



ICTI Headlines

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TIA Announces 15% Increase In Buyer Attendance at 2007 American International Toy Fair®

New York, NY, March 5, 2007 - The Toy Industry Association (TIA) proudly announced today that over 28,000 buyers, industry executives and media attended the 104th American International Toy Fair at the Jacob K. Javits Convention Center in New York City in February. This attendance figure represents a 15% increase from 2006's Toy Fair. With positive fourth quarter toy sales and a renewed sense of optimism, exhibitors showcased the newest and most innovative products, while buyers crowded the aisles of the Javits Center in search of items to stock their shelves during the 2007 holiday season. Global media presence continued to be strong, with close to 800 media representatives--including CNN, CNBC, The Today Show, Good Morning America, The Early Show, Reuters, and the Associated Press--reporting for countries around the globe including England, Belgium, Israel and Japan. The 2007 show was held February 11th- 14th at the Jacob K.Javits Convention Center in New York City. The four-day event is the largest toy trade show in the Western Hemisphere, and is the showcase for the newest toy trends for 2007, specifically the upcoming holiday season, which accounts for approximately 65% of annual toy sales. In addition to the exhibitors at the Javits Center, other manufacturers showcased their latest innovations in showrooms in the Toy District and other New York City locations.

"We are excited about the tremendous momentum we are seeing in the toy industry," said Carter Keithley, TIA President. "With holiday sales up and the increased global presence at this year's Toy Fair we are poised for another great year."

A total of 1,236 exhibiting companies from 28 countries showcased their products, which included more than 5,000 new items being unveiled for the first time. International pavilions represented countries including China, Hong Kong and Spain. Special product categories included the brand-new Seasonal Celebrations and Arts and Crafts. In addition, product demonstration areas and drop-in learning centers, helped buyers address their specific needs and provided exhibitors with valuable takeaway information.

ICTI CARE Process Accepted by Wal-Mart

Following a year of careful consideration of the ICTI CARE Process, and noting its success in meeting appropriate parameters, Wal-Mart Ethical Standards has decided to accept the work product of ICTI CARE Process audits. Wal-Mart and the ICTI CARE Process are now finalizing operational details to be communicated to suppliers.

On the current timetable, effective 2 April 2007, Wal-Mart Ethical Standards will accept all ICTI CARE Process Seals of Compliance issued on or after 1 March 2007. Given the consistent high standards imposed by the ICTI CARE Process, Wal-Mart is willing to accept their audit results in lieu of Wal-Mart audits for participating toy factories.

Wal-Mart joins a growing number of retailers worldwide, including Argos, ASTRA, Chelsea Stores, Costco, La Grande Recre, Tesco, Toys 'R' Us (on-line) and Woolworth, that accept the ICTI CARE Process. Several additional major retailers are in the process of evaluation. It is hoped that the application of a common code will free up more resources to devote to capacity building and resolution of the root causes of non-compliance.

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ICTI CARE Process Handbook Now Online

In the drive to make its operations ever more transparent, the ICTI CARE Process is now making its social compliance process available on its public website.

"The documentation, or the Process Handbook, is what we use internally to ensure that our process is consistent and fair," said Christian Ewert, President and CEO of the ICTI CARE Process. He said the Handbook is a living document that will be expanded over time as new procedures are added to the ICTI CARE Process.

For example, it gives a reasoned description of the Compliance and Remediation Procedure that it uses when a factory already holding a Seal of Compliance is found to be in violation of the standards set by the ICTI CARE Process. "In such cases," he said, "our main interest is the health and welfare of the workers in the factory. We want to work with these factories to ensure that the violations are addressed and corrected without delay. The remediation process," he went on, "can make a real difference for the workers. In cases where we find that the workers have not been paid according to the rules, we insist that the factories not only rectify this for the future, but see that the affected workers get all the back pay they are entitled to." Mr. Ewert added.

He said the Process Handbook is a good starting point for anybody who wants to know how the ICTI CARE Process works and how it audits conditions in toy factories.

Click here to access the Process Handbook.

<http://www.icti-care.org/handbook/section1.html>

Europe TAB meeting in London

The European TAB, meeting at the London office of the ICTI CARE Process on February 20th, went over draft proposals related to the five-year review of the Guidance Document and Checklist for ICTI CARE audits.

The Chair of the European TAB, Peter Trillingsgaard, stressed how important it is "to have truly global input into this review process. From a European perspective," he went on, "it is important that the audit documentation remains consistent and detailed. As European brands, we rely on the accuracy of the ICTI CARE Process and we are confident that this review process will

make a great system even better."

The European TAB also finalized a questionnaire that will be submitted to the six audit firms currently accredited to conduct ICTI CARE Process audits. The aim of the exercise is to explore the level of expertise and capacity for carrying out audits in Eastern Europe, where some toy manufacturing is taking place. A member of the TAB, Wendy Phillips, said "we have to investigate this in great detail before making a decision as to whether or not to expand the ICTI CARE Process, which is perhaps the most comprehensive social compliance program in the world today. We

positively affect over one million Chinese factory workers, and we need to make sure we can do the same for workers in other parts of the world before we embark on any expansion. Ensuring that there are enough qualified auditors is just the first step," she concluded. The European TAB will meet again in London in early May to review the feedback from the audit companies as well as viewing presentations by the International Register for Certified Auditors (IRCA) and Sedex, a secure, web-based system for companies to input data on labor standards at their production sites.

New name – but business as usual

an operations arm of the ICTI CARE Foundation has changed its name to ICTI CARE Asia Limited. This change is a natural step to insure that we brand consistently the work that we are doing everywhere as the ICTI CARE Process. The toy industry has a long and successful history of taking effective action on important public policy issues, including product safety, product marketing and worker safety. By

promulgating the ICTI Code and supporting development of the ICTI CARE process, the toy industry has reinforced its commitment to operate in a socially responsible manner. As the ICTI CARE Process is now up and running it is natural to call the office ICTI CARE Asia Limited.

The FJP and ICTI CARE Foundation Organize Joint Seminar on Ethical Manufacturing



Jean-Marie Lucas; Patrick Nappez Smoby-Majorette ; Frédéric Hausemer Dorel and Monique Ansaldi.

The French Toy and Child Care Article Manufacturers Association (FJP) and the ICTI CARE Foundation held a joint seminar about the ICTI CARE Process in Paris on 23 March 2007. It was the first occasion that not only toy brands attended, but French retail representatives, along with Marie-France Tournon from Initiative Clause Sociale (ICS), participated as well. Nearly thirty representatives from the brand side included Bandai, BEABA, Cesar, Corolle, Iansay, Meccano, Smoby, and Lego, among others, who were joined by retailers from Cora, Casino, and La Grande Recre.

Introductory remarks by Daniel Aboaf, Director General of FJP were followed by Stefano Bertasi, Director, Policy and Business Practices, International Chamber of Commerce (ICC) with the keynote address on "Social Compliance - Burden or Business Opportunity?" which set the stage from a global perspective. Christian Ewert, President

& CEO of the ICTI CARE Foundation made an in- depth presentation about what the ICTI CARE Process has achieved. Mr. Peter Trillingsgaard, Director Stakeholders of LEGO, followed and provided insights about LEGO's CSR program and the company views about the ICTI CARE Process.

In the afternoon, Laurent Drouart from SGS gave an auditing company's perspective. Christian Ewert reported on what SGS has done to assure a high quality factory monitoring process through carrying out QC audits. He informed the audience about the creation of a new IT Database solution which provides detailed information about the audited factories. FJP was widely applauded for having organized the event and all participants appreciated the detailed information provided across a broad spectrum. Daniel Aboaf concluded the meeting by recommending that, "This type of seminar could serve as a good example to other associations about how to involve toy brands and retailers at the same time."

TIA Commits to Date Certain

Demonstrating a strong commitment to ethical manufacturing, the US Toy Industry Association Board of Directors took the groundbreaking decision to require all TIA members to commit to a "date certain" within the ICTI CARE Process, as a condition of continuing membership. This means that, by January 1, 2008, all members must have committed to a "date certain," after which they will only source from factories certified by the ICTI CARE Process. That "date certain" may be as far out as 24 months after January 1, 2008 - December 31, 2009. A "date certain" commitment will also now serve as a pre-condition for membership renewal for 2008.

Beginning with its strong belief that this is the right thing to do and is in the best interest of members, and with the ICTI CARE Process now a fully-functioning reality, the TIA Board recognized the need to take a bold stand. This step represents an important milestone for the toy industry. Other associations are encouraged to join TIA and the Swedish association in taking this important step forward.

TIA was one of the founders of the International Council of Toy Industries (ICTI) CARE Process, which seeks to ensure ethical treatment of factory workers who manufacture the industry's toys. Over the past three years the ICTI CARE Process has made an excellent start, with well over 1,000 factories, employing more than one million workers, now in the system, and with over 75 TIA members now pledged to source only from compliant factories.



Revised Application Package Available in Chinese and English Online

A revised version of the ICTI CARE Process application package is now available from the ICTI CARE Process website - www.icti-care.org. The package consists of an Application Form and an Application Guide. Factories that want to be certified in compliance with the ICTI Code of Business Practices must follow the steps outlined in this Guide.

The new Application Package is more user-friendly and provides for a seamless data transfer to the new IT system developed by the ICTI CARE Process. See separate story in this newsletter for more information about the IT system and how it benefits brands, retailers and factories alike.

The ICTI CARE Process goes online

The ICTI CARE Process is putting in place a new online IT database system, which will bring significant benefits to factories, brands and retailers that are a part of the ICTI CARE Process.

The rapid growth of the ICTI CARE Process has created a need for an online IT platform to provide an electronic backbone for the factory monitoring operations and an online tool for brands and retailers to track and access audit data for their suppliers.

To kick-start the development of the system, a small working group was established in late 2006 to bring together the expertise of staff members and the Asia TAB. A comprehensive Business Needs Specification was drafted to document all the requirements of the ICTI CARE Process and its stakeholders.

These needs included:

- a tracking

mechanism for factory monitoring, audit reports and corrective action plans to indicate where a factory is in the process and where it is going;

- a tool for managing contact points - factory managers, auditors, brand/retail management, external stakeholders, etc;
- a system to schedule and process audits and audit results;
- automatic allocation of individual auditors to individual factories - this is important to ensure the integrity of the audit process; and
- a high level of security to ensure that sensitive data is not compromised.

Several IT system providers were approached and assessed before a supplier was chosen. After a successful first development phase, we are now at a stage where staff of the ICTI CARE Process are busy uploading existing data onto the new system, which will be open for online factory applications in May this year.

For brands and retailers, the new system will provide significant benefits as it is possible with a few clicks to produce a list of all suppliers and access comprehensive data about each factory - basically the entire monitoring history of a factory. This list will include factories that are working towards a Seal of Compliance and factories that have been put on probation or have been terminated from the ICTI CARE Process.

For factories, the IT system is an easy way to share audit data with suppliers and to keep track of audits and contact details to be shared with the ICTI CARE Process.

All factories, brands and retailers in the ICTI CARE Process will receive further information about the new system in the coming months.



Regular Features

International Toy Fair News

Annual Safety Seminar at Toy Fair Draws a Crowd

More than 150 people attended TIA's annual Toy Safety Update held during Toy Fair. The information packed seminar included a Compliance Update presented by enforcement officials from the U.S. Consumer Product Safety Commission (CPSC) on emerging safety issues, including magnets in toys and lead content in metal jewelry, which will be covered in a new standard currently in development. Joan Lawrence, TIA's vice president, safety and regulatory affairs, presented an update on phthalates. Additional presentations addressed China's proposed "3C" regulation, and updates on forthcoming revisions to the Toy Safety Standard, ASTM F963.

News From Member Associations

Achieving a Prosperous Future for the German Toy Industry

German toy makers spent three days in March in sunny Mallorca to discuss their challenges. Organised by the German Toy Manufacturers Association (DVSI), the seminar touched on subjects ranging from how to get parents to play with children to the best way to arrange a toy display in stores.

The prelude to the discussion was a report by Dr. Ulrich Reinhardt, of the Leisure Time Research Institute (Freizeitforschungsinstitut, or BAT), on how modern life styles and consumer attitudes affect how people play. Especially in a certain age groups, he said that behaviour will be determined by health factors, events and what gives enjoyment. Most older people aspire to a higher standard of living, and here he said there is an opportunity for specialty trade shops to stress advice about what high quality toys and games are most suitable. This theme of "Playing over 40" was the subject of a number of events organised by the International Toy Fair in Nuremberg.

Simone Linden, the secretary-general of "Mehr Zeit für Kinder," emphasized the importance of schools in children's play. Experience had shown, she said, that parents who do not know games do not play with their children. A way to get them to play would be in school play rooms, and here the equipment could be furnished by toy suppliers.

Two German toy experts, Dr. Volker Schmid and Otto E. Umbach, led the discussion about the main topic of the seminar, "What we can do to optimize the toy business?" Suggestions that came up in the often heated discussion included a more balanced distribution, previews of new products for the specialty trade, a steady supply of new products after Toy Fair, and putting a stop to direct and Internet sales by manufacturers.

Mr. Umbach (idee+spiel) won applause with his remark that "success is when the customer comes back to the shop and not the product."

Suggestions for improving store displays dwelt on how to make shopping "an adventure," arranging new product lines to accompany the development of the child, fair pricing and more thought to marketing for the 50+ age group, the target clientele that has the time and money to explore new products. A final recommendation was to have a better EDP (Electronic Data Processing) organization to make a central article-data bank indispensable.

The second Mallorca day included an analysis of the different European markets (NPD Group). Werner Lenzner noted that the German toy market lags behind other countries in Europe in a seasonal comparison, and asked for thoughts why that happened. "Higher turnover" was the theme of ICTI VP Europe, CEO Christian Ewert's address. He gave the example of Australia where toy shops offer special discounts in the summer as part of an intensive marketing effort. One result of the seminar was the consensus that Children's Day (Kindertag) should be revived as an event to boost sales. It was also decided that the traditional date of June First would be retained. Strategic partners from outside the industry should be invited to cooperate with working committee that is to be set up shortly. First results will be presented at the Annual General Meeting of the German Toy Manufacturers Association in July 2007.

Website Updates

Introducing the New ICTI and ICTI CARE Websites

In early March, the ICTI and ICTI CARE websites were re-launched to better reflect the organization's evolution given the widening scale and scope of its activities.

We undertook a wide-ranging review and considered the kinds of content that could be developed to make the sites more useful and easier to navigate, both individually and across the sites. We especially sought new ways to help support the complex ICTI CARE Process as a broader geographic reach begins. This was viewed as being particularly important as ethical manufacturing initiatives today are expected to provide extensive



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information about their activities to stakeholders.

The new websites now contain a copy of the ICTI CARE Process Handbook, an electronic registration form for the factory monitoring program, sample audits and corrective action plans, as well as updated Seal of Compliance and Date Certain databases, and a convergence database that will benefit factories, brands and retailers alike. Furthermore, recognition of all financial contributors to the process has been included. New information will be added on a continuing basis. It's all part of our effort to be as complete and transparent as possible.

We hope you like the new look and find the website information useful. See for yourself: at www.toy-icti.org or www.icti-care.org.

ICTI CARE Process Website Lists Contributors

Contributors to the ICTI CARE Foundation are now being listed in a database accessible via the ICTI CARE Process website (www.icti-care.org). The ICTI CARE Process could not have been fully developed or have achieved its current level of success without the generous contributions of individuals and companies that are members of the worldwide toy industry. As the ICTI CARE Process worked to build the critical mass of factories, auditors, staff and procedures needed to make it self-sufficient financially (expected in 2008), these contributions serve to get us started and keep us going.

We felt it was important for these contributors to be recognized in this way. Earlier this year, we sent out notices to all contributors, asking if they would like their names to be listed. All those who have responded positively are now listed. We will continue to add names over time. Our heartfelt thanks goes out to them all. You can go directly to the database by [clicking here](#).

Upcoming Events

Some key international events:

- April 30-May 2, 2007 ToyCon 2007 TIA's Annual Meeting and Conference San Antonio, TX
- May 16 - ICTI CARE training of Wal-mart suppliers Shenzhen (200 participants)
- May 17 - ICTI CARE training of Wal-mart suppliers Shenzhen (200 participants)
- May 22 - ICTI CARE training of Wal-mart suppliers Shanghai (120 participants)
- May 21-22 International Consumer Product Safety Conference by ICPHSO Beijing <http://www.icphso.org> (TIA is a sponsor)
- May 24 - ICTI CARE training of Wal-mart suppliers Guangzhou (220 participants)
- May 29 - ICTI CARE training of Wal-mart suppliers Guangzhou (220 participants)
- May 31 - ICTI CARE training of Wal-mart suppliers Guangzhou (220 participants)
- June 3-5 2007 33rd Annual General Meeting of ICTI San Francisco, CA