



Mattel's Response to the International Center for Corporate Accountability's 2007 Audit Report for Mattel's Plants in China

This plan responds to four audit reports for Mattel managed plants in China prepared by the International Center for Corporate Accountability (ICCA) in 2007.

Guan Yao Plant (MHK-GY)
March 19-20, 2007

Mattel Die Cast (MDC)
March 22-23, 2007

Hwa Tai (Mattel Engineering China – MEC)
March 21, 2007

Chang An Plant (MHK-CA)
March 23-24, 2007

Mattel appreciates ICCA's independent audits and comprehensive reports. To date, each plant is implementing corrective action plans to address specific findings. Mattel's newly created independent Corporate Responsibility organization is working with Worldwide Operations to ensure clear direction and consistency in the implementation of our Global Manufacturing Principles (GMP). The Corporate Responsibility Audit and Policy department will monitor progress of the corrective action plans and communicate with leadership until all items are closed. The Global Sustainability department will provide technical support to each plant and develop tools and training programs to address common challenges and share best practices.

Mattel has grouped ICCA's findings into six areas for which we intend to concentrate our efforts to achieve improved GMP implementation.

1. **Working Hours** – In response to ICCA's findings that there are instances where Mattel's GMP standards pertaining to working hours have been exceeded:

While Mattel was pleased that the auditors were able to confirm compliance in several of the China factories, working hours continue to be an industry challenge shared by Mattel and common across the manufacturing sector in China. We believe that seeking to ensure proper payment of wages and the voluntary nature of overtime is an important part of making progress on addressing working hours, but will also take a systems approach to address the challenge. It will take the collective effort and commitment of all of Mattel's supply chain partners as well as customers and other manufacturers working together to address the forces that bear on the issue. We will continue to do our part to examine those aspects we can influence and seek to collaborate with others.

2. **Payroll Recordkeeping and Overtime Wages** - In response to ICCA's finding that MDC's payroll recordkeeping system is not sufficiently transparent to verify accurate payment of overtime and that the decision to pay overtime or provide alternative time off in compensation for a small number of workers covering shift change is left to the discretion of department supervisors:

Mattel's Global Sustainability department will work with the leadership of MDC to address the concerns raised by ICCA and evaluate whether the planned system improvements are adequate to create a verifiable system of documenting working hours and compensation. The corrective action plan will also address the timely payment of proper wages for the additional time that a few line supervisors and other employees may work in order to smoothly execute shift changes.

3. **Initial Deposit** – In response to ICCA’s finding that workers at the Chang An plant were required to leave a deposit with the factory:

Mattel takes this finding seriously and is continuing to investigate the assertion by some interviewed employees that a deposit is being withheld. To date Mattel has been unable to verify this claim. Based on the results of further investigation appropriate actions will be taken to ensure payroll practices are consistent with GMP and legal requirements.

4. **Dormitories & Canteen Deductions** - In response to ICCA’s findings that the Chang An Plant requires mandatory dormitory living and eating food in the canteen:

Mattel’s GMP provides that workers may choose whether they live in the dormitories and eat meals provided by the plant canteen. If workers choose not to live in dormitories or eat in the canteens, then those corresponding deductions are not taken. While it is reasonable for the factory to need a commitment in order to plan for the necessary services, Mattel will require the plant to evaluate its current operating practices and develop a plan to ensure that workers have the opportunity to opt in or out of these services on a periodic basis. These interests will be balanced in a manner that does not create an undue burden on either the plant or restrict the workers interests and is compliant with all legal requirements.

5. **Medical Examinations** – In response to ICCA’s finding that workers were required to pay for pre-employment medical screening:

Mattel will clarify that if applicants are required to have pre-employment medical examinations the plant will be required to adopt one of the following three options:

1. Provide free medical examinations, or
2. Permit an applicant to produce the results of a recent medical examination from a clinic or hospital of their own choice, or
3. Require applicants to undergo and pay for their examination. In this case notification of this employment requirement must be clearly communicated to prospective applicants and the fee must be reasonable and not intended to be a source of profit.

6. **Environmental, Health and Safety Issues** – ICCA highlighted environmental, health and safety (EHS) issues as a concern in the audit reports:

The Global Sustainability department has launched a review of the specific EHS audit findings with each plant and will guide the development of corrective action plans. Capability building initiatives in 2008 will include a focus on improving EHS management systems including the implementation of enhanced industrial hygiene and environmental compliance training.

ICCA notes that the use of personal protective equipment and housekeeping are issues that need attention and will be addressed in capability building training as well as called out for specific attention during internal GMP audits.