

Statement of Peter Eio
to the
United States Senate Committee on Commerce, Science and Transportation
Subcommittee on Interstate Commerce, Trade and Tourism

Washington, October 25, 2007

Good morning Mr. Chairman and members of the subcommittee. My name is Peter Eio and I am a member of the Governance Board of the ICTI CARE Foundation. This is an independent foundation that oversees the ethical manufacturing program of the worldwide toy industry. The International Council of Toy Industries (or ICTI) is the umbrella industry association for 21 national toy associations around the world (list at Appendix I), of which the US Toy Industry Association is the largest member. I retired five years ago as President of the LEGO toy company in the Americas and I am a past chair of the Toy Industry Association.

As I'm sure you know, many organizations talk and some do. We are doers, the first worldwide industry to bring together brands, retailers, government, civil society and manufacturers to achieve a common goal – to help create a better life for workers in our supply chain. I would like to focus my remarks on this effort, believing it covers most of the territory I was asked to cover.

Our program is called the ICTI CARE Process and has been operating in China for about two years. It is the worldwide toy industry's effort to develop a transparent, independent system that will ensure its products are manufactured in safe, healthy and fair work environments. To achieve this, it aims to provide a single, fair, thorough and consistent monitoring program for toy factories. We began in China, where more than 75% of the world's toys are made, and expect to expand into other countries beginning next year.

This process begins with a global Code of Business Practices, continues with a Monitoring Protocol and Guidance Document, and is enforced through the periodic certification and recertification of factories that comply. Operations in China are managed by an office in Hong Kong, while the actual audits are carried out by third-party social compliance auditing companies.

To date there are more than 1200 toy factories, employing more than one million workers, registered and active in this process, with 670 factories currently certified as being in compliance. (Current statistics at Appendix II). We expect that number to grow significantly next year, as more auditors are trained and as more factories used by major retailers join the system.

Clearly, certifying factories is not sufficient unless you have toy brands and retailers who are willing not only to accept those certifications but also to demand them. Currently, there are 290 toy brands around the world representing an estimated 75% of global toy production that are pledged to order product only from factories certified by our program by a date no later than year-end 2009. In addition, a growing list of major retailers have joined us around the world, including Wal-Mart, Target, Sears, K-Mart, Carrefour, Tesco,

Argus and the smaller retailers grouped in the American Specialty Toy Retailers Association (ASTRA).

Our toy industry has twice been awarded grants by the US Department of State (Bureau of Democracy, Human Rights & Labor), as part of their “Partnership to Eliminate Sweatshops” program, in support of two phases of our “Toward Better Workplace Standards in China’s Toy Factories” program. In it, we brought together toy factory managers, Chinese labor inspectors and social compliance auditors to learn international and Chinese labor law and the requirements of the ICTI CARE Process, as well as to receive practical training in working together to improve labor law enforcement. We would eagerly accept the opportunity for further funding, should that opportunity present itself.

The Governance Board of which I am a member is a fully independent body, whose members are drawn from current and former toy industry leaders, members of civil society and international civil servants. (See Appendix III for current members.) We oversee the ICTI CARE Process, raise funds to support it and, beginning this year, will issue annual reports of our activities.

In summary, the ICTI CARE Process is a work in progress, working towards improved labor conditions in our industry’s supply chain, through factory monitoring and worker capacity-building. We are well advanced, but recognize there is a great deal still to be done.

As part of that, in 2008 we will start a new phase of our program, which adds education, training and capacity-building to our factory certification program.

You have also asked me to cover a few areas which may not have been as specifically answered as you wish in this presentation on our ICTI CARE Process program.

- With regard to the toy industry’s formal relationship to Chinese factories where toys are made, this is almost always a contract manufacturing relationship. Through the ICTI CARE Process, we have a direct relationship to the qualification of factories to be part of the toy supply chain.
- Regarding working conditions in factories, we have a very strict Code of Business Practices, with specific guidelines, regarding how manufacturers must treat their workers. Our code does not permit child, slave or prison labor; it requires decent living conditions and, with regard to wages and hours, requires compliance with Chinese law – which, by the way, is very strict. We have been working on strict enforcement of those laws with the Chinese government for several years and we can report some good progress in factories that have been audited in accordance with our guidelines.
- With regard to the impact of Chinese toy manufacturing on domestic toy production, the US toy industry began sourcing overseas some 40 years ago, beginning in Japan and later moving to Taiwan, Korea and parts of Southeast Asia. Nearly 75% of toys sold in the USA are made in China and the rest are divided among the USA and a variety of other countries in Europe and Asia.

In closing, we would like to thank the other organizations testifying here today for continuing to make us more aware of all that needs to be done and also for helping us to become better at doing it. We know that by working together with our partners in China, we will be able to achieve continued progress. Mr. Chairman and members of the committee, thank you for this opportunity to address you. I look forward to responding to your questions.

###

APPENDIX I

ICTI Members (21 National Associations)

Australia
Austria
Brazil
Canada
China
Chinese Taipei
Denmark
France
Germany
Hong Kong
Hungary
Italy
Japan
Mexico
Netherlands
Russia
Spain
Sweden
Switzerland
United Kingdom
United States

APPENDIX II
ICTI CARE Process Statistics
(As of 30 September 2007)

Factory Compliance Monitoring

	<u>Current</u>	<u>Target 12/31/07</u>
Toy factories in the system (registered, applications)	1,242	1,500
Seals of Compliance issued	669	800
Employees covered	1.1 million	

“Date Certain” Program

Toy brands pledged to source only from certified factories by the end of 2009	290 (75% of world toy market)
--	-------------------------------

Major Retailer Commitments to the ICTI CARE Process

Recognize the ICTI CARE Process Seal of Compliance as a replacement for own social compliance audits.

Wal-Mart
Target
Costco
Kmart Sears
Dollar General
ASTRA (American Specialty Toy Retailing Association)
Carrefour (France)
Chelsea Stores (UK)
Tesco (UK)
Argus (UK)
Woolworth (UK)
Colruyt Group (Belgium)
Top-Toy (Scandinavia)
Coles-Myer (Australia)

APPENDIX III
ICTI CARE Foundation Governance Board Membership

(as of 22 October 2007)

<u>Name</u>	<u>Affiliation</u>
Alan Hassenfeld (Co-Chair)	Chairman (non-executive) Hasbro
Maria Livanos Cattau (Co-Chair)	Former Secretary-General, International Chamber of Commerce (ICC)
Thomas A. Debrowski	Executive Vice President, Worldwide Operations, Mattel
Amir A. Dossal	Executive Director, United Nations Fund For International Partnerships (UNFIP)
Peter Eio	Former President, Lego Americas (retired)
Gary Hutchens	President, International Council of Toy Industries (ICTI)
Steven Jesseph	Vice Chairman, President & CEO, Worldwide Responsible Apparel Production (WRAP)
Alan E. Munn	Former President and CEO, TOMY Europe (retired)
Jane Nelson	Senior Fellow and Director of the Corporate Social Responsibility Initiative, Kennedy School of Government, Harvard University; Director, Business Leadership and Strategy, Prince of Wales International Business Leaders Forum (IBLF); Senior Fellow, the Brookings Institution.
William Reese	President and CEO, International Youth Foundation (IYF)
Paul Rice	President and CEO TransFair USA
T.S. Wong	Immediate Past President, ICTI Managing Director, Jetta Ltd.
Christian Ewert, <i>ex officio</i>	President, ICTI CARE Foundation