

Mattel's Corporate Responsibility mission is to act with integrity in all we do to bring the world's safest toys that grown-ups and children love. We are committed to positively impacting our communities through our products and our work.

# Playing Responsibly.



2009 GLOBAL CITIZENSHIP REPORT

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# 2009 GLOBAL CITIZENSHIP REPORT

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“One thing remains constant: our commitment to creating safe, high quality and innovative toys in a responsible and ethical manner.”

Robert A. Eckert, Mattel Chairman and Chief Executive Officer

For more than six decades, Mattel toys have been bringing joy to the lives of children, many of whom have since become parents, even grandparents, and are now introducing our toys to their children. Throughout the years, Mattel also has grown and changed; however one thing remains constant: our commitment to creating safe, high quality and innovative toys in a responsible and ethical manner. This includes the ongoing commitment to fair treatment of manufacturing workers, minimizing our environmental impacts and delivering high-quality products our consumers trust.

This, our third Global Citizenship Report, explains the evolution of our efforts, including the creation of a Corporate Responsibility organization that reports directly to me. We believe that making Corporate Responsibility an independent function will ensure greater accountability and oversight of our product quality, social compliance and environmental commitments.

Toy safety has been and will continue to be the highest priority at Mattel. Over the years, we have earned a reputation as an industry leader, which made the voluntary recalls in 2007 all the more disappointing for us. Yet, we are proud of the way in which we responded by taking immediate and unprecedented action to communicate globally. I told our employees that through challenging times comes the opportunity to be better—and I believe that we did become a stronger and better company because of that experience.

Since the release of our last report, Mattel has received several honors for our global citizenship efforts. In 2009, Mattel is listed in the top 10 of the “100 Best Corporate Citizens,” is ranked one of the “World’s Most Ethical Companies” and has been named for the second consecutive year to FORTUNE Magazine’s list of the “100 Best Companies to Work For.” These honors speak directly to the heart of Mattel’s culture and the values shared by our employees around the world.

As this report is being released, the global economy continues to face headwinds, the effects of which are being felt by people around the world and in almost every facet of the business sector, including Mattel. Despite the rigors of the current economic climate, I want to assure you that we will not depart from our core values or compromise how we do business. There are, however, financial realities that require us to explore more efficient ways to implement these programs, and our people are focused on identifying resourceful and creative means to do so.

I hope that the information in this report helps you gain a better understanding of Mattel and what’s important to us. As we move ahead, we will continue to seek opportunities for open dialogue with our stakeholders and communicate our progress and challenges through ongoing reporting and transparency. In the meantime, please share your feedback with us at [global.citizenship@mattel.com](mailto:global.citizenship@mattel.com) and tell us what’s important to you.

Sincerely,

**Robert A. Eckert**  
Mattel Chairman and Chief Executive Officer

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## ABOUT THE REPORT

This report describes Mattel’s Global Citizenship activities for worldwide operations owned or operated by the company including information regarding our initiatives with vendors and licensee factories during calendar years 2006 through 2008. Information about some activities in 2009 is also included. All currency figures are reported in U.S. dollars.

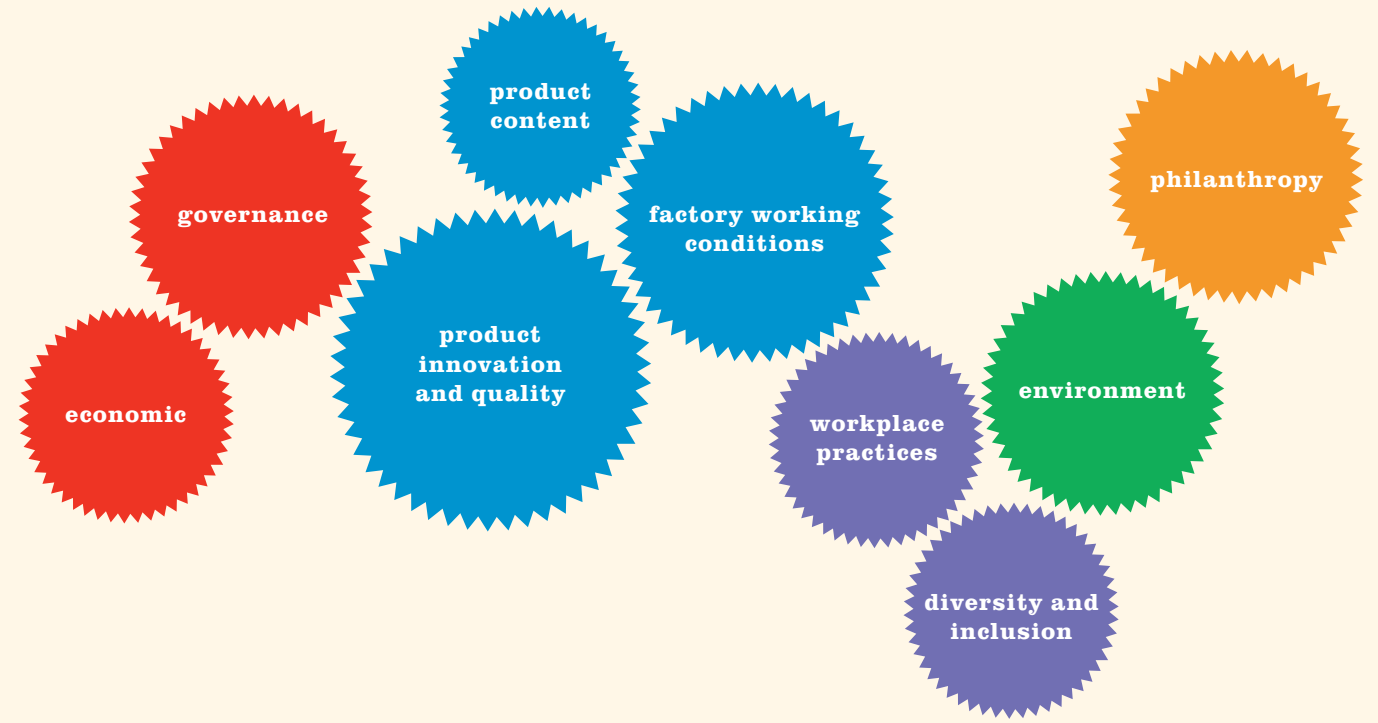
Our two previous reports in 2004 and 2007, respectively, were developed in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines ([www.globalreporting.org](http://www.globalreporting.org)). For our 2009 report, we followed the GRI G3 guidelines, which required us to conduct a materiality assessment.

We began our reporting process with an assessment of the social, environmental and economic issues that are of greatest importance to our stakeholders—both internal and external—and to the company. To identify the issues, we reviewed a variety of sources, including, but not limited to, internal strategic plans and reports, employee surveys, stakeholder comments, stockholder communications, media coverage and Internet postings. After identifying the issues, we prioritized them based on the following three criteria:

- The importance of the issue to stakeholders
- The importance of the issue to Mattel and our future business strategy
- The amount of control Mattel has over the issue

Through this analysis, we identified the most material issues for our company, which are addressed throughout this report.

## MATERIALITY ASSESSMENT RESULTS



### ECONOMIC

- Stockholder Returns

### GOVERNANCE

- Ethics
- Transparency

### PRODUCT INNOVATION AND QUALITY

- Manufacturing Practices
- Design
- Safety and Quality Assurance Procedures
- Green Initiatives
- Innovation

### PRODUCT CONTENT AND MATERIAL SELECTION

- PVC
- BPA

### FACTORY WORKING CONDITIONS

- Practices
- Verification

### WORKPLACE PRACTICES

- Health and Safety Performance
- Employee Compensation and Benefits
- Training and Education Initiatives and Inclusion

### DIVERSITY AND INCLUSION

- Corporate Strategy
- Supplier Diversity

### ENVIRONMENT

- Energy Use and Greenhouse Gas Emissions
- Water and Waste Management
- Packaging
- Environmental Management Strategy
- Lifecycle Assessment

### PHILANTHROPY

- Corporate Giving
- Employee Engagement and Volunteerism
- Local and Global Initiatives

**OUR COMPANY**

Today, Mattel is the largest toy company in the world, but our roots are much more humble. Mattel was founded in 1945 by Elliot and Ruth Handler, who worked out of their garage workshop in Southern California, located just a few miles from our worldwide headquarters today. Elliot, an aspiring inventor and designer, took out a loan to buy tools and began making picture frames. Not wanting to waste any material scraps, Elliot turned these remnants into miniature furniture for doll houses. And that's how Mattel was born, through what today we'd call an effort in sustainability.

Through the years, Mattel has grown up to become the largest designer, manufacturer and marketer of toys and family products in the world. Our portfolio includes best-selling brands, such as Barbie®, Hot Wheels®, Matchbox®, American Girl®, Radica® and Tyco R/C®, as well as Fisher-Price® brands, including Little People®, Power Wheels® and a wide array of entertainment-inspired toy lines.

Mattel is a publicly-traded Fortune 500 company listed on the NASDAQ under the symbol "MAT." As of October 13, 2009, there were 36,841 registered stockholders of our common stock.

Headquartered in El Segundo, California, Mattel has operations in 43 countries and territories, employs approximately 29,000 people and sells products in more

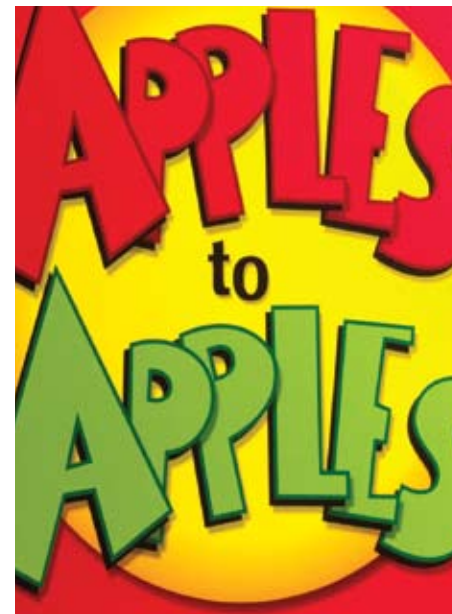
than 150 nations around the world. Our products are sold primarily through retailers except for our American Girl brand, which is sold directly to consumers through our retail stores, catalogues and online.

Mattel continually strives to instill a culture of integrity and responsibility. We know that our reputation has been earned over many years and reflects the decisions and actions taken each and every day not only by senior management, but also by individual employees across the company and around the world. Everything we do at Mattel is built upon the foundation of our corporate values. Simply stated, our values—Play Fair, Play with Passion, Play to Grow and Play Together—capture what we believe is important at Mattel and serve to guide our business conduct.

During the past few years, we have taken steps to advance our commitment to corporate responsibility. The following section provides more detail on how we are doing this, including information about:

- Our policies designed to instill good governance practices and foster ethical behavior
- Our Corporate Responsibility organization, which oversees ongoing efforts to advance and communicate our product quality, social compliance and environmental management initiatives
- Our efforts to engage with stakeholders

FISCAL YEAR	2006	2007	2008
<b>Operating Results</b> in \$ Thousands, except per share data			
Gross Sales	6,158,034	6,592,934	6,486,022
Total Domestic	3,419,067	3,387,593	3,319,202
International	2,738,967	3,205,341	3,166,820
Net Sales	5,650,156	5,970,090	5,918,002
Net Income	592,927	599,993	379,636
Net Income per Common Share (diluted)	1.53	1.54	1.05
Provision for Income Taxes	90,829	103,405	108,328
<b>Financial Position</b> (as of December 31) in \$ Thousands			
Total Assets	4,955,884	4,805,455	4,675,039
Long-term Liabilities	940,390	928,284	1,297,930
Stockholders' Equity	2,432,974	2,306,742	2,117,135
<b>Corporate Statistics</b> (as of December 31)			
Number of Employees	32,000	31,000	29,000



# Mattel's Corporate Responsibility mission is to act with integrity in all we do to bring the world safe toys that grown-ups trust and children love. We are committed to positively impacting our people, our products and our world by playing responsibly.

## OUR CORPORATE RESPONSIBILITY MISSION: PLAY RESPONSIBLY

Mattel's play values resonate through our Corporate Responsibility objectives.

MATTEL'S CORPORATE PLAY VALUES	APPLICATION TO CORPORATE RESPONSIBILITY
play to grow	By committing to a sustainable future through efforts to work smarter and reduce our impact on the environment.
play with passion	By volunteering in our communities and helping underserved children experience the joy of play.
play fair	By continually encouraging the Mattel organization to align decision-making with the company's values.
play together	By working with employees, partners, vendors and regulators to bring the world safe toys that grown-ups trust and children love.

## FOSTERING GOOD GOVERNANCE AND ETHICAL BEHAVIOR

The commitment to ethical behavior begins at the very top with the Board of Directors and senior management. Mattel's Board is chaired by CEO, Robert A. Eckert and includes 11 independent members, each selected for his or her expertise in managing the type of complex issues a global organization faces.

The Board is responsible for guiding Mattel in a manner that delivers sustainable benefit for stockholders. This includes ensuring that the company continues to enhance its reputation for delivering innovative products and acting as a responsible leader in the business sector. Mattel's Board operates five committees; Executive, Audit, Compensation, Finance and Governance and Social Responsibility. As part of its duties, the Governance and Social Responsibility Committee oversees the company's philanthropic activities and social responsibility matters, including the company's Global Citizenship Reports.

### Code of Conduct and EthicsLine

Every Mattel employee worldwide is bound by Mattel's Code of Conduct and is required to participate annually in training on Mattel's standards for ethical conduct. Courses are available online in ten languages for professional, administrative and factory operations staff. The training courses explore ethical issues that may arise in the workplace and discuss the resources available to employees to address these situations. Factory employees also receive training on the Code of Conduct and ethical situations by participating in courses in a classroom or meeting-room setting.

Mattel provides a confidential 24-hour, toll-free hotline known as the EthicsLine that employees can use to raise concerns or report behavior they believe to be unethical, illegal or in violation of Mattel's Code of Conduct or policies. The EthicsLine is operated by an independent third party that prepares a report based on information provided by the caller. All reports are forwarded to Mattel's Ethics Committee for evaluation and investigation.

Employees also may report concerns relating to accounting, internal controls or auditing matters on a confidential basis directly to the Office of the General Counsel and the Internal Audit department.



## INDICES AND RECOGNITIONS

At the time of publication, Mattel has been included in the following socially responsible investment indices:

- FTSE KLD 400 Social Index
- FTSE KLD Select Social Index
- FTSE KLD Catholic Values 400 Index
- KLD Broad Market Social Index Series
- FTSE KLD U.S. All Cap Sustainability Index
- FTSE KLD U.S. Large-Mid Cap Sustainability Index
- FTSE KLD U.S. Mid Cap Sustainability Index
- FTSE KLD U.S. Small-Mid Cap Sustainability Index
- KLD Global Sustainability Index Series
- FTSE KLD Global Sustainability Index
- FTSE KLD North America Sustainability Index

In the past three years, Mattel has been recognized among the top corporate citizens and among the world's most ethical companies.

- 2007, 2009 "100 Best Corporate Citizens" (Corporate Responsibility Officer Association/Magazine)
- 2009 "World's Most Ethical Companies" (Ethisphere Magazine)

“ We believe that making Corporate Responsibility an independent function will ensure greater accountability and oversight of our product quality, social compliance and environmental commitments. ”

Robert A. Eckert, Mattel Chairman and Chief Executive Officer

**ENGAGING WITH STAKEHOLDERS**

We value open dialogue and interaction with stakeholders to help us identify ways to improve our practices, as well as to respond to emerging issues. Our stakeholders include: stockholders, employees, consumers, retailers, non-governmental organizations, media outlets, business sector organizations, professional societies, government representatives, the communities in which we operate and many more. We engage with our key stakeholder groups through a variety of channels, including in-person meetings, correspondences, workshops and other events.

Over the last few years, our stakeholder engagement efforts have largely focused on quality and safety issues. For instance, when Mattel experienced product recalls in 2007, we reached out directly to consumers and other stakeholders to inform them of the issues and help them identify the affected toys so that they could be returned to Mattel. We contacted our retailers to help prevent affected products in inventory from reaching store shelves. We also reached out to a large number of organizations, including consumer advocacy groups, regulatory agencies and professional societies, as well as legislators, academic researchers and student groups. These interactions allowed us to share information quickly and address concerns proactively.

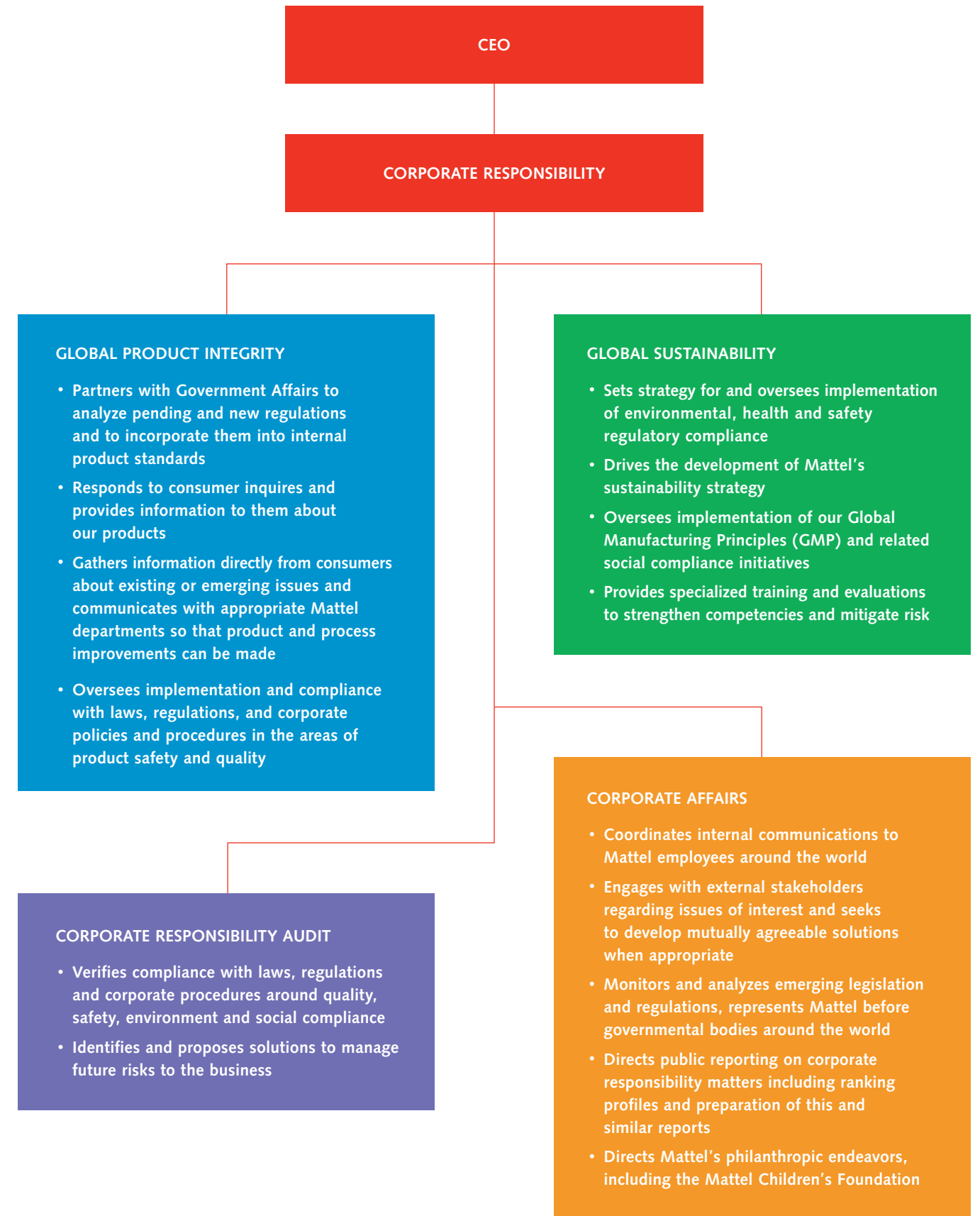
Moving forward, we remain committed to our goal of implementing a stakeholder dialogue process and have created a formal stakeholder engagement role in our Corporate Affairs department.

**ESTABLISHING A CORPORATE RESPONSIBILITY ORGANIZATION**

Over the years, we have implemented a broad range of initiatives and policies aimed at fostering responsible practices throughout our enterprise. One example is our Global Manufacturing Principles (GMP), which we launched in 1997 to ensure safe and fair treatment of workers in our own manufacturing facilities and those of our vendors and licensees.

In 2007, we believed it was time to establish a new organization within our company—one that brings our many Global Citizenship related endeavors together as an integrated Corporate Responsibility team. The Corporate Responsibility organization is headed by a Senior Vice President who reports directly to the CEO and serves as a member of the Management Committee. As a separate entity from other functions, Corporate Responsibility is better positioned to ensure proper implementation of policies and practices, as well as to identify, raise and provide oversight to correct issues in a timely manner. The new organization encompasses the following functions: Global Product Integrity, Global Sustainability, Corporate Affairs, and Corporate Responsibility Audit, a new function focused on verifying compliance with our corporate responsibility standards.

**CORPORATE RESPONSIBILITY ORGANIZATION**



# OUR TOYS

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We have the privilege to create toys that bring joy to and captivate the imagination of children around the world. With this comes an enormous responsibility to ensure the quality and safety of our products, and that they are made under responsible conditions. In this section we describe our approach to the design and manufacturing of our toys and childcare products.

Mattel's ability to continually develop innovative products stems from our commitment to listening to both customers and our community of talented designers. The design section shares:

- How we are enabling innovation and collaboration
- How we learn from children

The manufacturing section explains several developments intended to further the implementation and oversight of our standards for product safety and quality, as well as factory working conditions, including:

- Implementation of our enhanced quality management system
- Our response to product recalls
- Our efforts to promote fair and just working conditions in factories making our products

## DESIGN

## ENABLING INNOVATION AND COLLABORATION

Every few years Mattel conducts an employee opinion survey as one means to capture the pulse of what our people are thinking. A clear message from our employees has been that in the quickly changing marketplace, additional emphasis should be placed on enhancing our innovation processes. As a result of this feedback, in 2007 we established the Mattel Design Council, to facilitate innovation and design initiatives across the company. The Design Council focuses on four areas: the future of product innovation, developing training programs to sharpen skills, creating common platforms and tools to encourage breakthrough innovation and recognition of exemplary innovation efforts.

In 2008, the Design Council supported the following initiatives:

**Technology for Long-Term Innovation**

To keep up with advancements in technology, we are creating new ways to share the information between our design, electronics and manufacturing teams so we can continue to create innovative toys for future generations.

**“Blue Sky” Initiative**

Breakthrough ideas often emerge through collaboration. We are developing an internal process to enable employees worldwide to connect with each other for idea generation and problem solving.

**Communities of Practice and Summits**

We organize global summits to allow co-workers focused on different brands to share best practices. In 2008, we held one virtual and three face-to-face summits, bringing together more than 200 members of Mattel's product development community.

**Common Online Platforms**

An intranet site has been launched to inspire, connect and provide tools for product creation and innovation information.

**Rewards for Collaborative Innovation**

To recognize collaborative achievements and encourage out-of-the-box thinking, we present “Rave Reviews” team awards.



## FUNKREATION DESIGN CONTEST

In 2008, Radica invited all Mattel employees worldwide to participate in a design competition for U.B. FUNKEYS™, figures in a children's interactive computer game. The contest attracted 225 design submissions from employees in 12 countries. Thirty-five percent were from employees outside Mattel's design community, who joined in the exercise to unleash their passion for playful expression and to support a worthwhile community cause.

The winning designs were exhibited in a gallery in Los Angeles. At the show, we also auctioned the items and raised more than \$10,000 for The Art of Elysium, a charitable organization bringing creative projects to children that are hospitalized and battling serious illnesses. Encouraged by the success of this pilot project, we are planning to expand this type of design contest to other brands to deepen the culture of innovation and creativity at Mattel, and inspire further opportunities for our community to benefit.

“Children learn through the experience of play and can teach us how to make better toys. Throughout the past 30 years, the most enjoyable part of my job at Fisher-Price has been to observe children at play all over the world. By watching children playing we can learn how to create toys that promote developmental skills, help them learn to relate to others, and of course, have fun.”

Kathleen Alfano, Ph.D.

Senior Director of the Child Research Center at Fisher-Price

Dr. Alfano (pictured below) and her team help develop and evaluate new Fisher-Price toys and products.



#### LEARNING FROM CHILDREN

We believe that the best way to evaluate and improve our toys is to learn from how children play with them. We reach out and learn from children and their parents in many different ways including:

##### Fisher-Price Play Laboratory

For almost 50 years, the play laboratory has been an environment where designers and engineers can observe children playing with products and gain immediate feedback on the quality, safety and play value of a toy. This testing system includes three components:

- **Play Sessions:** We invite children to come and play in our lab with early prototypes on a regular basis. Mindful of age appropriateness, we gear the sessions to children in three age groups: infants and toddlers, preschool children and school-age children. While they play, we observe the way they interact with and use the toy; potential quality and safety issues based on how they handle the toy; and whether the toy performs to our quality standards. Findings are then used to inform the final design and construction of these toys.
- **Parent Panels:** We hold informal feedback discussions with small groups of parents. Their input helps us improve the design and age-appropriateness of our toys.
- **Home Setting Research:** By observing the behaviors of parents and children at home in their everyday routine, we are able to gain valuable insights into how children learn and play with toys, which then helps us to identify ways to improve product design.

#### INSPIRED THROUGH RESEARCH: LAUGH AND LEARN™ TOY LINE

To understand babies' learning patterns in a natural environment, we conducted ethnographic (in-home) research to observe how parents teach their babies. For example, when walking into a room, a mother may turn on a light and say to her baby, "On."

This hands-on learning technique inspired our Laugh and Learn™ toy line, launched in 2007. These engaging toys stimulate an infant's development through everyday play. For example, using the Laugh and Learn Home, babies learn about numbers, letters, time, colors, shape sorting and simple activities like "on/off" and "open/close."



#### LISTENING TO CONSUMERS HELPS AMERICAN GIRL ADDRESS BULLYING

We have learned from behavior experts and customer feedback that the issue of relational aggression, or bullying, is on the rise and a serious concern for "tween" girls, ages 9-12, and their parents. To bring awareness to the devastating effects of bullying and give girls the skills to stand strong and speak out against it, American Girl made relational aggression the focus of its 2009 Girl of the Year campaign. American Girl also launched a national Stop the Bullying campaign to help give girls real-life solutions to deal with bullying in a positive way. Initiatives included a national Stop the Bullying Poster Contest, which garnered more than 20,000 entries, and a dedicated Web page that featured girl-friendly activities, such as an anti-bullying pledge, plus educational content for girls, parents and educators. A Stand Together—Stop the Bullying Curriculum also was developed, with support from the nonprofit, The Ophelia Project®, and distributed to approximately 60,000 classrooms, reaching 1.5 million students.

The campaign culminated on Friday, May 1, 2009, when thousands of girls across the country took a stand against bullying as part of American Girl's national Stop the Bullying Day. A celebration of kindness and friendship, Stop the Bullying Day events took place nationwide at all of our retail locations, as well as at select schools and community groups across the U.S.

#### Tailoring Toys for the Global Marketplace

To create toys that are culturally appropriate and reflect the play patterns and educational needs of children everywhere, Fisher-Price researchers travel the world to observe children at play. Their findings are used to tailor toys to country-specific markets. For example in Eastern Europe, we researched popular children's songs and rhymes to include in toys such as the Laugh & Learn Puppy™ and Laugh & Learn Storybook™. Working with local specialists to ensure that content is familiar and culturally relevant is also a reflection of the progress we have made integrating our global diversity strategies across the business.

#### American Girl's Approach

American Girl also listens to girls and their parents when developing dolls, books and other products. We are sensitive to the social pressures and challenges that young girls face and actively seek to find appropriate ways for our products to promote positive self-esteem and encourage girls to communicate with their parents and adult role models. American Girl employs several means to listen to consumers including:

- **Insight Groups:** National online panels of moms and girls to provide feedback on potential products and story ideas.
- **Focus Groups:** A group of local moms and girls near American Girl headquarters in Middleton, Wisconsin provides us with insights and feedback that we use to improve American Girl products and identify opportunities for creating new toys.
- **Customer Comments:** Consumer comments received via phone, mail, e-mail, and at our retail locations are collected and reviewed including feedback on products and programs, service issues, as well as new product requests. In 2009, we began posting consumer reviews online so they could be shared with others.

## OUR PRODUCT INTEGRITY PROCESS

At each stage of the development process our Global Product Integrity team is engaged to ensure that products meet or exceed our standards and specifications. We have added new requirements to our processes and dedicated more resources to improve product quality and safety. More than 1,500 employees worldwide are dedicated to the quality, safety and overall integrity of our products, including engineers, technicians and auditors.

Our Product Integrity Process includes the following steps:

1. **Review Design Concept:** New product concepts are reviewed for quality and safety issues. Concepts are refined as needed.
2. **Generate Specification:** Quality and safety requirements are updated and communicated to the Design team and Product Integrity group at each manufacturing location.
3. **Develop and Refine Prototype:** Prototypes of new products are evaluated, and quality and safety specifications are updated as necessary.
4. **Qualify Design:** Final testing of prototypes is done to ensure quality and safety specifications are met.
5. **Qualify Process:** First production runs are closely monitored to ensure the product can be consistently produced.
6. **Spot Audits:** Ongoing spot audits are conducted at critical points throughout the production cycle—from the point when materials or component parts are received to the inspection of finished goods, ensuring overall production has met our requirements.
7. **Review Consumer Feedback:** Consumer feedback is monitored and analyzed to identify any potential issues and determine the root cause. Manufacturing processes are modified as appropriate.
8. **Update Procedures:** Based on regulatory developments and consumer feedback, internal standards and specifications are refined as needed to ensure quality of production.

## MANUFACTURING

### IMPROVING OUR QUALITY SYSTEMS

We strive to sustain our consumers' trust by employing strict standards that extend from product design to manufacturing and distribution. In 2008, we brought together our most experienced quality experts to review existing standards and began development of an enhanced Quality Management System (QMS) that will standardize the product integrity process in our owned/operated, as well as our vendor facilities. We designed the QMS to build upon the International Organization for Standardization (ISO) 9000 system. An external quality systems consultant validated our QMS and Mattel also sought to benchmark our practices and learn from others with leading quality controls systems.

### TAKING AN INTEGRATED APPROACH

As we reviewed existing standards, we saw an opportunity to integrate the various requirements contained in our product quality and safety procedures with our Global Manufacturing Principles (GMP), and combined them into one comprehensive system. The new system will streamline our processes, allowing us to audit our owned/operated and vendor factories against our standards for quality and safety at the same time we monitor for social and environmental compliance. Implementation of our QMS is underway at our owned/operated and vendor factories. New vendors will also be evaluated against the QMS standards.

In addition to our internal efforts, the Toy Safety Certification Program (TSCP) is being developed in the U.S. by the Toy Industry Association (TIA) and the American National Standards Institute (ANSI). The goal of the TSCP is to create a sustainable system to certify that toys sold in the U.S. market meet the requirements of the 2008 Consumer Product Safety Improvement Act, as well as any other relevant U.S. regulations and standards that apply to children's products. Representatives from Mattel's Product Integrity organization served on the working groups that helped develop the program.

“When Vodafone wanted to benchmark its product quality programs we approached Mattel. Their willingness to openly discuss their processes and improvements benefited Vodafone's team. Leading companies that support and challenge each other to continuously improve are the ones that will drive real progress forward.”

John Daly  
Head of Global Health, Safety & Wellbeing  
Vodafone Group Services

The proposed program is designed to certify that a toy:

1. Meets safety requirements for toy design as attested to by a qualified safety professional
2. Has test reports validating that the toy meets U.S. safety standards
3. Is manufactured in a factory with ISO-9000 certification specifically for toy manufacturing or is subject to more frequent testing

Mattel supports the development of such an industry-wide initiative and has committed the expertise of several of our product integrity executives to participate in the multi-stakeholder dialogue that has produced the program's core features. The process has included a broad range of skills and perspectives from representatives of the toy industry, NGOs and professional standard-setting groups. We are hopeful that the final TSCP program will be a useful platform for managing compliance with the new regulatory requirements, as well as existing U.S. requirements.

### CAREFULLY SELECTING MATERIALS FOR USE IN TOYS

At Mattel, the integrity, safety and quality of our toys are a fundamental part of our commitment to parents who have placed their trust in us for decades—and we continue to earn their trust every day.

Our toys are designed to meet or exceed applicable safety standards wherever they are sold.

Materials in a toy must serve a variety of purposes—such as to make plastic soft and pliable to prevent it from

becoming brittle over time and breaking into sharp edges, or to make plastic hard and durable under stress. As part of our safety processes, we continually evaluate and carefully select materials and components to create engaging toys that are durable and safe, all while working to comply with each country's unique regulations.

In some cases, consumers have raised questions about specific materials, such as Bisphenol-A (BPA), which is typically found in polycarbonate plastic, an expensive material that is mainly utilized for its shatterproof properties in specific safety-related applications, such as bike helmets and eye glasses. Mattel uses polycarbonate sparingly in a few specific toy lines and only when utilizing a substitute material would compromise the safety or quality requirements of the product. Recent focus of the debate surrounding BPA has been its use in food contact items, not products where it serves in a safety capacity. To address this concern, in January 2009 we updated our requirements, and notified our licensees to use non BPA-containing materials in food storage and food contact products, such as infant feeding items, plates and cups.

Polyvinylchloride, or PVC, is used primarily to make construction materials and packaging. The toy industry is a small user of PVC compared to other industries like the construction and automotive manufacturing industries. The use of PVC in consumer products has been deemed safe for more than 50 years by the U.S. Consumer Products Safety Commission (CPSC), Health Canada and their counterparts in Europe, and we continue to use PVC in our products and packaging.

## OUR SUPPLY CHAIN

### SUPPLIERS:

Approximately 70,000 suppliers provide raw materials or finished component parts to our owned/operated factories and vendor facilities.

### MATTEL OWNED/OPERATED FACTORIES:

Our factories produce products such as Hot Wheels cars and Barbie dolls and account for approximately half of our overall production. We maintain nine factories in China, Indonesia, Malaysia, Thailand and Mexico. Tooling plants in China and Malaysia support our manufacturing operations.

### VENDORS:

Mattel also contracts with vendors that manufacture finished products. At any given time, Mattel contracts with approximately 30 core vendors. Although our vendors change over time with the needs of the business, we believe that maintaining a core group permits us to further emphasize the importance of our product quality standards. We also work with approximately 40 specialty vendors that produce non-core finished products, such as doll furniture, printed material and other accessories. These specialty vendors have certain processes or skills outside of our existing core vendor base.

### SUBCONTRACTORS:

Our factories and vendors may use subcontractors to complete certain aspects of manufacturing due to capacity or need for specialized processes. Mattel requires vendors to disclose all subcontractors prior to their use for a Mattel product and for certain key processes subcontractors must be certified by Mattel. Vendors are required to ensure that our product quality standards are met by any subcontractor they use.

We recognize some in the environmental community have concerns about the lifecycle of PVC, including the by-products created during its manufacture and disposal. As part of our product development efforts, Mattel has started to explore various aspects of a product's lifecycle. Given the importance of PVC as a component in some of our toys, we stay abreast of new developments and potential PVC replacements. That said, the use of new materials in our products is contingent upon those materials meeting or exceeding our safety and performance standards, and we have not yet identified a replacement material for PVC that meets those standards.

### Harmonizing Global Regulations

Mattel supports governmental efforts to strengthen and unify laws related to toy safety, and strives to work closely with elected officials and regulators. While the toy industry has always been highly regulated, during the past few years a large number of new laws and regulations have been adopted or proposed in countries around the world. To further address legislation around toy safety, in 2008 Mattel appointed a Chief Regulatory Officer, who works in collaboration with our Government Affairs team to promote the development of effective regulations.

Because many laws across various countries often have differing requirements, greater harmonization of regulations would allow companies both large and small to meet a single set of product standards. Mattel believes that harmonization of requirements would also benefit countries that currently do not have regulations in place, or that have insufficient regulations associated with product safety.

Mattel is actively working on these efforts with others in the industry and believes that harmonization carries with it many benefits, including improved product safety on a global basis, the reduction of expensive duplicative testing, cost savings in producing and testing to a single standard, better enforcement of standards, international cooperation among national product safety authorities and facilitating the flow of goods between markets. Mattel continues its commitment to address this challenge and fully supports harmonization efforts through work on initiatives with various organizations, including the International Council of Toy Industries (ICTI), the International Organization for Standardization (ISO), the American Society for Testing and Materials (ASTM) and the European Committee for Standardization (CEN).

## OUR RESPONSE TO THE 2007 VOLUNTARY PRODUCT RECALLS

In 2007, we became aware that some portions of the paint on a small number of our toys tested positive for lead in amounts above the applicable standards for consumer products. As a result, from August to October 2007, we voluntarily recalled approximately 4.2 million toys worldwide.

The recalls were the result of violations of Mattel's protocols by a small number of vendors. In each case, the vendor either failed to test paint received from suppliers before using it on our products, or used an unauthorized subcontractor and failed to provide the subcontractor with properly tested paint. After testing revealed the first incident, we promptly ceased shipments of all products for approximately two weeks while we instituted a comprehensive program to test samples of all products leaving our own plants and vendor facilities in China.

### EXAMPLE OF RECALLED PRODUCT

These close up views show the yellow paint comprising the affected area.

IMAGE SCALE:  
10.2 cm WIDE X 6.4 cm TALL



In the instances where testing revealed lead levels above regulatory limits, we launched a detailed investigation to determine the cause and scope of the problem. We also initiated a number of procedural changes to address the issues brought to light by the recalls.

- **Supplier certification requirements:** All vendors are required to purchase paints and other surface coating materials from Mattel certified suppliers. Surface coating suppliers are certified only after satisfying Mattel's standards for production, testing and record-keeping. After certification, Mattel periodically audits certified suppliers. In the rare instances when a necessary coating cannot be supplied by a certified source, additional testing requirements and oversight procedures apply.
- **Testing requirements:** We increased requirements for testing for lead in paint and surface coatings. Before it is used on Mattel products, each batch of paint, including paint from certified suppliers, must be tested for compliance with lead standards. Samples of paint are tested during production and finished toys are also tested during the initial production run and periodically throughout production thereafter. Because the required testing destroys the toy for future use, we are unable to test every single product. However, we believe that this sampling frequency, coupled with the raw material testing and in-process testing, ensures an extremely high degree of confidence in the compliance of our toys.
- **Inspections:** We have increased the number of inspections of vendors and subcontractors for compliance with our quality and safety procedures, including applicable standards for lead in surface coatings.

## Recalls Involving Magnets

Magnets are used in certain toys to enhance play features that are very engaging to children. Most magnets used in toys are low-power, traditional magnets. However, some toys designed for older children use small, more powerful “rare earth” magnets. The increased power and smaller size of these magnets increases product functionality. In late 2005 and 2006, safety concerns were raised about the potential of magnets coming loose from toys and children swallowing them. The risk of injury could occur if multiple magnets are swallowed within a sufficient interval of time that enables them to attract one another through intestinal walls and create an obstruction. The likelihood of this occurring is extremely slim, but the consequences can be serious.

In response to these concerns, the Safety Standards and Technical Committee of the TIA, in conjunction with the ASTM, convened a panel of experts to review this issue and then developed a more stringent magnet safety standard. Mattel employees played a prominent role on the panel, which included representatives from consumer groups, government and other manufacturers. In January 2007, Mattel adopted the new ASTM standard for all magnet toys across all of our brands—five months before it was officially published as the industry standard. We also improved the design of the magnet retention systems to ensure that “rare earth” magnets used in future toys would be securely locked-in.

After developing this new magnet retention system, we reevaluated our pre-2007 toys that contained these magnets. We found that some of our toys did not meet the proactive goals of this new standard. This led us to notify the CPSC and other regulatory authorities of our decision to initiate a voluntary worldwide recall of approximately 22.7 million toys manufactured between 2002 and 2006. In effect, the recall applied the new ASTM safety standard retroactively to toys that were made before the panel was even convened.

We believe that applying the 2007 ASTM Magnet Safety Standard retroactively was the right thing to do. To our knowledge, no other toy company retroactively applied the new standard.

## Disposal of Recalled Product

We are committed to the proper management of recalled products, including those that were returned to the company or quarantined prior to distribution. In the U.S., all returned products are being held in warehouses until we are sure they are no longer needed for our own investigation or for legal reasons. We are exploring ways to separate and recycle parts of the products, including plastic resins, batteries and paper packaging. In some cases the sorting of these materials for recycling is required—for example battery recycling in California. Outside of the U.S., Canada and Venezuela, all affected products have been disposed of in accordance with applicable laws.

### CASE STUDY: ALERTING CONSUMERS DURING A RECALL

In collaboration with the U.S. Consumer Product Safety Commission (CPSC), Mattel swiftly communicated to consumers and retailers about the product recalls and the process for returning affected toys, including measures that go beyond required protocols. To reach consumers around the world we took the following steps:

- Developed Web-based resources to help consumers in the U.S. and Canada easily search for and identify affected toys. As a result of this increased capability, our service Web site was able to respond to an estimated 95 percent of consumer inquiries. For consumers outside North America, we created an online tool, accessible in more than 20 different languages, which provided directions on how to contact a local Mattel representative.
- Provided information through our toll-free, multilingual, interactive phone line about the affected toys
- Issued press releases, in addition to those released by the CPSC, to publicly alert consumers
- Granted numerous television and print interviews to speak directly about the recalls
- Placed advertisements in major newspapers and on various Web sites worldwide
- Produced and displayed prominently on the Mattel Web site three videos in which our CEO addressed recalls and spoke directly to consumers and other stakeholders



## PROMOTING FAIR AND JUST WORKING CONDITIONS

While Mattel directly employs a large workforce in our factories, the manufacturing of our products affects thousands more who are employed by our vendors that operate their own factories. Additionally, thousands work at licensee factories that produce products bearing our brands. We strive to ensure that our products, as well as licensed products, are manufactured in a responsible and ethical manner. We continue to evolve our standards and oversight processes to reflect our expectations for fair labor practices and environmental stewardship.

This section details:

- GMP audit findings and how we have addressed them
- Results of external audits
- Our approach to external auditing moving forward

## REGIONAL RECOGNITIONS

- Caring Company Award 2006, 2007 and 2008 awarded to Mattel Asia Pacific Sourcing, Hong Kong. (Presented by the Hong Kong Council of Social Service)
- CSR Program Implementation Award 2009 awarded to Mattel Indonesia. (Jababeka Industrial Estate, ranked first among more than 700 companies operating in the industrial manufacturing zone)

While we have begun the process of incorporating GMP audit elements into our new QMS, we have continued to conduct internal GMP audits of our factories and vendors. Mattel’s GMP include standards for the following:

1. Management Systems
2. Wages and Working Hours
3. Age Requirements
4. Forced Labor
5. Discrimination
6. Freedom of Expression and Association
7. Living Conditions
8. Workplace Safety
9. Health
10. Emergency Planning
11. Environmental Protection

GMP audits include an assessment of many social and environmental factors. We pay particular attention to zero tolerance issues (minimum age requirements for workers and free will employment), as well as wages and working hours, living conditions and clear access to emergency exits. Mattel’s GMP requires that a factory address a zero tolerance finding immediately and that other findings be corrected according to an agreed timeline.

**GMP Audit Results**

Since the start of our GMP program more than a decade ago, we have believed that continuous improvement is best fostered through two strategies, encouraging the implementation of management systems and actively engaging key internal and external stakeholders. Internally, Corporate Responsibility has engaged with the manufacturing and product sourcing functions to enhance awareness of GMP requirements and provide compliance status reports for vendors that can be considered when placing orders. We also engage directly with Mattel factories and vendors to emphasize expectations of continuous improvement.

While in our owned/operated facilities we have generally found conformance to our GMP, in 2008, six Mattel factories had one or more highly-critical finding. These findings were related to working hours, wages and access to emergency exits. Corrective actions have been implemented to address each of these findings.

In 2008, Mattel auditors also identified 26 vendors with one or more highly-critical finding. These findings were primarily related to the payment of wages and working hours. In order to effectively make progress on addressing these issues it is essential to first improve the transparency and accuracy of payroll records. Mattel has worked closely with several vendors to identify the root cause of instances of underpayment or excessive hours. Mattel’s goal is to remedy the situation through the implementation of corrective actions to prevent reoccurrence, including, in some cases, back payment to workers and improved record keeping for working hours and overtime. If all other efforts have failed, as a last resort, Mattel will terminate its relationship with a vendor factory. During the last three years, we have terminated seven vendor factories due to systemic non-compliance with our GMP.

**External Audit Findings**

Since 1997, we have engaged the International Center for Corporate Accountability (ICCA), an independent nonprofit organization, to conduct audits of Mattel’s factories and a sample of vendors to assess compliance with our GMP and publish the findings. ICCA was renamed the Sethi International Center for Corporate Accountability in 2007 to honor Dr. Prakash Sethi, its founder.

Between 2006 and 2008, ICCA conducted 12 audits visiting all Mattel factories. Auditors identified findings related to working hours, payroll record keeping and deductions, pre-employment medical screening expenses, leave benefits and workplace safety issues. Mattel takes the findings of these audits very seriously and has sought to address each of the issues that ICCA has raised. Mattel has implemented improved record keeping systems for tracking wages and working hours at our factories and in most cases has completely automated timekeeping with swipe cards. We have ceased pre-employment medical screening except where legally required for certain jobs. Procedures for the payment of maternity leave benefits have been put in place to ensure payment continues throughout the leave period.

During the past three years, ICCA also conducted 12 audits of our core vendor facilities. Of these, one was not completed because of insufficient cooperation by factory management. Mattel promptly met with the factory’s senior leadership to express our concern and suspended the placement of any new business with the factory until progress was observed. Mattel has completed its own series of unannounced audits of the factory and verified improvement.



ICCA’s vendor factory audits identified findings related to working hours, payroll record keeping systems, pre-employment medical screening, maternity leave benefits, deductions for expenses and workplace safety. Vendors continue to implement corrective action plans to remedy outstanding issues.

**Advancements and Remaining Challenges**

Over the last eight years, Mattel has been actively engaged in the advancement of the ICTI CARE Process (ICP), the toy industry code of ethical manufacturing launched in 2004 and designed to ensure fair and safe working conditions in toy factories. The ICTI CARE Seal of Compliance is awarded to factories based on the judgment of an independent audit firm that they meet or exceed the ICP requirements. Factories may be awarded a seal with the condition that they implement a corrective action plan. In the event of serious findings, that factory may receive a probationary seal and be required to remedy highly-critical findings and submit to re-audit within six months. Failure to address these findings may result in the termination of the factory’s participation in the program.

ICTI CARE has continued to expand the reach of the ICP to the majority of dedicated toy factories in China. Audit firms have also been qualified to conduct the ICP assessments in Southeast Asia. Mattel has received the ICTI CARE Seal of Compliance for all of our factories in China, Indonesia, Malaysia and Thailand.

We acknowledge that the management of working hours in factories in China continues to be a challenge for Mattel as it is for many companies. In order to make progress on this issue we must actively engage with multiple stakeholders to find solutions that address the root causes of periods of excessive working hours. In order to achieve sustained progress it is necessary to promote a solution that ensures:

- Proper payment of wages
- All overtime being voluntary
- Continuous improvement
- Progress on implementing transparency

Although challenges remain, we believe progress continues to be made. ICTI CARE has contributed to progress by promoting dialogue about the root causes with NGOs, retailers and licensors.

MATTEL INTERNALLY CONDUCTED GMP AUDIT RESULTS	2006	2007	2008
<b>Mattel Owned/Operated</b>			
Number of Factories Audited	9	9	10
Number of Factories with a Zero Tolerance Finding	0	0	0
Number of Factories with one or more Highly-Critical Finding	4	3	6
<b>Vendors</b>			
Number of Factories Audited	65	58	42
Number of Factories with a Zero Tolerance Finding	1	1	2
Number of Factories with one or more Highly-Critical Finding	19	30	26

**Commitment to External Auditing**

Having an external party audit our GMP compliance has been an important element of our social compliance initiatives, offering stakeholders an independent assessment of our progress. Since the launch of GMP, ICCA has played an important role in the creation and development of Mattel's program. ICCA has provided us with independent and constructive assessments of factory working conditions.

During the past year we have evaluated how to best expand the scope of our external auditing. We also believe that it is imperative to support a program that will expand independent audit reporting across the toy industry. To that end, in 2009, we have decided that Mattel will deliver on its continuing commitment to external auditing of owned/operated and vendor factories that make our products by utilizing the ICP for independent assessment of our social compliance performance.

We have found the ICP program to be essentially an equivalent code of conduct when compared to Mattel's GMP. Moreover, major retail customers and licensors have acknowledged their support for the ICP. We believe that this program will help reduce the resources spent on duplicative audits and allow us to apply those resources to enhance our internal QMS program as well as pursue multi-stakeholder capacity building initiatives.

We recognize the importance of transparency to our stakeholders and as a tool to drive continuous improvement. Mattel is committed to working closely with ICTI CARE to identify means to advance the transparency of audit reporting.

**Employee Health and Safety**

As part of GMP, Mattel manufacturing facilities, distribution centers and several corporate locations have designated employee Environmental, Health and Safety committees that collaborate with leadership to identify issues that need attention, assist with developing appropriate training programs and ensure the right precautions and processes are in place to prevent workplace incidents.

We employ the U.S. Occupational Safety and Health Administration's Lost Day Incident Rate (LDIR) at all manufacturing and tooling plants, distribution centers, retail stores and major corporate locations. This metric allows us to track our progress in reducing the number of serious injuries that result in time away from work.

Our LDIR is well below average for manufacturing. Recent initiatives to improve safety conditions include machine tool safety training, aerial lift device training, hazardous energy reduction policies and the sharing of incident tracking and management tools.



**Addressing Licensing**

Mattel's many toy brands have broad appeal with consumers and are often sought by companies outside the toy industry for use on their products. As a result, Mattel licenses the right to use its brands, including images and logos, on a wide variety of consumer products, such as apparel, books and fashion accessories. Mattel has agreements with approximately 1,000 independent licensees that manufacture products in approximately 3,000 factories. These licensees operate in 60 countries and more than 45 markets around the world. Licensees are responsible for ensuring that their operations and products comply with local market regulations and applicable quality and safety requirements, as well as our GMP.

During the past few years we focused on two goals with respect to licensing: improving the reporting of factory information and expanding audit coverage. Improvements to internal processes resulted in the acquisition of factory information earlier in the contracting process. In addition, factory reporting was enhanced by utilizing the Mattel Global Auditing System (MGAS) to coordinate annual verification of factory status. Audit coverage was improved by conducting both our own audits and by recognizing the results of audits based on equivalent codes of conduct (ECOC), including those from retailers and branded companies, as well as the toy, apparel and electronics industries.

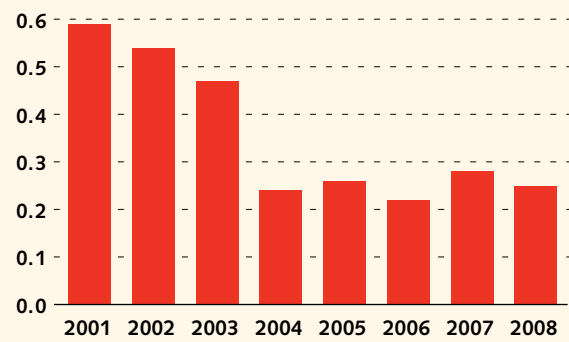
While we have made progress on our previous licensing goals, many challenges remain. Practical circumstances

LICENSING FACTORY	NUMBER OF AUDITS
2003	66
2004	40
2005	145
2006	241
2007	46
2008	284

require us to look at licensing differently than the way we approach our owned/operated and vendor facilities and to prioritize our efforts. Those circumstances include not having direct control over factory operations, the large number of factories spread across all regions of the globe, short-term productions runs and individual brands representing only a small portion of the overall manufacturing in any one factory.

Today, we are in the process of evolving our licensee program using a risk management approach to provide greater assurance that licensees are complying with our product standards. We will continue to require that licensees provide Mattel with reports documenting that products meet quality and safety specifications. We will also prioritize our GMP oversight efforts by focusing on continued audit coverage, both our own and ECOC audits, and mandating licensees provide a self-assessment documenting factory working conditions.

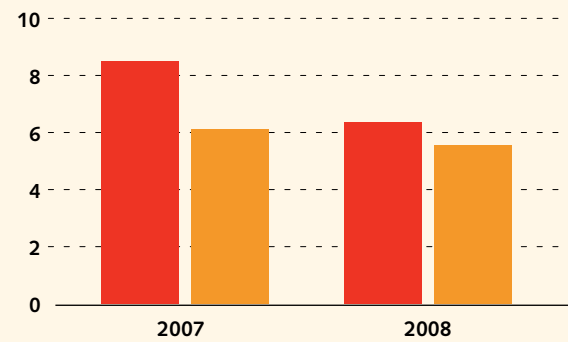
**LOST DAY INCIDENT RATE WORLDWIDE**



NOTE: Incident Rate is number of injuries per 200,000 hours worked.

**AVERAGE TRAINING HOURS**

Hours per Person



■ Average GMP Training for Staff  
 ■ Average GMP Training for Operator

# OUR EMPLOYEES

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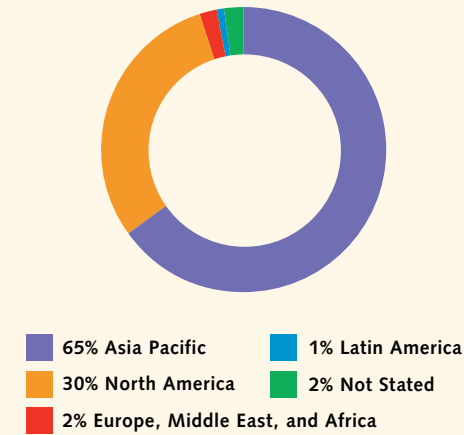
We recognize that our talented and diverse workforce is a key factor in Mattel's success. We strive to provide meaningful work in a safe and respectful environment. Mattel is committed to fostering a workplace that rewards excellence and encourages teamwork. We believe that listening to employees and trying to respond to their needs and interests makes us a stronger, more creative environment in which to work. We are proud that in 2008 and again in 2009, FORTUNE Magazine named Mattel as one of the "100 Best Companies to Work For."

Since 2006, in addition to maintaining our commitment to essential workplace practices, our focus has been on:

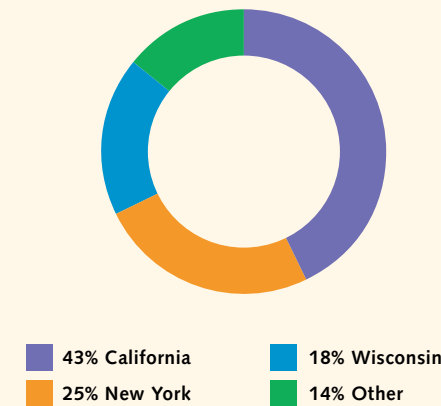
- Further enhancing employee engagement
- Using employee feedback to improve our workplace and corporate culture
- Taking care of employee needs—from career development to compensation and benefits
- Furthering our diversity and inclusion initiatives to ensure that "At Mattel, Everyone Plays"



EMPLOYEES BY REGION: PERCENTAGE



EMPLOYEES BY US STATE: PERCENTAGE



\*Includes regular full-time and part-time employees

## OPEN EMPLOYEE COMMUNICATIONS

Open and honest dialogue between our senior management and employees is an important part of our culture. Whether we are communicating about strategic direction, sharing accomplishments or facing challenging times, we believe that earning a reputation for transparency and ethical corporate conduct starts with communicating with our employees. We want our people to be informed, engaged and understand what we need to do collectively and individually to deliver value to our customers and earn the respect of our stakeholders.

There are several channels we use to foster open communication with our employees so they can provide feedback or raise concerns, including the following:

- "What's On Your Mind?" is the worldwide employee survey we periodically conduct to gather candid feedback on our workplace practices and culture.
- Our EthicsLine, part of our ethical business conduct program, is available for employees to confidentially share their questions and concerns.
- Employee Updates are quarterly presentations prepared by senior management to share company performance and progress against our strategic goals. The updates are Web cast live so that multiple corporate locations can tune in and participate.

## USING OUR EMPLOYEES' FEEDBACK TO MAKE IMPROVEMENTS

We conducted our last "What's On Your Mind?" survey in 2006, and surveyed both professional and manufacturing employees together for the first time. Survey findings have been used to develop plans for continued improvement.

For example, we heard from our professional staff that employees wanted more career development opportunities, especially at the mid-manager level. This led to the development of the International Management Program, a program specifically designed to further develop the leadership skills necessary for our global business. We also addressed needs identified by employees in our manufacturing facilities, which included additional training and skill development opportunities and emphasis on specific health and safety practices.



## TAKING CARE OF EMPLOYEES

Mattel's ability to recruit and retain talented people is a testament to our commitment to providing competitive compensation and benefits, career development and a positive work environment. Our compensation and benefit packages are reevaluated annually to take into consideration evolving trends and employee feedback.

In addition to competitive compensation, we offer a diverse set of benefits to our employees. We seek to provide similar benefits packages to employees around the world while respecting the unique cultural preferences and legal requirements of various locations.

We provide health care benefits to all corporate full-time and eligible part-time employees, their families and domestic partners. Mattel owned/operated manufacturing facilities have onsite clinics staffed by nurses or doctors. While their primary purpose is to provide immediate care in the event of an employee injury, they also are available for general medical screening and treatment needs, at no or minimal cost to the employee. Onsite medical personnel also provide prenatal monitoring and oversight of work assignments for expectant mothers to ensure appropriate accommodations are made when necessary.

## MATTEL NAMED ONE OF THE 100 BEST PLACES TO WORK BY FORTUNE MAGAZINE

In 2008, Mattel was named to FORTUNE Magazine's "100 Best Companies to Work For" list. FORTUNE's list is based primarily on the assessment results of a confidential survey of U.S.-based employees conducted by The Great Places to Work Institute. The survey measures employee perceptions of six different aspects of the corporate culture including credibility, respect, fairness, pride and camaraderie in the workplace.

In 2007, our employees had already completed the survey for FORTUNE's 2008 list when the company voluntarily recalled certain products. During the evaluation process, The Great Places to Work Institute asked to speak with some of the surveyed employees again to assess whether their opinion about working at Mattel had changed. We were gratified to learn that our employees continued to view Mattel as a great place to work and that in some cases morale actually improved. We attribute this positive outcome in part to our prompt response to the situation and commitment to candid and continuous communication with employees during that challenging time.

In 2009, Mattel was again included on FORTUNE's list.

## OTHER AWARDS AND RECOGNITIONS

- 2008 and 2009 "Best Companies to Work For in Brazil" (Guia Voce S/A Exam)
- 2007, 2008, 2009 "Best Places to Work in Los Angeles" (Los Angeles Business Journal)

“Mattel's pandemic preparedness efforts exemplify what we should expect of responsible corporations. Especially during challenging times, leading firms must share what they have learned and help others in the business community see that preparedness is essential to protecting our people and our economic interests.”

Dr. Michael T. Osterholm, Ph.D.

Director, Center for Infectious Disease Research and Policy, University of Minnesota

We believe that time to pursue family life and personal interests outside of work is also important to the health and well-being of our employees. We seek to provide a suite of benefits that can make managing the demands of work and family easier to balance, which depending on location, may include onsite fitness centers, electronic banking, child care, flexible working hours and employee assistance programs with access to information and referrals for legal, financial management and other professional services.

Mattel's benefits and sustainability groups have been exploring how to encourage the use of public transportation and participation in commuter rideshare programs in the U.S. The programs currently being offered vary by location and include subsidized vanpools, carpool matching service, subsidized public transportation passes, preferred parking, safe cycling seminars and access to shower and changing facilities for cyclists. In 2009, local authorities approved our Employee Commuter Reduction Program to further encourage employees to reduce single-passenger car travel to and from work at our Southern California headquarters. This program aims to improve our ratio of occupants per vehicle from an average of 1.1 to 1.5 persons.

## Pandemic Preparedness

In 2007, Mattel heeded the call from world health authorities for the private sector to take steps to improve preparedness in the event of a global health emergency.

In response, we brought together a cross functional team and consulted with health experts to create a comprehensive plan aimed at protecting our employees in the event of a serious infectious disease outbreak. Initially, a set of corporate guidelines based on the World Health Organization's six pandemic alert phases was created. In 2008, our planning efforts continued as the corporate team fanned out around the globe to work with our major population centers and manufacturing locations to create site specific emergency response plans. We developed an intranet site for our preparedness teams and online links for employees that provided information about precautions they could take at work and at home to help keep their families healthy. Mattel also communicated to employees globally to encourage vaccination against the seasonal flu.

In 2009, we implemented our plan in response to the outbreak of the H1N1 virus. Within 12 hours of reports about the outbreak in Mexico, our pandemic team launched a global communications network to share updates and take actions to implement the enhanced set of precautions, including hygiene education, hand washing, deployment of sanitizers and door screening, all to help minimize the risk of infection. In several countries, our offices worked with local authorities and communicated with other companies to share best practices. We are now reassessing our plans in order to determine what further improvements can be made to help protect the health and welfare of our employees and the communities in which we work.

## TRAINING AND DEVELOPMENT

Professional development and training are an integral part of Mattel's workforce development strategy. Through our Leadership Development Center, Mattel offers on-site and online instructor-led training designed to enhance leadership skills, global sales and marketing techniques and general business acumen, as well as other professional development topics. In 2008, Mattel's professional employees received on average an estimated 6.5 hours of formal classroom training.

Online, employees can access more than 2,000 courses on business-related subjects in a variety of languages, including English, Spanish, French, Italian, German and Chinese. In 2008, approximately 1,500 employees completed more than 5,100 courses online.

Outside of regular course offerings, employees may be invited to participate in selective training opportunities. For example, Mattel's LEADER program brings high-potential directors and vice presidents from around the globe together for an intensive week-long simulation exercise focused on leading a global business. Participants receive a comprehensive assessment of their leadership capabilities that includes feedback from subordinates, peers and supervisors, as well as coaching to help address opportunities for improvement.

## DOWNSIZING IN A RESPONSIBLE MANNER

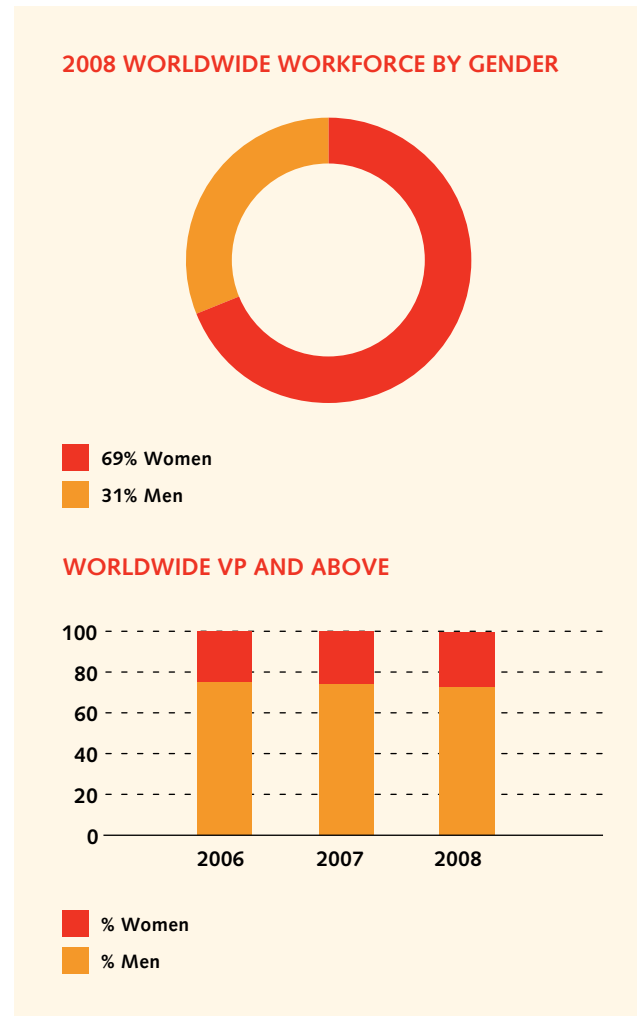
In early 2008, Mattel undertook a comprehensive effort to evaluate the most appropriate means to ensure sustained long-term growth for the company. As this assessment was underway it became clear that consumers were reducing spending and the global economy was facing a downturn. In 2008, Mattel eliminated approximately 1,000 positions worldwide. The downsizing was accomplished through a combination of attrition, retirements, elimination of certain open positions and layoffs. In total, the workforce reductions in November 2008 represented about three percent of the company's worldwide workforce, which equated to about eight percent of our professional and management staff.

It was a difficult time for the company and all employees. Our CEO communicated with employees to explain the restructuring program at Mattel and the reasons behind it. To help employees transition from Mattel, severance or other locally prescribed benefits were offered. Above all, Mattel remains committed to treating every employee fairly and with dignity and respect.

## CELEBRATING AND RESPECTING OUR DIFFERENCES

Mattel's global workforce is diverse in terms of ethnicity, race, religion and gender. However, Mattel views diversity through a much broader lens and strives to maximize opportunities for our business growth by leveraging the varied experiences and perspectives of our employees. The Global Diversity vision, "At Mattel Everyone Plays", is tied to our values, core business strategies and action plans.

In our last Global Citizenship Report we shared with stakeholders our goal to establish a diversity business strategy. In 2007, the strategy was launched with five key areas of focus and an action plan to get things moving and start tracking our progress. In 2008, Mattel formed a Diversity Advisory Board comprised of leaders from across the company and tasked them with guiding the implementation of our five strategies. The table on page 29 summarizes some of our early accomplishments.



DIVERSITY BUSINESS STRATEGIES	ACTION PLAN: WHAT WE'RE DOING
Incorporate diversity and inclusion in all 'people processes' so that they are prominent in all that we do with our employees	<ul style="list-style-type: none"> <li>Expanded recruitment activities to more universities throughout the U.S. Supported the National Black MBA Association, National Society of Hispanic MBAs and Reaching Out conference for LGBT MBAs</li> </ul>
Hire, promote and retain diverse talent and have the role models and systems in place to ensure that all feel included	<ul style="list-style-type: none"> <li>Developed scorecards to measure progress reviewed by management</li> </ul>
Create a culture of acceptance and inclusion through training and dialogue and by supporting employee network groups	<ul style="list-style-type: none"> <li>Launched four employee network groups at corporate headquarters to foster an inclusive environment</li> </ul>
Strengthen our multicultural design and marketing capabilities in order to maximize every possible market opportunity	<ul style="list-style-type: none"> <li>Launched in 2009, a new doll designed for African American consumers inspired by African American young women who are role models for younger girls</li> </ul>
Develop internal and external communication plans that engage and inspire the creation of a diverse and inclusive culture	<ul style="list-style-type: none"> <li>Implemented a plan that includes employee communications to support our vision including speakers, visual displays and newsletter stories</li> </ul>

## Attracting Diverse Talent

To help cultivate a talented and diverse pool of potential employees, Mattel provides internships, participates in recruitment events and provides support to several key organizations.

Since 1992, Mattel has sponsored INROADS, a program that facilitates the recruitment of ethnically diverse undergraduate students as summer interns. Through the years, INROADS interns at Mattel have gone on to successful careers in many industries and professions including five who have become full-time Mattel employees. In 2007 and 2008, we welcomed 20 INROADS interns to Mattel and achieved our goal of expanding the program to include interns at Fisher-Price and American Girl. Because of the challenging economic climate, in 2009 the number of INROADS interns declined to nine, falling short of our goal to expand the program. Moving forward, we remain committed to offering deserving students a quality summer work experience.

U.S. WORKFORCE: MINORITIES*	%
All Employees	31
Managers and Directors	24
Executives	12

\* Minorities are defined as "non-white" employees. Employee statistics are self-reported. Ethnicity only available for U.S.-based employees; not tracked internationally.

BOARD OF DIRECTORS*	%
Women	25
Minority	17

\* Diversity statistics are reported as of December 31, 2008.

“ One of the pillars of our diversity strategy is to ‘Create a Culture of Acceptance and Inclusion’ and the employee network groups are a key part of this objective. The employee networks will not only help Mattel enhance recruitment and retention of a diverse workforce, but also provide great insights into particular market opportunities by acting as our internal focus groups for concepts and ideas. ”

Graciela G. Meibar

Mattel’s Vice President of Global Sales Training and Global Diversity

Responsible for the development and implementation of Mattel’s Global Strategic Diversity Initiative.

#### Employee Network Groups

Mattel has launched four Employee Network Groups at our corporate headquarters: the Mattel African American Forum (MAAF), Latinos EN Mattel for Latinos and Hispanics, OPEN@Mattel for Lesbian, Gay, Bisexual and Transgendered (LGBT) individuals and Women at Mattel (WaM). All are employee-initiated chartered groups that bring people together with shared interests to collaborate on advancing business interests, supporting employee development and providing insights for Mattel’s recruiting efforts, product development and stakeholder outreach. A fundamental guideline at the heart of each group is that they be open to all Mattel employees. This fosters an inclusive environment and draws on support from across the organization. The groups help raise awareness about the capabilities of their community, promote a more inclusive environment and further the professional development of their members.



#### Supplier Diversity

Mattel recognizes the importance of supplier diversity and is committed to ensuring that it is an integral part of our global procurement process consistent with established corporate goals. We believe that the success of our organization and the communities in which we work depends upon enabling Minority and Women Owned Business Enterprises (MWBE) to share in economic opportunity in the U.S. By providing opportunities to certified MWBE businesses to supply goods and services to Mattel and our major suppliers, we are developing mutually beneficial relationships while advancing economic development.

# SUSTAINABILITY

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In 2008, we began refining our Global Sustainability Strategy to better identify the impacts of our business and how we can continue to improve. The resulting strategy is working to help minimize our footprint throughout the value chain—from design to manufacturing through disposal of products and waste, and illustrates the importance of personal commitment in business and every day practices. Our strategic approach, “Re-imagine the way we play,” inspires us to:

- Design It with the end in mind
- Make It with eco-efficiencies
- Live It with personal commitment

To encourage all facets of our business in our sustainability initiatives, we have created Sustainability Forums to focus efforts in strategic areas. Comprised of business unit leaders from across the organization, the forums allow brand and functional leaders to share and collaborate on sustainability solutions in the areas of Design It, Make It and Live It. The forums work in partnership with the Global Sustainability department to identify opportunities for exploring sustainable business practices.

## DESIGN IT

Historically, our sustainability efforts have focused on the manufacturing process, but we recognize that opportunity also lies in how we design our products and packaging. Through the forums we are working with brand teams to promote thinking, about recycling opportunities, energy requirements and materials selection. To date, several Mattel brands have conducted pilot projects that incorporate sustainable attributes. Some of these early endeavors include:

### Packaging and Shipping Improvements

We are working to reduce the size and amount of materials used in our product packaging, increase recycled content where possible and incorporate sustainable packaging into the design of new products. For example, our Barbie Thumbelina® line of toys uses 100 percent recyclable cardboard in packaging and provides instructions on how to recycle. Similarly, in 2008 American Girl selected giftwrap paper that included 10 percent post-consumer fiber, used 100 percent biodegradable peanuts and paper fill for shipping boxes, and eliminated plastic hangers from doll outfits, which led to smaller boxes for many products. Moving forward, American Girl is working to identify ways to integrate recycled content into several different papers the business uses and to test the use of lighter-weight papers for different applications. The lessons learned at American Girl will be shared with other Mattel brands through the Sustainability Design It forum. Another source of inspiration is sharing ideas and learning from the Sustainable Packaging Coalition, an industry working group dedicated to making packaging materials more sustainable, which Mattel joined in 2007.

### Environmentally-Responsible Direct Mailings

Our American Girl product line is sold direct to consumers through our stores, Web site and direct mail catalogs. Reducing the environmental impacts of catalog production and distribution has been an ongoing focus. We are actively managing the growth of catalog circulation by leveraging the use of e-mail. In 2008, we increased the post-consumer fiber in both our catalogs and magazines saving approx 9,100 trees. In addition, from 2006 to 2008 we reduced our total paper used for the catalog by six percent. As part of its ongoing sustainability efforts, American Girl is dedicated to engaging only those suppliers who are committed to the responsible and efficient use of ink, water, and power in their manufacturing process.



### MATTEL AND AMAZON.COM PARTNER ON PACKAGING INITIATIVE

When a product is shipped through the mail, care is taken to select packaging that will provide adequate protection during transit. At the same time we want to ensure the product's condition when it arrives at a consumer's door; we also want to avoid over-packaging, which generates unnecessary weight, waste materials, cost and frustration to gain access.

In 2008, Mattel and Amazon.com® partnered on a packaging initiative to create packaging for direct to consumer delivery, which eliminated unnecessary packaging by completely removing all materials secondary to protecting packages during shipping and warehousing. The smaller packaging design also resulted in a reduced environmental impact. For 10 of our most popular online products, customers were offered alternative packaging with recyclable brown corrugated cardboard, fewer display windows and twist ties, and less printed material. When a product is received by the customer, it is also easier to open and remove the product. For example, the alternative packaging option for the Fisher-Price Imaginext® Adventures Pirate Ship saves more than 1,500 square inches of corrugated cardboard and 36 inches of plastic coated wire ties per shipment.



Another example of our efforts to reduce the environmental impact of mailing practices is the new system implemented for delivering our 2008 Annual Report. Mattel has taken advantage of the new Securities and Exchange Commission rules that allow publicly traded companies to provide stockholders with the information they need through the Internet. This allows us to deliver material in a cost-effective timely manner, while reducing the use of energy and materials necessary to print and deliver a traditional paper report. Taking advantage of this sustainable option, we reduced the number of printed copies of our 2008 Annual Report by approximately 88 percent from the previous year.

## MAKE IT

Beyond design, we are always exploring opportunities to gain efficiencies and reduce environmental impacts through the manufacturing and distribution of our products.

### Manufacturing Plants

In our manufacturing facilities, we are seeking to reduce, recycle and reuse whenever possible.

Examples include:

### Energy Savings

- Installed an evaporative air cooler on a painting line, saving more than 130,000 kilowatt hours per year

- Installed energy-saving lighting units, saving 20 percent on electricity costs
- Replaced hydraulic injection molding machines with electrical machines, saving 40 percent on electricity costs
- Installed more efficient molding process, saving more than \$100,000 annually in energy costs
- Substituted electrical heaters at die-cast machines with liquid natural gas heaters, saving 25 percent on electricity costs
- Eliminated compressed air leaks in the plant, saving almost \$70,000 annually in energy costs

### Water Savings

- Installed rain water collection tank, saving 20,000 cubic meters of water per year
- Replaced faucets with more efficient models, saving almost \$2,500 per year

### Waste Reduction

- Reduced volume of zinc ash waste by separating the ash from alloy, reducing disposal costs by 30 percent
- Installed machining oil purification system for injection molding equipment, reducing the consumption of oil and saving approximately \$45,000 per year
- Reclaimed almost 61 tons of excess plastic in 2008 and returned it to the manufacturing process where possible or made available for other beneficial use.

## ZINC REUSE AND RECYCLING PROCESS

The Hot Wheels manufacturing process uses a zinc alloy that is molded into the form of the car through a die-cast process. Mattel has developed a system to reclaim as much zinc as possible and reuse it in the manufacturing cycle. The very small percentage that cannot be recovered is sent off site as zinc ash, which is used in many different types of products, including cosmetics, sunscreen, ceramics and dry cell batteries.



- |   |   |
|---|---|
| ① ZINC INGOTS (RAW MATERIAL)<br>Purchased from supplier                     | ④ BY-PRODUCT<br>By-Product sent to reclaim furnace                                |
| ② DIE-CASTING<br>Zinc Ingots melted and used to die-cast car parts          | ⑤ RECLAIM FURNACE<br>By-Product is heated in the furnace to extract reusable zinc |
| ③ PRODUCTION<br>Die-cast components sent to next step in production process | ⑥ RECYCLING<br>Zinc ash sent to recycler to make other products                   |
|   | ⑦ EXTRACTED ZINC<br>Extracted zinc reused in the die-casting process              |

### Distribution Centers

In our distribution centers, we are actively pursuing several initiatives to reduce energy use, water consumption and solid waste generation. Specific examples include:

- Reduced electricity use by more than 30 percent by utilizing skylights to naturally illuminate a large warehouse and using lighting fixtures only when necessary for supplemental light
- Installed energy efficient lighting in dock areas, set timers to control light usage and utilized skylights during a good portion of the work day. Overall energy use for the first half of 2009 is approximately 10 percent less than that same period last year

### Transportation and Logistics

In our 2007 Global Citizenship Report, we outlined various initiatives that reduced environmental impacts while saving time and money. Since then we have instituted a number of new eco-efficiency projects including:

- **Carbon Footprint Initiative-SEER Project:** In 2006, Mattel partnered with the University of Southern California's Sustainable Enterprise Executive Roundtable (SEER), which works with area businesses to encourage sustainable practices. From Mattel's supply chain data, SEER produced a technical paper defining the emissions impacts associated with the different modes of transportation we use in the U.S. As a result, our logistics team developed a carbon calculator to model the impact of greenhouse gas emissions associated with different distribution methods and routes. This information will help us gain a better understanding of how current and future distribution methods impact our overall carbon footprint.
- **MaxLoad:** In 2006, Mattel provided its shipping vendors with MaxLoad software to help them load their containers more efficiently. In 2008, vendors achieved an increased average container density of 93 percent.

- **Pier Pass Off-Peak Program:** Instituted in 2005, Mattel's Pier Pass program ensures that the majority of Mattel's product arriving on ocean carriers at the Port of Los Angeles or Long Beach is delivered during off-peak hours, from 6 p.m. to 3 a.m. This initiative has helped reduce fuel usage and carbon dioxide emissions by decreasing the time carriers spend idling in traffic. In 2006, our goal was to have 90 percent of our products delivered at night. We have surpassed that goal with 99.4 percent of our containers arriving during off-peak time.
- **EPA Smartway Program Participation:** In 2008, Mattel joined EPA's Smartway Program, which aims to reduce transportation-related emissions by helping companies assess their environmental performance, set improvement goals and calculate associated environmental and cost savings. Today, 69 percent of our domestic transportation partners are active in this program and we are working to require participation in future contracts. Three of our distribution centers also participate in this program and have developed a three-year plan to reduce energy consumption by our diesel tractors and electric clamp lifts. As part of this effort, we purchased tractors that run on natural gas and biodiesel to help reduce emissions. For example, our Distribution Center in Fort Worth, Texas, has replaced its diesel tractor with a bio-diesel tractor that produces four times less carbon dioxide emissions.
- **Full Mix Distribution:** In 2006, Mattel initiated the Full Mix Distribution Center Program to replace the brand-specific distribution system. As a result, we have been able to use more efficient routes and reduce both the number of trucks and total miles products must travel from the warehouse to our retail customer.

Improvements in the U.S. distribution system has

**REDUCED**  
CO2 EMISSIONS BY  
**30%**

## MEASURING OUR PERFORMANCE

In order to monitor environmental performance, Mattel established a set of metrics we refer to as our Sustainability Performance Indicators (SPI). We collect data from locations greater than 20,000 ft<sup>2</sup> in size and classify each of them as manufacturing, distribution or corporate, which includes offices, retail stores and design functions. In 2007, we reported that efforts were underway to adopt the use of normalizing factors to account for fluctuations in the intensity of activity over time. Mattel applied two criteria when evaluating several normalizing factors for manufacturing; first it needed to be appropriate for our diverse portfolio of products and associated production processes (i.e. fashion dolls, die-cast cars, electronic toys, etc.) and second it needed to support meaningful aggregation of these different activities on a global scale. As a result we have adopted three primary factors:

- Manufacturing—wholesale dollar value of finished goods produced
- Distribution—outbound shipment volume
- Corporate—annual average number of full-time equivalent employees

The normalized SPIs measure performance as a comparison of annual percent change from the established baseline year of 2004. In order to evaluate performance, we rely primarily on comparison of the current year to the baseline year and the normalized trend over time. The SPI charts below also provide annual results and year-over-year changes in absolute terms.

Our assessment of the five-year period from 2004 to 2008 is that performance trends are generally flat. The SPIs, with one exception, reflect a slightly unfavorable trend on both an absolute and normalized basis. This overall 10 percent increase in environmental impact, is attributable to the 2007 acquisition of the Radica electronic gaming business and factory. Under our present system, the baseline year has not been adjusted to reflect the acquisition. The one exception to the general trend was an increase in the generation of volatile organic compounds (VOCs) by approximately 50 percent. We believe this is attributable to several factors, including improved data collection, shifts in product mix and the acquisition.

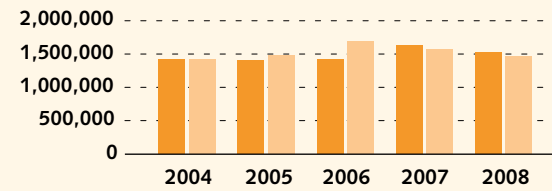
Moving forward we will focus efforts on three projects:

- Identifying specific areas of emphasis that can improve performance including energy, water and waste diversion
- Refining our normalization methods
- Continuing to assess methods to address the complex reporting challenges of the broader supply chain.

## ENERGY AND CARBON FOOTPRINT

### TOTAL ENERGY CONSUMPTION [GJ]

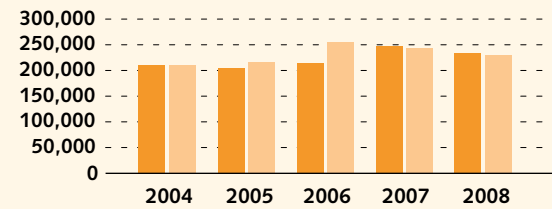
Electricity and Fuel



■ Absolute  
■ Normalized

### TOTAL CO2 EMISSIONS [METRIC TON]

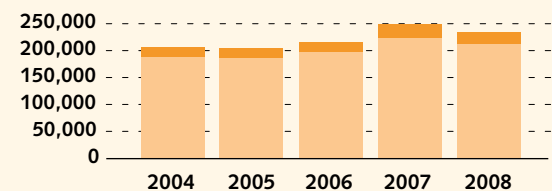
Electricity and Fuel



■ Absolute  
■ Normalized

### TOTAL ENERGY CONSUMPTION [GJ]

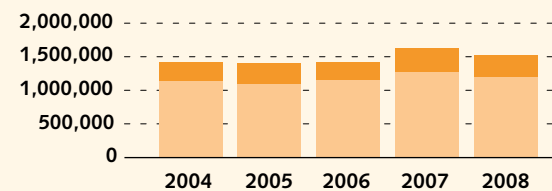
Absolute Electricity and Fuel



■ Fuel  
■ Electricity

### TOTAL CO2 EMISSIONS [METRIC TON]

Absolute Electricity and Fuel



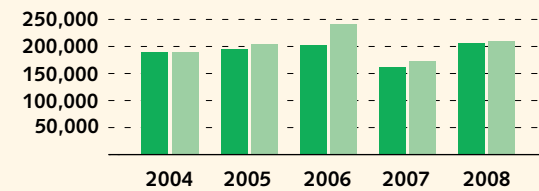
■ Fuel  
■ Electricity

NOTE: Our data collection and analysis methods continue to evolve and improve. These results reflect the best available data and have been reviewed internally. They have not been externally verified.

## MATERIAL FOOTPRINT

### MATERIAL CONSUMPTION [METRIC TON]

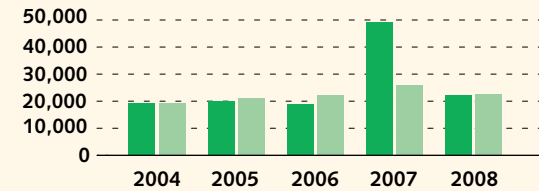
Manufacturing Only



■ Absolute  
■ Normalized

### WASTE GENERATION [METRIC TON]

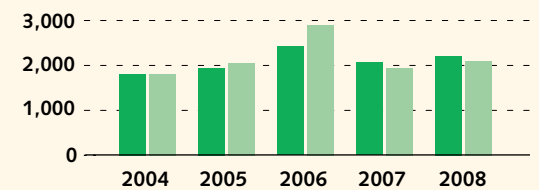
Non-Hazardous



■ Absolute  
■ Normalized

### WASTE GENERATION [METRIC TON]

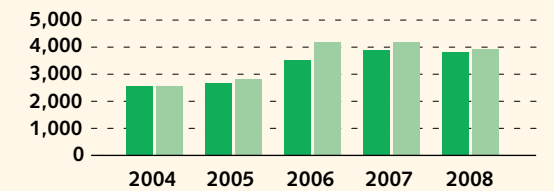
Hazardous



■ Absolute  
■ Normalized

### AIR (VOC) EMISSIONS [METRIC TON]

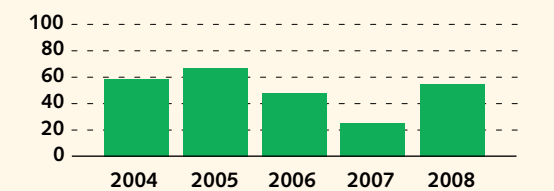
Manufacturing Only



■ Absolute  
■ Normalized

### WASTE DISPOSITION [% DIVERTED BY WEIGHT]

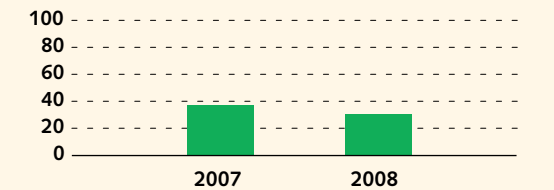
Non-Hazardous



■ Absolute

### WASTE DISPOSITION [% DIVERTED BY WEIGHT]

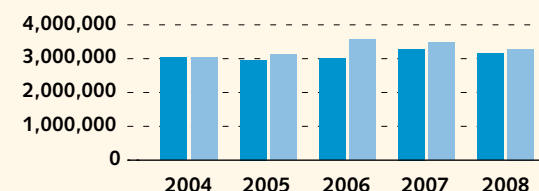
Hazardous



■ Absolute

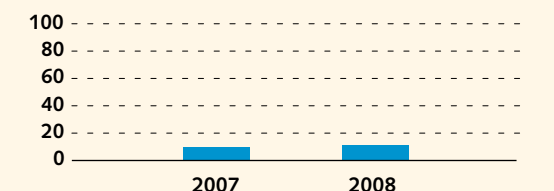
## WATER FOOTPRINT

### WATER CONSUMPTION [M<sup>3</sup>]



■ Absolute  
■ Normalized

### WATER RECYCLED [%]



■ Absolute



#### DESIGN CENTER REMODEL

At the Mattel Design Center in El Segundo, employees are enjoying a refreshed work environment complete with a reconfigured interior that incorporates a number of sustainable building elements and furnishings. The project was completed in May 2009 as a creative space for ideas to come to life and reflects our commitment to integrate the values of sustainability throughout the company.

We incorporated a number of sustainable practices, including:

- Installed water-efficient faucets
- Selected carpeting and furniture manufactured with post-consumer content
- Recycled approximately 80 percent of the construction and demolition waste from the project
- Installed energy efficient air conditioning and lighting systems accounted for annual savings of 375,000 kilowatt-hours in 2008 over the previous year, even though the building was operating 24 hours per day during construction in 2008
- Disrupted vegetation was recycled or transplanted, and new vegetation is either native or a drought resistant variety watered through a metered irrigation system

#### LIVE IT

At Mattel, we know that fostering a culture of sustainability begins with personal commitment. To date, many of our activities have been employee-inspired grassroots initiatives:

- **Waste Diversion:** Recycling, as well as wastepaper-to-energy programs have been implemented at several locations. We will continue to monitor our efforts and report progress as part of our SPIs.
- **Green Teams:** Within Mattel brands, American Girl and Fisher-Price, employees have started “Green Teams” to promote sustainable practices. For example, the United Kingdom team launched an internal e-newsletter to promote sustainability awareness. At American Girl, the Green Team coordinated Green Bag education sessions on recycling and alternative commuting practices.
- **Employee Involvement Events:** Various locations organized events to engage employees and celebrate Earth Day. American Girl hosted a “Spring Greening” event and in partnership with a local power utility held an energy conservation awareness event. In 2008, the El Segundo campus launched an annual Sustainability Awareness Week in which each day of the event emphasized a tangible action individual employees could take to make a difference.

#### CHAPTER FIVE

# COMMUNITY

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Since our early years, Mattel has understood the important role business plays in our communities and the responsibility that we have to contribute our time, resources and passion to improve the lives of children.

Our philanthropy is driven by a vision of “making a meaningful difference, one child at a time.” Mattel’s corporate values, including Playing Together, guide our philanthropic choices. We believe this strategic approach to philanthropy is a best practice and allows us to maximize our impact, especially when managing present economic challenges.

In 2008, we were proud to celebrate the 30th anniversary of the Mattel Children’s Foundation. The Foundation supports youth-focused charitable organizations through domestic and international grant making programs. Since its creation, the Foundation has given more than \$100 million to support programs dedicated to children’s health and education.

This section describes:

- Our giving activities
- Mattel’s work with Signature Partners to maximize our philanthropic impact
- Our grant making and toy donation programs
- How we foster a culture of employee giving and volunteerism



#### GLOBAL DAY OF PLAY

In May 2008, our Information Technology department organized the first Global Day of Play, and more than 200 employees in the U.S., India and China volunteered in their local communities to make a real difference in the lives of children. Since that time, more than 10 departments at Mattel have held Day of Play events. For example, more than 200 members of the Girls, Boys & Games division in El Segundo wrapped thousands of toys to be donated to children through the LA's Best after-school enrichment program.

#### GIVING OVERVIEW

Mattel has made an unwavering commitment to help improve the lives of children by designating two percent of pre-tax profit to its global philanthropic activities. Through challenging times, our commitment to philanthropy continues strong as the numbers of children in need grows. In response, Mattel utilizes “creative philanthropy,” approaching every charitable partner with more than just financial resources. Instead, Mattel looks to leverage any and all of its corporate resources to meet the needs of its philanthropic partners. For example, every Mattel Signature Partner benefits from a minimum of 10 resources from Mattel, which could include employee volunteers, product donations, solicitation of our business partners on behalf of the charity, hosted meetings, brand experiences and board participation, to name a few.

PHILANTHROPIC GIVING [\$ MILLIONS]			
	2006	2007	2008
Cash	8.1	9.0	8.3
Product*	11.3	6.6	11.7
Total	19.4	15.6	20.0

\* Figures represent retail value.

#### GRANTMAKING PROGRAMS

Mattel supports additional charitable organizations through our domestic and global grants, scholarship and matching gifts programs. Through the Mattel Children's Foundation, we provide grants to support the work of charitable organizations that align with our four philanthropic priorities:

- **Learning:** Increasing access to education for underserved children and in particular, innovative strategies to promote and address literacy
- **Health:** Supporting the health and well being of children, with particular emphasis on promoting healthy, active lifestyles
- **Girl Empowerment:** Promoting self-esteem in young girls, up to age 12
- **Joy:** Bringing joy to children, especially those fighting serious medical conditions

In the past few years, we have expanded our global grant making activities. In 2008, grants ranging from \$5,000 to \$75,000 were provided to organizations in more than 40 nations.



“ I can think of no better way to see the impact of my day-to-day work as a toy designer than when I’m volunteering at the hospital. To see the look on a child’s face when I bring them a new Barbie or the latest Hot Wheels is an awesome reward. ”

Robert Best, renowned Barbie designer (shown below)

Making use of half-day Fridays at Mattel to volunteer at the Mattel Children's Hospital UCLA

#### EMPLOYEE ENGAGEMENT

Our employees around the world are the driving force of Mattel's philanthropic culture. They strive to be good neighbors in local communities, contributing time and money to support our Signature Partners and helping local charities, schools and hospitals that serve underprivileged children. We are proud to have such a passionate group of people working for Mattel and we encourage their philanthropic spirit by organizing volunteer events and providing matching gifts.

#### Matching Gifts

To foster a culture of giving, Mattel matches employee contributions to children-focused organizations dollar-for-dollar. More than \$350,000 in matching gifts was awarded in 2008 to approximately 500 nonprofits to directly support after-school activities, literacy projects and programs promoting the health of children as well as disaster relief efforts.

#### Volunteerism

Established in 2006, our volunteer program reflects Mattel's Play Values and our corporate responsibility mission. Mattel PLAYers has attracted more than 4,000 employees globally in a variety of philanthropic activities. Volunteers play with kids in inner-city schools during recess, spend time with disadvantaged kids and assemble food kits, plant trees and build schools and houses. American Girl employees alone volunteered more than 4,300 hours in 2008 through nonprofit organizations such as the United Way, Special Olympics, Habitat for Humanity, Girls on the Run and Second Harvest Food Bank.

#### Mattel Global Scholarship Program

We believe education is an essential tool for realizing individual achievements in today's world, which is why we provide scholarships to the children of our employees. Since 2003, the Mattel Global Scholarship program has awarded scholarships to 292 children of Mattel employees from 13 countries. With the help of the program, nearly all of the recipients have successfully completed their post-secondary studies. In 2008, we granted scholarships valued at more than \$160,000 to children of Mattel employees in eight countries.



#### 2008 DISASTER RELIEF

Two devastating natural disasters occurred in 2008—the Myanmar cyclone and the China earthquake. Mattel responded with \$125,000 in immediate and long-term disaster relief. This included \$75,000 to Save the Children to deliver food, water and materials to shelters in Myanmar and China, and \$50,000 to the American Red Cross to help provide emergency supplies and deploy relief workers. Through our Matching Gifts Program, Mattel and our employees donated an additional \$85,000. In addition, our employees in China collected donated clothing, organized blood donation drives and worked together to rebuild schools damaged by the earthquake through the ongoing Build a School in China (BASIC) program.

**SIGNATURE PARTNERS**

We are privileged to have signature partnerships with six well-recognized charities that help us make a meaningful impact in the lives of children around the world.

**Mattel Children's Hospital **

**Mattel Children's Hospital University of California, Los Angeles (UCLA)**

Since 1998, Mattel has donated more than \$30 million to address the health and well being of more than 100,000 children every year. In addition, we have provided toy donations and our employees have volunteered their time. In 2008, to celebrate the 10th anniversary of the partnership, Mattel pledged an additional \$2 million over five years. This continued support will help the hospital open the world's first nano-pediatrics center to explore the use of nano-technology to advance the future of personalized medical treatment for children.



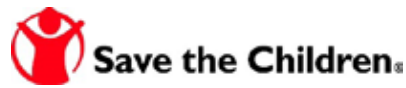
**National Association of Children's Hospitals and Related Institutions (NACHRI)**

In partnership with NACHRI, Mattel helps promote the health and well being of children and supports programs that prevent, manage and treat childhood obesity. For the past five years, we have made an annual donation of more than half a million dollars worth of toys, including Fisher-Price mobiles and Barbie dolls, to children battling serious illnesses in 220 member children's hospitals and pediatric units across the U.S. and in Canada, China, Italy and the United Kingdom.



**Children Affected by AIDS Foundation (CAAF)**

Since its founding in 1993 by a Mattel employee, we have continued to help this organization, which impacts thousands of children affected by AIDS, including orphans. Mattel's annual support of the organization's flagship event, Dream Halloween®, has included employee volunteers, donated toys, one-of-a-kind collectible product and sponsorship. Since 2005, the Mattel Children's Foundation has funded CAAF's Latin America and Caribbean program in 16 countries. Mattel executives and employees also volunteer their time to provide leadership and to support CAAF's ongoing operations.



**Save the Children**

Since 2005, Mattel has worked closely with Save the Children to improve school preparedness in the U.S., Africa, El Salvador and the Philippines. Additionally, we provide emergency relief to support children impacted by natural disasters, such as the 2007 Southern California wildfires, the 2008 China earthquake and the Myanmar cyclone.

**SPONSORING CHILDREN THROUGH THE 30 FOR 30 CAMPAIGN**

In 2008, Mattel launched the 30 for 30 Campaign to celebrate the 30th anniversary of the Mattel Children's Foundation. Through our signature partnership with Save the Children, for \$30 a month—or approximately one dollar per day—employees joined with their colleagues in teams of 12 to sponsor a child. This program not only provided critical funding to improve the lives of the children, but also gave employees the opportunity to correspond with the children they sponsored. Thanks to the contribution of more than 700 employees in 23 locations, Mattel raised \$100,000 for education, clean drinking water, healthcare and nutrition programs.



**VOLUNTEERING AT THE 2007 SPECIAL OLYMPICS IN SHANGHAI**

Team Mattel supported the 2007 Special Olympics World Summer Games in Shanghai, China with a team of 100 representing 13 countries, making Mattel the largest corporate global volunteer team in Special Olympics history. Led by Mattel's Chief Financial Officer, Kevin Farr and Senior Vice President of Human Resources, Alan Kaye, the team was comprised of employees representing all aspects of the company joining together to support a common cause. Mattel also donated custom Hot Wheels to each of the 7,000 athletes participating in the international competition.

"Being part of Team Mattel Shanghai was a once-in-a-lifetime experience. The positive energy surrounding the entire event transcended any language or cultural barriers. I had a chance to support athletes from around the world and also get to know new Mattel friends. I now know what it means to say Team Mattel. It is not just the way we volunteer together but the way we work together, with respect and shared commitment, to help others."

Swimss Su is a process engineer at our Guanyao factory in Southern China and was selected to join Team Mattel Shanghai.



**Special Olympics**

**Special Olympics**

For five years, Mattel has partnered with Special Olympics to empower individuals with intellectual disabilities through sports and to advance acceptance, respect and inclusion in communities. Mattel employees around the world are involved in local Special Olympics events that provide opportunities for athletic competitions that build self-esteem and respect while having fun. In 2007, more than 2,000 employees volunteered as part of Team Mattel with their local Special Olympics programs and in 2008 that number grew to more than 4,000 employees supporting events in more than 30 locations.



**Make-A-Wish Foundation**

In 2007, Mattel added the Make-A-Wish Foundation as our sixth Signature Partner, building on a 10-year relationship in Los Angeles. Dedicated to enriching the lives of children with life-threatening medical conditions, the Make-A-Wish Foundation has evolved into the largest wish-granting organization in the world active in 34 countries. Our support involves \$100,000 in the first year to support wish-granting activities; donation of 6,000 unique Barbie dolls and 6,000 custom Hot Wheels cars for every new wish child in the U.S.; and specific wishes for children who are fans of Mattel toys. We also work with Make-A-Wish to grant wishes for children around the world. In 2009, our support for Make-A-Wish was launched globally including the donation of 26,000 unique toys to new wish children, with the total value of our global partnership exceeding \$500,000.

**GLOBAL REPORTING INITIATIVE INDICATORS**

REPORT CHAPTERS	GRI INDICATORS
CEO Letter	1.1, 3.4
Our Company	2.1-2.8, 2.10, 3.1-3.3, 3.5-3.7, 4.1-4.4, 4.8, 4.14, 4.15, SO3 ECI (Partial) LA7
Our Toys	4.12, 4.13, 4.17, HR1,HR2, PR1, PR2 (Partial)
Our Employees	2.9, 4.17, SO5 (Partial), LA1, LA8, LA10, PR1, PR2 (Partial), PR3
Sustainability	3.11, 4.12, 4.13, EN1-8, EN 16-18, EN22, EN26, EN27, EN29
Community	EC8
GRI Self-Rating	3.12

Notes:  
 Indicators not applicable for this report include 3.8, 3.10, 3.13, 4.5, 4.7, 4.10  
 Indicators provided throughout the report include 1.2, 2.10, 3.9

**SELF-RATING**

Based on GRI G3 application level criteria, we rate our 2009 Corporate Citizenship Report a C.

SELF RATING	2002 (In Accordance)	C	C+	B	B+	A	A+
<b>Mandatory</b>							
Self-Declared			REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED
<b>Optional</b>							
Third-Party Checked							
GRI Checked							

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Certain statements made in this report are “forward-looking statements” that include any statement that may predict, forecast, indicate, or imply future performance or achievements. These forward-looking statements are based on currently available information and are subject to a number of significant risks and uncertainties, which could cause our actual performance to differ materially from that projected in the forward-looking statements. Some of these uncertainties are described in the Company’s periodic filings with the Securities and Exchange Commission, including the “Risk Factors” section of Mattel’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as well as in Mattel’s Quarterly Reports on Form 10-Q for fiscal year 2009 and other filings we make with the SEC from time to time. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so.

In our play we reveal what kind of people we are.

Ovid (Roman poet)

Mattel's Corporate Responsibility mission is to act with integrity in all we do to bring the world's safest toys that grown-ups and children love. We are committed to positively impacting our people, our products and our planet by Playing Responsibly. **Mattel's Corporate Responsibility mission is to act with integrity in all we do to bring the world's safest toys that grown-ups and children love. We are committed to positively impacting our people, our products and our planet by Playing Responsibly.**

