

Remediation Program and Termination Policy

Effective: 1st September 2020

ETP-P-13 V01 (E)

Preface

The ICTI Ethical Toy Program (IETP) is the leading responsible sourcing program for the global toy industry. Since 2004, we have remained committed to refining the existing IETP policy to effectively support factories to drive standards and strengthen sustainability among the industries.

To elevate factories' standard on social compliance management, reduce audit duplication, and empower factories through effective technical support, IETP started to develop a Remediation Program in 2019 and it will be officially launched on 1st September, 2020.

The specific requirements of the Remediation Program and Termination Policy are as follows:

Definition and Requirements

Remediation Program

- I. The status of "In Remediation" of a factory is decided by the Program Monitoring and Development Team of ICTI Ethical Toy Program (IETP). The factory shall settle all the required payments within one month of receipt of the "Remediation Agreement" to officially enter the Remediation Program period with an "In Remediation" certificate. This is considered as an agreement on accepting all the terms and conditions stated in the "Remediation Agreement", including undergoing regular on-site audits, and a commitment to continuous improvement in order to comply with the IETP requirements.

- II. There are two types of certificates for the Remediation Program: 9-month Remediation Program certification and 12-month Remediation Program certification. The type of Remediation Program certification that the factory receives will be depended on the severity of the issues identified.
- III. End of Remediation Program: After the on-site Reinstatement Audit, if the factory has no Zero Tolerance issues or Critical Violations, and with the approval of the IETP Program Monitoring and Development Team, the factory will be considered for reinstatement of normal certification before the end of the 9-month or 12-month Remediation Period. Final approval will be given by IETP management.
- IV. Extension of Remediation Program: Factory may obtain a maximum of one extension for a period of 6 months based on the findings and results of previous surveillance audits. Two surveillance audits will be conducted during the extension period.

Termination

- I. A factory with any of the following situations will be terminated during onsite engagement or audit:
 - 1) Zero tolerance violations;
 - 2) Critical violations with a failure to commit to making continuous improvements;
 - 3) Failure to comply with IETP audit procedures and processes, such as refusal to undergo the required audits or to settle the audit fee, etc.; or

- 4) Failure to submit an acceptable Corrective Action Plan (CAP) within 20 working days – the Factory Response Period (FRP).
- II. The status of factory will be showed as “Terminated” on the IETP official website and Connect platform from the effective date of the termination decision until the factory reapplies for the program after the termination expires.

Zero Tolerance

- I. Denial of full or partial access to meet the objective of the audit;
- II. Hidden production areas or hidden workers with the factory's intention to report an untrue scope of audit;
- III. Underage labor;
- IV. Improper influence occurring during audit;
- V. Abuse, harassment, coercion, or punishment;
- VI. Forced labor;
- VII. Use of prison labor, and/or human trafficking.

Critical Violations

Definition

- I. Violations of serious IETP social compliance standards, national and international labor standards.
- II. Critical violations include, but are not limited to:
 - 1) Record inconsistencies;

- 2) Inaccurate wage records, and/or working hours records;
- 3) Wage deficiencies;
- 4) Delayed payments;
- 5) Not provide 1 day off in a pre-defined week;
- 6) Fewer than 10 hours rest in pre-defined 24 hour period;
- 7) Weekly working hours in excess of 72 hours;
- 8) Not providing 15 minutes break after 6 consecutive hours of work;
- 9) Dormitory, production areas and/or warehouse in the same building;
- 10) Insufficient emergency exits.