2019:**

1. Resignation: 16.7%
2. Personal, non-workplace: 12.5%
3. Working Hours: 6.8%
4. Social insurance: 6.6%
5. Dismissal / Termination: 5.2%
## Breakdown of Helpline Inquiries

### 2018:

- **1,643 calls** and 51 emails to the worker helpline (57% increase YoY)
- **1,826 questions** were answered (51% increase YoY)
- **33 escalated cases**
  - Total amount of phone-call-time reached **7,545 minutes**
  - **178,500 Helpline Cards** were distributed to 220 factories (109% increase YoY)

**Caller gender:**
- 33% female; 67% male

**Communications channels:**
- 97% phone; 3% email

**Top 5 locations:**
1. Guangdong provinces (71.7%)
2. Guangxi provinces (5.1%)
3. Hunan provinces (3.4%)
4. Jiangxi provinces (3.3%)
5. Fujian provinces (2.2%)

**How workers heard about the helpline:**
- 85% Helpline Cards
- 6% IETP training and WeChat
- 1% Word of mouth
- 0.5% Website
- 1.5% Helpline Poster

### 2019:

- **1,801 calls** and 37 emails to the worker helpline (8.5% increase YoY)
- **2,042 questions** were answered (12% increase YoY)
- **120 escalated cases**
  - Total amount of phone-call-time reached **9,596 minutes**
  - **77,500 Helpline Cards** were distributed to 150 factories (-57% change YoY)

**Caller gender:**
- 29% female; 71% male

**Communications channels:**
- 98% phone; 2% email

**Top 5 locations:**
1. Guangdong provinces (84%)
2. Guangxi provinces (2.3%)
3. Hunan provinces (2%)
4. Jiangxi provinces (1.4%)
5. Fujian provinces (1.4%)

**How workers heard about the helpline:**
- 95.5% Helpline Cards
- 0.17% IETP training and WeChat
- 0.94% Word of mouth
- 0.39% Website
- 0.78% Helpline Poster
**Women’s Empowerment**

Women make up over 60% of the workforce in IETP factories and play a key role in the factory’s success. However, women working at factories can face gender discrimination, harassment and poor health conditions.

In 2019, we concluded our 2-year Women’s Empowerment Pilot (WEP) in India delivered in collaboration with BSR. The initial phase of this Dutch Government-funded pilot included a scoping study to better understand the issues impacting women in factories in India – an emerging center for toy production. Phase two consisted of in-factory trainings on gender awareness, health, communications, and prevention of gender-based violence delivered to ‘Core Groups’ comprised of managers, HR staff, and front-line workers. Core Group members also developed action to support gender equality and disseminated learnings to the entire workforce.

The pilot delivered significant improvements in awareness of gender issues and opportunities across all three participating factories.

We saw an increased understanding of, and commitment to, gender equality and worker well-being among factory management, supervisors, and workers through the provision of in-factory training. This translated into all three factories creating or strengthening policies to prevent sexual harassment, in compliance with India’s POSH Act (Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013), reinforcing their grievance mechanisms, and increasing awareness of these amongst workers.

Though the training sessions were conducted in the workplace, the WEP also helped improve workers’ communication and relationships both at work and at home. A focus on assertive communications and tackling deep-rooted gender stereotypes led to better interactions between workers and supervisors of the opposite sex.
The WEP led to increased awareness of menstrual hygiene and increased use of sanitary napkins. Prior to the training, it was common for women workers to use cloth during menstrual cycles. By realizing that period poverty was exposing women to serious infections, the factories decided to provide subsidized sanitary napkins to the workers. That, coupled with the efforts to debunk the taboo of menstruation, increased the reported usage of sanitary napkins among women by a factor of eight.

Before the WEP, participants rated their relationships at home as 3, on a scale from 0 to 10, with 10 being the highest. After program completion, the average rating was 9.

The WEP concluded in March 2019, marked by a series of joint factory workshop held in Delhi which brought together factories from across India to share learnings, celebrate achievements and inspire more factories to embrace strategies which empower women.

Our work in India has provided useful insights into what’s required to develop successful programs to support women in the workplace, including the need to leverage local expertise to build trust with factories; consult beneficiaries before program design to tailor it to their needs; encourage program ownership by having beneficiaries define their priorities; and ensure meaningful engagement with men to achieve sustainable gender norm transformation.

IETP and BSR are applying learnings from our WEP as we explore potential for further programs to advance women’s empowerment at toy factories. In November 2019, IETP partnered with BSR on a study mapping women’s empowerment program opportunities at factories in China, paving the way for future work to support women in the workplace in 2020.

“After attending the gender awareness training, I started engaging my son in small household cores and I am happy to have initiated change in my own family.”

– a worker in the women’s empowerment program
Tackling issues, raising standards

IETP audits, assessment, and certification are tailored to address the social compliance issues which are pertinent to manufacturing and address the needs of our members and their workers.

Our Certification is the leading industry-wide standard which international toy, play, entertainment, and publishing industries buyers trust; around two-thirds of the world’s toys are produced in IETP Certified factories. Our Certification plays a major role in reducing audit duplication by providing a single responsible sourcing standard that is requested and accepted by brands and retailers worldwide.

<table>
<thead>
<tr>
<th>The program in numbers</th>
<th>2018:</th>
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</thead>
<tbody>
<tr>
<td>Workers supported</td>
<td>588,206</td>
<td>480,772</td>
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<tr>
<td>Sites certified</td>
<td>903</td>
<td>786</td>
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<tr>
<td>Audits conducted</td>
<td>2,138</td>
<td>2,784</td>
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<tr>
<td>New factories</td>
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<td>115</td>
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<tr>
<td>Accredited audit firms</td>
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<tr>
<td>Renewals</td>
<td>713</td>
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<tr>
<td>Factories terminated</td>
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<td>Countries</td>
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</tr>
<tr>
<td>Factories in Probation</td>
<td>101</td>
<td>88</td>
</tr>
</tbody>
</table>
What factories manufacture

Top 3 product categories

2018:
- Toys/Premiums
- Printing/ Packaging
- Baby Products

2019:
- Plastic Toys
- Plush and Soft Toys
- Printing/ Packaging

Where are factories located

2018 & 2019:

Top 5 countries and regions:

- China 92%
- Vietnam 4%
- Indonesia 2%
- Thailand 1%
- Malaysia 1%
Program insights

Audit Capacity:

2018:

2,138 audits performed by accredited audit firms
184 Progress Visits conducted
5,771 man-days allocated to social audits
101 accredited auditors
1,962 audits conducted in Mainland China
176 audits conducted in other countries & regions
14 additional auditors accredited globally
101 auditors trained (including refresher training + new auditor training)

2019:

2,784 audits performed by accredited audit firms
814 Progress Visits conducted
5,088 man-days allocated to social audits
126 accredited auditors
2,536 audits conducted in Mainland China
248 audits conducted in other countries & regions
28 additional auditors accredited globally
126 auditors trained (including refresher training + new auditor training)

Certified factories by seal status:

2018:

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<tr>
<th>Sealed</th>
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<tr>
<td>Certified</td>
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<tr>
<td>Class A</td>
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<tr>
<td>Class B</td>
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<td>Class C</td>
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2019:

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<tbody>
<tr>
<td>Certified</td>
<td>786</td>
</tr>
<tr>
<td>Probation</td>
<td>88</td>
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</tbody>
</table>

In 2018, we introduced a new seal classification, Certified, to replace Class A - C which were phased out by the end of 2019.
Top 3 Termination reasons:

2018:
1. Failure to comply with IETP audit procedures and process: 56%
2. Failure to meet the Probation Agreement: 20%
3. Failure to implement Corrective Actions: 8%

2019:
1. Failure to comply with IETP audit procedures and process: 30%
2. Failure to meet the Probation Agreement: 16%
3. Failure to implement Corrective Actions: 7%

Top 5 audit violations:

2018:
10.6: Are aisles and emergency exit doors clearly marked, illuminated, accessible, and kept clear of obstructions, internally and externally? (3.7%)
3.3: Do wages and compensation meet legal and policy requirements? (3.2%)
2.7: Are workers entitled at least one day off in a predefined week? (3%)
11.31: Is required personal protective equipment provided to workers and visitors according to the hazard assessment? (2.9%)
10.36: Are other fire-fighting equipment routinely inspected and maintained? (2.9%)

2019:
13.4.1: Are occupational health checks provided to applicable workers? (4.2%)
6.2.2: Do wages paid to workers meet legal requirements? (2.8%)
12.7.1: Does the factory conduct sufficient emergency evacuation drills in line with legal and IETP requirements? (2.6%)
12.5.1: Is the fire safety system inspected by a qualified entity? (2.6%)
5.4.1: Do workers receive one day off in a pre-defined week? (2.5%)

Figures indicate Checkpoint Number in the IETP Audit Checklist
# Working Hours:

<table>
<thead>
<tr>
<th>Average number of hours worked:</th>
<th>2018: 63.8 hours/week</th>
<th>2019: 64.4 hours/week</th>
</tr>
</thead>
</table>

| Average number by country: | | |
|-----------------------------|------------------------|
| China:                      | 64.5 hours/week         | 65.1 hours/week         |
| Vietnam:                    | 59.2 hours/week         | 61.5 hours/week         |
| Indonesia:                  | 44.5 hours/week         | 44.5 hours/week         |

| Average number by factory size: | | |
|----------------------------------|------------------------|
| Small factories (≤ 200 workers)  | 62.3 hours/week         | 63.3 hours/week         |
| Large factories (≥ 200 workers) | 65.8 hours/week         | 65 hours/week           |

| Average hours by season: | | |
|--------------------------|------------------------|
| Peak season:             | 66.9 hours/week         | 65.1 hours/week         |
| Off-peak season:         | 60 hours/week           | 63.6 hours/week         |
Supporting Buyer Members

IETP Buyer Membership provides tools and supports brands and retailers needs in managing supply chain risks, improving standards at factories, and meeting stakeholder expectations.

In February 2018, we launched our updated IETP Buyer Membership Package at New York Toy Fair. Buyer Membership includes access to Connect Platform which buyers use to monitor and manage their supply chain with updates and alerts delivered in real-time. Members also benefit from the support of our expert on-the-ground special investigation teams who work directly with factories to resolve issues, as well as provide dedicated stakeholder engagement support.

Growing our membership community

During 2018-19 we welcomed 28 new Buyer Members including some of the world’s largest toy brands, retailers, and licensors bringing our total number of Buyer Members to 53 since the initial version of our buyer membership program launched in 2016.

“Crayola has a long-standing commitment to ethical sourcing and supporting the rights of workers in our extended global supply chain. The Ethical Toy Program is a critical component to help us meet this obligation. Because of the Ethical Toy Program’s deep knowledge and expertise in the toy industry, we believe they are best suited to partner with us in this very important work.”

— Bonnie Hall, Vice President, Global Quality and Continuous Improvement, Crayola

www.ethicaltoyprogram.org
New Buyer Members joined in 2018 and 2019:

The Ethical Toy Program has made an important contribution to the toy industry in reducing the duplication of social compliance audits. Having a single audit protocol for the industry frees up resources to focus on continuous improvement. In addition, the Ethical Toy Program performs a valuable function in coordinating action when concerns are raised about working conditions in factories. We value their investigation, analysis, and communication in the factories used by our licensees or shared with other brands.

– Laura Rubbo, Director, Responsible Governance and Supply Chain, The Walt Disney Company
Connect Platform

Connect, our responsible sourcing platform, enables brands to connect with the factories they source from, view and manage audit data, and set real-time social compliance updates and alerts.

We continue to invest in our Connect Platform, adding new functionality to meet our member’s needs. In 2019, we added a new feature to Connect which enables licensors to view and verify social compliance data of licensees’ supplier factories – providing licensors with confidence that products made under license are manufactured responsibly. Using this new functionality, licensors can initiate a data sharing link request to those licensee companies they are working with.

Connect Platform: by the numbers

<table>
<thead>
<tr>
<th>2018:</th>
<th>2019:</th>
</tr>
</thead>
<tbody>
<tr>
<td>359 new factory users</td>
<td>508 new factory users</td>
</tr>
<tr>
<td>61 new brand users</td>
<td>65 new brand users</td>
</tr>
<tr>
<td>14 new auditor users</td>
<td>28 new auditor users</td>
</tr>
<tr>
<td>7,080 seal images downloaded</td>
<td>5,514 seal images downloaded</td>
</tr>
<tr>
<td>3,030 factory-brand connections</td>
<td>3,428 factory-brand connections</td>
</tr>
</tbody>
</table>

Factories connected with up to 11 different brands

Factories connected with up to 13 different brands
Stakeholder engagement

IETP engages with external stakeholders to share knowledge, good practice and expertise, gather insights to inform the ongoing development of IETP, and discuss challenges, risks, and opportunities in responsible sourcing.

Throughout 2018-19 IETP engaged with a variety of stakeholders including industry associations, civil society groups, sustainability networks and multi-lateral initiatives.

Stakeholder engagement activity highlights:

**FEBRUARY**
- IETP hosted a reception at the New York Toy Fair to formally launch our refreshed brand, new website and buyer membership program

**OCTOBER**
- IETP hosted our very first Family-Friendly Spaces Sharing Conference in Dongguan bringing together participants and implementation partners

**NOVEMBER**
- IETP participated in Child Rights and Business workshop at the UN Forum on Business and Human Rights in Geneva

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2018

- IETP co-hosted a Business Association Roundtable in London with the Institute for Human Rights and Business (IHRB) on Responsible Recruitment
- Engaged new toy industry networks including MOJO Nation to promote IETP role in supporting the UK’s toy, game and licensing community/young inventors to manufacture toys responsibly

2019

- IETP was featured as a best practice case study in the International Finance Corporation/World Bank guide on Employer Supported Childcare programs
- IETP participated in a high-profile UNICEF HQ event in New York, presented IETP’s Worker Well-being programs to a global audience of governments and businesses

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**JANUARY**
- IETP and Freedom Seal Global announce partnership at Davos to support the eradication of modern day slavery in global supply chains

**APRIL**
- IETP signed a partnership with Save the Children, creating new opportunities for well-being programs to advance child rights and support parent workers

**OCTOBER**
- Engaged AIM PROGRESS Members at their annual meeting, leading to a possible collaboration in 2020

**JULY**
- Increased communication and outreach to new categories, including presentations at Book Chain events. Book Chain is the industry network for the global publishing sector.

**FEBRUARY**
- IETP invited to present at the German Government National Action Plan (NAP) meeting on Business & Human Rights, sharing impacts from our Worker Helpline. IETP subsequently featured in UN OHCR guidance on effective grievance mechanisms
Meetings and events worldwide

IETP’s global team is constantly on the move, organizing and participating in meetings and annual events worldwide. Over the course of 2018-19 the team attended events across the world, including:

**U.K.**
- London Toy Fair
- Mojo Toy and Game Design Conference and Mojo Pitch
- IETP and IHRB Roundtable on Responsible Recruitment
- Sedex Conference
- Modern Slavery & Human Rights in Supply Chain Conference
- IETP Industry Leaders Roundtable – Europe
- Elevate and ETI Responsible Supply Chains: the Future of Trade

**U.S.A.**
- North America Toy Fair, NY
- CEO Roundtable, NY
- IETP Industry Leaders Roundtable – Americas, NY
- BSR Conference, CA & NY
- ICTI AGM 2018, TN
- UNICEF and UN Global Compact Summit, NY

**Europe**
- Spielwarenmesse Toy Fair, Nuremberg, Germany
- Global Child Forum, Stockholm, Sweden
- UN Forum on Business and Human Rights, Geneva, Switzerland
- ICTI AGM 2019, Valencia, Spain

**China**
- Guangzhou International Toy & Education Fair
- China Toy Expo, Shanghai
- Children, Baby and Maternity Expo, Shanghai

**Hong Kong SAR**
- Hong Kong Toy & Games Fair
- Southeast Asia Toy Association AGM Reception
- IETP Industry Leaders Roundtable – Asia
- Walmart Forced Labor Forum
- Stop Slavery Summit 2018
- CSR Asia Summit

**Webinars**
- Anatomy of a Toy: impact, innovation, best practice, child rights with Save the Children
- Worker Well-Being: Family-Friendly Spaces Impacts, Achievements and Opportunities in 2018 and 2019 with CCR CSR
- Modern Day Slavery Webinar with the Australian Toy Association
Industry Leaders Roundtables

IETP's Industry Leaders Roundtable meetings bring our global community of Buyer Members together to discuss issues facing the toy industry and agree on strategies to address these.

In September 2018, we held an Industry Leaders Roundtable in London for our European-based members. This meeting followed an earlier Roundtable meeting held in Los Angeles in July 2018 for our members based in North America.

At the Roundtables, IETP shared updates on progress and achievements delivered over the last 12 months and shared insights and data on responsible sourcing issue areas including working hours, social insurance, and responsible recruitment. Roundtable members then discussed these and other issues, sharing their experiences and insights.

In 2019, we organised further Industry Leaders Roundtable meetings in New York and London. Our September 2019 Roundtable in Hong Kong SAR – our inaugural roundtable meeting in the region – brought together staff from our brand and retailer members based in Asia.

We discussed growth and expansions plans for IETP, including additional support for members sourcing from emerging countries of production, and broadening our program coverage to include additional product categories and industry sectors.

Insights and outputs gathered from Industry Leaders Roundtable discussions inform current projects and future planning, including the development of a new strategic plan for IETP to be implemented early in 2020.
Priorities for 2020

- Grow IETP’s Membership Community to include more Factories and Buyers
- Further expand geographical coverage and support new product sectors
- Invest to develop new services, including a new Environmental Module, Beyond Tier One Assessment Tools, enhancements to reporting for members through Connect and more training support for workers, factory management and our buyer members
- Review and re-design IETP’s Program Methodology to consider new ways of working
- Extend worker well-being programs to reach thousands more workers
Financials

2018

INCOME

total: $3,907,000

$3,449,000 audit operations
$458,000 partner support programs

EXPENSES

total: $3,980,000

$1,551,000 audit operations
$1,502,000 communications and stakeholder activities
$403,000 oversight & policy
$268,000 capacity building
$256,000 quality assurance

$73,000 decrease in reserve
2% of income
2019

**INCOME**
total: $4,826,000

- $4,350,000 audit operations
- $476,000 partner support programs

**EXPENSES**
total: $4,674,000

- $1,744,000 audit operations
- $1,571,000 communications and stakeholder activities
- $328,000 oversight & policy
- $409,000 capacity building
- $622,000 quality assurance

$152,000 increase in reserve
3% of income

* Figures reflect 2019 un-audited accounts.*
Governance

CO-CHAIRS

Maria Livanos-Cattaui (2018)
Former Secretary General of International Chamber of Commerce

Jonas Moberg (2019)
Head of Corporate Affairs at Trafigura

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

MEMBERS

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

Alain Délétroz (2019)
Director General of Geneva Call

Roland Earl (2018)
President, British Toy and Hobby Association

Neil Friedman (2018)
President & CEO, ALEX BRANDS

Mary Beth Goodman
International Development and Anti-Corruption Policy Expert

Geoffrey Greenberg
Co-President, Just Play Toys, LLC.

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

Olivia Lankester (2019)
Senior Director, Head of Social Impact, Social Responsibility and Engagement at the LEGO Group

May Liang
President China Toy and Juvenile Products Association and President, International Council of Toy Industries

Edena Low
Vice President, Corporate Citizenship and External Affairs at Mattel, Inc.

Miguel Martin (2019)
President of the Mexican Toy Industry Association and President of the International Council of Toy Industries

Michel Moggio
Director General, Fédération française des industries Jouet - Puériculture (FJP)

Alan Munn (2018)
Former President and CEO, Tomy Europe

William Reese
President and CEO, International Youth Foundation

Pär Stenbäck (2018)
Former Minister of Foreign Affairs of Finland

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

Michael Widman
Vice President, International Labor Standards, The Walt Disney Company

C.K. Yeung
Former Managing Director and then Vice Chairman, Blue Box Holding