



MATTEL, INC.
333 CONTINENTAL BOULEVARD EL SEGUNDO, CALIFORNIA 90245
PH: (310) 252-2000 FAX: (310) 252-2180

Mattel's Response to the Sethi International Center for Corporate Accountability's 2008 Audit Reports for Mattel's Vendor Plants in China

This plan has been prepared in response to a series of audits of Mattel vendors conducted by the Sethi International Center for Corporate Accountability (SICCA) in 2008. In order to track the progress of vendor plants over time, they have been assigned numbers. In June 2008, SICCA conducted four follow-up audits for plants numbered 1, 3, 11 and 18. Mattel recognizes the value of third party auditing as part of advancing our commitment to responsible manufacturing. Mattel has been conducting these audits of GMP for more than ten years, and from all indications we have made considerable progress improving the performance of our primary vendors. Transparently sharing the results of such audits enables our stakeholders to monitor our progress.

Mattel has reviewed the four reports and the Corporate Responsibility function is working with Worldwide Operations and the vendors to address deficiencies. Mattel takes seriously the issues that have been raised, in particular the termination of the audit at Plant #1. As part of the efforts to continuously improve GMP performance of vendors, the Global Sustainability (GS) department is continually conducting capability training with our vendors. The training and outreach assistance will be tailored to the issues that have been identified in the particular factory audit. Each vendor's progress will be monitored until all items are closed. We continue to communicate that Mattel values the relationship with its vendors and will seek to provide them support to understand and implement GMP. It will also be made clear that we will not continue a relationship with a vendor that does not demonstrate progress and a commitment to comply with GMP. The findings have been grouped in to several areas for which we intend to concentrate our efforts:

1. **Termination of Audit at Plant #1** - Mattel was very disappointed that the audit could not be completed at Plant #1. Members of the Corporate Responsibility and Worldwide Operations leadership team have met personally with the factory owner to communicate their concerns and explain that the lack of cooperation with the audit was unacceptable. Mattel conducted an unannounced audit in October 2008 and received the cooperation of plant management. The audit found deficiencies that need immediate attention, including; working hours above the maximum limit of 72 hours per week, manual timecards not signed by the employee and standard deduction for meals without the option to decline. These findings were communicated to Plant #1 along with a request for a corrective action plan. Mattel will monitor closely the progress of this vendor. Mattel is confident that these issues will be addressed and substantially resolved by the time of SICCA's 2009 audit cycle.
2. **Pre-Employment Medical Screening** - SICCA reported that job applicants are financially responsible for pre-employment medical screening required by some vendors. In addition, during the employee interviews, SICCA reported that some female workers, when asked if their medical screening included a pregnancy test,

responded yes. Mattel takes this finding seriously and has communicated to vendors that the discriminatory use of such screening is unacceptable. Mattel will suggest to vendors that in order to address both concerns about testing and the issue of financial responsibility that pre-employment medical screening be halted unless required by law for certain positions. Vendors that continue to require medical screening will be obligated to pay for them or permit an applicant to produce the results of a recent medical examination from a clinic or hospital of their own choice. Furthermore all such medical examinations will be properly documented to ensure compliance and continued monitoring of covered employees with legally mandated standards.

3. **Working Hours** - SICCA reported instances where working hours or the number of peak work weeks exceeded GMP standards. SICCA also noted that vendors were in compliance with the appropriate waivers from the local labor bureau, overtime was voluntary and wages were accurately paid. Mattel's recognizes that working hours are a difficult challenge for any single company to resolve. Our GMP is intended to provide a reasonable maximum in terms of working hours, taking into consideration the diversity of the specific terms included in each waiver and the seasonal nature of the plants' operations. We have put significant efforts into ensuring that overtime is voluntary and that working hours and wages are paid accurately. We believe these priorities have helped advance transparent record keeping and promote progress.
4. **Payroll Record Keeping, Pay Period and Understanding of Wages** - SICCA found instances where payroll recordkeeping was not automated and involved complex bookkeeping and concluded this practice is prone to error and unreliable. GMP does not require an automated system for tracking working hours or payment of wages. For manual systems, GMP requires that time cards and pay records be signed by the workers to verify accuracy of their hours. Mattel acknowledges that manual systems can be challenging to audit and more difficult to explain to workers. Mattel will seek to ensure that vendors improve communication with regard to the calculation of wages and overtime. Mattel recognizes that the record keeping practices at Plant #18 make it very difficult to ensure an accurate reflection of working hours and proper payment of wages. Mattel's Corporate Responsibility organization is working with Plant #1 to develop a system to meet the requirements of GMP and will provide an update to SICCA on progress by February 2009.
5. **Worker Interviews** - SICCA reported that workers at one vendor appeared to have been coached prior to the audit. While Mattel agrees that workers may have been informed about the audit, it is not clear to that such notification constitutes coaching. Taken at face value, the disclosure by workers that they were told to review the employee handbook is reasonable. The anecdotal feedback about one worker claiming rewards for responses will be discussed with plant leadership. Mattel will express that such a practice violates the intent of GMP.
6. **Payment of Maternity Leave Benefit** - In regard to the payment of maternity leave benefits, SICCA identified one vendor where the 90 day benefit was paid upon return to the plant or presentation of a birth certificate. We agree that returning to the factory

or presentation of a birth certificate should not be conditions that delay receiving the benefit. Mattel will communicate this understanding to vendors and require that they develop a plan to ensure eligible employees receive the benefit in a manner consistent with normal pay periods. Payment of maternity benefits will be included in vendor training and Mattel's internal audit team will track the corrective action plans.

7. **Employee Uniform Expenses** - In response to the finding that some vendors requiring uniforms were providing only one set, Mattel agrees that an adequate number of uniforms should be provided for an employee to be properly dressed while in the plant. If maintaining and laundering uniforms is the worker's responsibility, providing a minimum of two uniforms free of charge is a reasonable expectation. It would be acceptable to charge for additional uniforms purchased at the discretion of the employee.

8. **Environmental, Health and Safety Issues** - The GS dept has carefully reviewed the EHS findings in the SICCA audits. These issues are of concern and the apparent repetitive nature requires a management systems response. Therefore, we have approached the implementation of a corrective action plan in the following manner. In order to sustain compliance with EHS standards, facility must have a management system in place which addresses responsibilities and accountability for each EHS goal. Mattel GS will work closely with these vendors over the next 6-12 months to educate them on the development and implementation of an EHS management system. We will closely monitor their progress to ensure that the implementation of their management system effects change in the day to day operation of the factory.