



January 10, 2018

Dear Li Qiang,

I refer to the report 'the Dark Side of the Toy World' by China Labor Watch, dated November 27, 2017. Since we received it on November 29, we have taken care to investigate the observations in the report through onsite assessments as well as through ICTI CARE's investigation team. Of the four factories named in the report, three make products for Mattel. They are Mattel Chang An (MCA), Early Light and Winson. MCA is owned and operated by Mattel while Early Light and Winson operate as contractual vendors with manufacturing services agreements. As such, we have consulted with their management to provide a single, comprehensive response to you. The results of our investigations are summarized below.

Mattel is deeply committed to ensuring all our employees are treated fairly, with respect and have a safe and healthy environment to work and live in. The foundation of Mattel's corporate responsibility principles is outlined in our Responsible Supply Chain Commitment, available [here](#).

We take pride in your acknowledgment of the progress that these factories have made in the areas of pre-work safety training and social insurance for workers, the latter a testament to the commitment we made and communicated to you previously.

We continue to aspire towards our goal of an injury free workplace, environmental stewardship, and ensuring that our employees and their children are positively impacted by us.

Investigation Findings

We conducted a review of the most recent Mattel Responsible Supply Chain Commitment and ICTI CARE audit findings, in comparison with the CLW allegations and ICTI CARE special investigation. In general, many of the allegations in the report were not substantiated by our various investigations. For example,

- Mattel continues to build a strong preventative safety culture supported by a number of programs including extensive training in areas such as fire safety and emergency procedures, machinery and equipment safety, and industrial hygiene standards and procedures. We share these across our owned and operated sites globally as well as through regular communications with our vendors, including Early Light and Winson. For example,
 - o MCA and Winson provide up to 24 hours of pre-work safety training that includes an introductory session, followed by relevant on-job training based on a worker's job responsibility.
 - o Early Light conducts regular fire drills for its employees and assesses personal protection equipment required for different work stations and provides the same to its workers including gloves, masks and safety shoes.
 - o Winson has a dedicated Environment, Health and Safety committee made up of 10 health and safety professionals.



- As you know, South China has become a highly competitive environment for workers. To attract workers to come and work in the factories, factories must pay competitive wages beyond merely complying with minimum wage requirements.
- Wages are paid at or above the minimum wage for all hours worked. Any overtime work is purely voluntary, and paid at the appropriate premium over base wages. Mattel's operated manufacturing facilities in China carefully restrict overtime work hours to ensure workers receive adequate rest. MCA and Winson both limit total hours worked in a week to 66 hours, in line with ICTI CARE's "Class A" certification while Early Light maintains a "Class B" certification.
 - o There was a technical glitch when Winson changed its enterprise resource planning system in December 2016, resulting in 9 employees inadvertently working for 19 consecutive days. The employees have been properly compensated and the technical issue has since been resolved.
- Beyond wages, factories continually improve both working and living conditions to attract workers. For example,
 - o Winson is in the process of upgrading dormitories, including hot water, electrical fans and laundry facilities. In 2017, 347 new ceiling fans were installed to improve ventilation throughout the workshop and warehouse.
 - o As for the tragic cases involving workers referred to in your report, we are not aware of the allegation relating to MCA. If China Labor Watch has details to support this claim, I strongly encourage you to share these with us so we can investigate. These are serious allegations and should not be kept from us as timely investigations are necessary to enable us to ascertain the facts of the situation.
 - o As for the two suicide attempts at Early Light, we can confirm that we had been informed by the factory very soon after it happened, and that timely investigations were carried out both by the police and by ICTI CARE into both incidents. Early Light has since set up an advisory center to help employees with counseling and related services. Together with ICTI CARE, Early Light is working on improving training programs and other support mechanisms for employees.

Areas of Improvement

As part of this review, we acknowledge that there are a few areas where we can make improvements, in particular, the area of worker communications. Factories can do a lot better to ensure worker communications are more effective and easily understood by the worker. For example,

- Ensuring that the entirety of the different modules of safety training is understood by the worker to be an integral part of their required training as an employee, and that the various modules are taught at different times and venues within the factory to be suited to their job function.
- Secondly, ensuring that workers understand the role of the labor union and their ability to participate and seek out union or elected employee representatives.



- Thirdly, Early Light is making improvements to ensure entitlement to sick leave and other compensated leave is easily understood by their workers.

To improve the effectiveness of worker communications, Mattel and Winson are launching a smartphone-based worker survey pilot project in collaboration with ICTI CARE and MicroBenefits in 2018 to deploy large-scale worker surveys, improve responsiveness to employees' ideas, questions and concerns and help to provide early warnings on potential issues of non-conformance with our Responsible Supply Chain Commitment or ICTI CARE's code of conduct.

Conclusion

Mattel is deeply committed to ensuring every single person making our toys and products is treated fairly, with respect and is able to work in a safe and healthy environment, and we reject any suggestion to the contrary.

We go to great lengths to ensure that every facility we operate meets or exceeds all applicable laws and regulations, as well as our own standards. Importantly, we work closely with the ICTI CARE Foundation to ensure third-party validation of our compliance.

We welcome constructive feedback and as we have done in previous years, again request that China Labor Watch reports non-conformances with our Responsible Supply Chain Commitment promptly to us so that we can take immediate action. Delayed reports of non-conformances make it challenging for us or ICTI CARE to effectively investigate and for the factory to address findings.

As we have noted in the past, no company can claim to be perfect, and as noted above we have taken quick steps to ensure full compliance with our policies. We remain hopeful that China Labor Watch will consider a more collaborative approach moving forward, which can only benefit the very workers we are both interested in protecting.

We are committed to transparency of our citizenship performance and remain open for a constructive dialogue on how we can continue to improve as an employer.

Sincerely,

A handwritten signature in black ink that reads "Edena Low". The signature is written in a cursive, flowing style.

Edena Low

Vice President, Corporate Citizenship and External Affairs