

Sustainability Report



2009/10

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The TOP-TOY Group Sustainability Report 2010

Editorial policy

The TOP-TOY Group is fully aware that in order to enhance the valued relationship of trust we have with all of our stakeholders; it is of vital importance to proactively and frankly disclose corporate information. As such, this report, published annually, serves as an important tool for promoting communication between the TOP-TOY Group and its stakeholders.
Printed Editions: 300

Term and Scope of this report

This report focuses on the financial year covering 1.July 2009 – 30. June 2010. Material events that have occurred between the reporting period and the publishing date have been included where relevant. Please be aware that there is a distinction between where the TOP-TOY Group has implemented actions and derived achievements at the group level and at the subsidiary level: TOP-TOY A/S, TOP-TOY Hong Kong Ltd., K.E. Mathiasen A/S. The distinction is clearly indicated in the text where relevant.
The TOP-TOY Group is not a legal entity but refers to the legal entity TOP-TOY Holding A/S which owns the three above mentioned subsidiaries.

References

This Sustainability report has been written in accordance with the United Nations Global Compact framework for Communicating on Progress.
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Next Edition (Plan)

The TOP-TOY Group Sustainability report is published annually.

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This is our **Communication on Progress** in implementing the principles of the United Nations Global Compact.

We welcome feedback on its contents.

Leadership

Foreword by Managing Directors of TOP-TOY Group

“We are pleased to present the TOP-TOY Group’s first sustainability report, which addresses our internal and external social responsibility efforts in the financial year covering July 2009–June 2010.

This report is the result of the groups efforts in achieving sustainability through social and environmental activities in the TOP-TOY Group. We believe that sustainability and business strategy go hand in hand. To the TOP-TOY Group, sustainability means that we achieve sustained growth without compromising the existing resources for future generations. In that regard, the underlying principles of the United Nations Global Compact constitute a guideline for what our stakeholders can reasonably expect from the TOP-TOY Group in terms of social, environmental and business responsibility.

Accepting the challenges of achieving sustainability is based on a strong tradition of corporate social responsibility. Today, for the first time our social responsibility is guided by a global framework. In addition, we have sought to concretise what the Group’s social responsibility is. We have chosen to use the European Commission’s working definition of Corporate Social Responsibility, which is defined as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”¹

We firmly believe that Corporate Social Responsibility needs to be kept practical and result-oriented, providing solutions to real problems encountered by, for example, our Northern European operations or in Hong Kong where we buy our toys and other products for children. To this extent, the European Union’s definition is in line with our implicit understanding of the concept and contributes to a structured approach to the Global Compact thus securing an impactful allocation of expertise and resources.

We are a family owned business and have always undertaken activities that are now being categorised as sustainability, even if we have not previously used that term. What is new here is the growing attention given to sustainability by our stakeholders: employees, parents and guardians as well as policy-makers, trade unions and non-governmental organisations. For that reason we have worked strategically with sustainability at the group level.

Our Group Sustainability Manager has been located in our TOP-TOY Hong Kong Ltd. office and has been implementing the principles of the Global Compact, ensuring compliance, and investigating measures for environmental preservation, amongst other important initiatives which will be introduced throughout this report. These activities have been focused around our TOP-TOY Hong Kong Ltd activities due to its proximity to suppliers as well as their factory base. In the future, our sustainability policies shall be defined and implemented from our headquarters, TOP-TOY A/S in Denmark.

Businesses are not able to meet the challenges of sustainable development² without support; therefore, we encourage all stakeholders to increasingly work with business for a better environment and social conditions. In dialogue with policy-makers and other actors we would like to stress the importance of considering sustainability as an important tool in their work and therefore link support for the uptake of social responsibility more explicitly with policies that address social exclusion, environmental harm and corruption.



The TOP-TOY Group recognises the controversial issues that our stakeholders consider important and we accept our part in taking responsibility to provide safe toys for children, create a satisfying work environment for our employees and ensure safe conditions for our suppliers' factory workers - so that we, as a company and our employees can be proud of what we do best. With this statement we would like to further anchor our commitment to the United Nations Global Compact."

"We firmly believe that Corporate Social Responsibility needs to be kept practical and result-oriented, providing solutions to real problems encountered by, for example, our Northern European operations or in Hong Kong where we buy our toys and other products for children."

Peter Gjørup and Lars Gjørup

¹ COM (2006) 136 final, Commission of the European Communities, Brussels (2006)

² Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
– WCED. Our common future (1987)

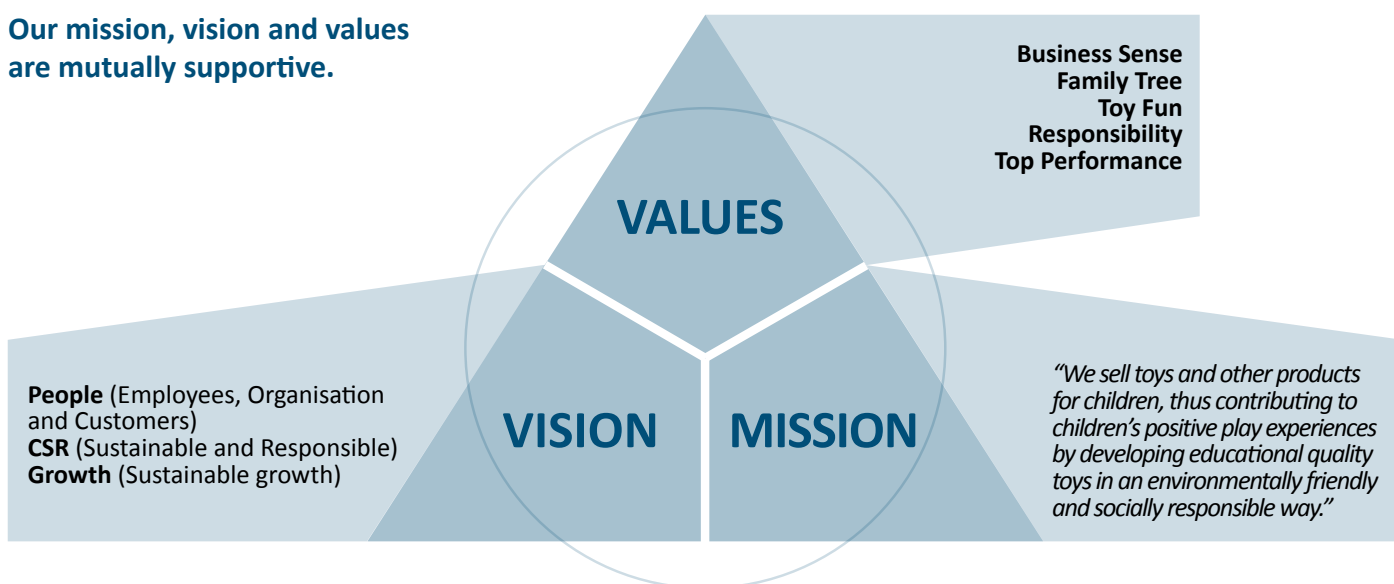
Who are We?

Company, Mission, Vision and Values



As a family-owned and run company that sells toys and other products to children. We are firmly anchored in our belief that the TOP-TOY Group's social and environmental responsibility is more than a precondition to doing business in the future – it is the only right way to do business.

Our mission, vision and values are mutually supportive.



TOP-TOY values



In July 2009, the company made a transition of leadership from the second to the third-generation of the Gjørup family. The TOP-TOY Group continues to expand by the original core values of its founder, to ensure customer satisfaction whilst providing reliable and safe toys and toy related products.

At the TOP-TOY Group we believe our mission statement reflects the overall purpose of the business; the way we do business is defined by our underlying values that shape our decisions and behaviour.

VALUES / VISION	PEOPLE	CSR	GROWTH
BUSINESS SENSE	Build long-term relationships	Strive for the best products	Find the best price
FAMILY TREE	Be part of a global family	Share the same goals	Be considerate and respectful
TOY FUN	Generate a happy environment	Create job satisfaction	Encourage and appreciate
RESPONSIBILITY	Share knowledge and help each other	Be accountable for our actions	Develop long-term stakeholder relations
TOP PERFORMANCE	Be professional in our actions	Strive for best practices	Be better than yesterday



Structure and Sustainability Operations

The TOP-TOY Group is structured with a retail division, a distribution and wholesale division and a buying office.

The Retail Division - TOP-TOY A/S Headquarters, Denmark

At the heart of the retail group is TOP-TOY A/S's head office and distribution centre in Denmark. It is here that a team of Category Managers constitutes the core of all sales, marketing and merchandising activities for the Northern European region, and where marketing information is collected and evaluated to ensure the most dynamic range of products are offered through the company's two retail channels. Additionally, the Headquarters sources products from European suppliers.

The Distribution and Wholesale Division - K.E. Mathiasen A/S, Denmark

From K.E. Mathiasen A/S headquarters, in the Toys business unit the Category Managers prepare sales and marketing activities for the range of products sold to retailers outside TOP-TOY A/S's own retail network.

K.E. Mathiasen reaches a wide range of retail channels (approximately 3000 doors) and provides services through a dedicated distribution and logistics facility.

By recognising the national differences that exist in the Nordic region, including market culture, structure, language and currency, K.E.

Mathiasen is able to successfully operate locally in each of the 4 Nordic countries: Denmark, Sweden, Norway and Finland.

K.E.Mathiasen's second activity; 'Leisure' buys and sells lifestyle products for children.

The Buying Office - TOP-TOY Hong Kong Ltd.

TOP-TOY Hong Kong Ltd. is the buying office. The office serves both of the above divisions with the exception of the KE. Leisure activity which has its own buying division. Responsibilities for buying, design, order processing, quality control, shipment and manufacturing in the Far East are managed in Hong Kong. At the forefront of this operation are teams of Product Managers, Merchandisers, Quality Assurance Auditors and the Factory Compliance Inspectors, each working closely with International and Asian suppliers.

A separate team has been set up to manage and support our product suppliers and licensing partners with specialised supplier and legal competencies and knowledge from our three locations.

In our business relations around the world, we strive to establish win-win situations and maintain long-term relations. The Supplier Relations Management team ensures that relevant interfaces and procedures are followed and integrated throughout the TOP-TOY Group.



The Sustainability Department

“We develop socially responsible business practices in the TOP-TOY Group”

To the TOP-TOY Group, *Responsibility* is a core value. As underlying factors to responsibility, we believe in trust, and transparency: for the markets we serve, for the people we employ and for the communities in which we operate. For example, we take great pride in providing fun and educational toys to children, contributing to memorable childhood experiences. Additionally, we recognise our responsibility to do so with accountability and transparency.

Core operations are handled by business units and departments, which receive input from, and work closely with the Sustainability Department for their sustainability activities in accordance with the TOP-TOY Group Sustainability Strategy. The Sustainability Department operates according to the following mission: “We develop socially responsible business practices in the TOP-TOY Group”.

Thus, the Sustainability Department identifies opportunities for improvement in priority business operations, formulates strategies and both implements and delegates action plans to other departments. By socially responsible business practices, we refer to the conditions under which we impact society in terms of human rights, labour, environment and anti-corruption when we source, develop, transport, market and sell our products.

The Sustainability Department regularly receives input from peers by representing the Nordic Toys Association in the International Council for Toys Industry Care Process (ICTI CARE Process).³

The Factory Compliance Team

“We ensure that products come from a safe and fair working environment”

Within the Sustainability Department, the Factory Compliance Team ensures that products come from a safe and fair working environment. One part of the team is located in Hong Kong where specialised Social and Ethical Auditors conduct factory audits according to the International Council for Toys Industry (ICTI) CARE Process standards. Another part of the team is located in Brabrand, Denmark where team members work on monitoring the Business Social Compliance Initiative (BSCI) certificates of factories supplying K.E. Leisure products. The Factory Compliance Team contributes to minimising the negative impact whilst maximising the positive impact the TOP-TOY Group has on the communities in which it operates and the environment.

The Factory Compliance Team operates according to the following mission: “We ensure that products come from a safe and fair working environment”.

The Quality Assurance Team

“We ensure the quality of our products is reliable and complies with all safety and legal standards”

The Quality Assurance Team works to ensure that purchased products comply with the European Toy Directive. The Hong Kong based team inspects new products and conducts both on-site quality assurance inspections prior to and during production, as well as final quality control inspections prior to shipment. Additionally, the Quality Assurance Team is composed of product safety experts who contribute to the drafting of new EU toys standards and regulations. The TOP-TOY Group has a representative on the European Committee for the Standardisation of Toys (CEN TC 52), the organisation has the authority to adopt appropriate rules and guidelines regarding toy safety and quality for products that circulate within the European Union. The Quality Assurance Team operates according to the following mission: “We ensure the quality of our products is reliable and complies with all safety and legal standards”.



³ For more information on the International Council for Toys Industry CARE Process please visit www.icti-care.org

Who Matters to Us?

Stakeholders and Stakeholder Issues

The concept of stakeholder issues is generally considered a cornerstone of any work related to sustainability. A stakeholder issues assessment defines who makes up a company's stakeholders, as well as which issues are important to them.

According to TOP-TOY's own analysis, 7 groups of stakeholders have been identified. Additionally, the process of defining which sustainability issues are material is a key part of the sustainability strategy process and the quality, efficiency and value of the work undertaken. An assessment was therefore conducted for the TOP-TOY Group by PricewaterhouseCoopers⁴ in the Autumn of 2010 to identify stakeholder issues.

The following pages will identify the TOP-TOY Group's key stakeholders, followed by an evaluation of their key issues.

The stakeholder issue assessment is illustrated graphically in a consolidated table under *Overview of Stakeholder Issues*, page 12.

The TOP-TOY Group's Stakeholder Analysis

Children

The TOP-TOY Group has a commitment to provide safe, quality toys to our most important stakeholder group, children. Our Quality Assurance team routinely conducts full-scale quality and safety inspections to ensure our products are compliant to the stringent safety requirements, including safe quantities of otherwise harmful substances such as phthalates, lead or unwanted preservatives, as stipulated in the European Toy Safety Directive.⁵

Read more about the Quality Assurance Team in Part II under *Human Rights*, page 21.

Parents and Guardians

Children's parents and guardians are demanding and aware of quality, safety and their customer experience, which are qualities we appreciate in the TOP-TOY Group. We strive to live up to the responsibilities that follow such demands. For example, we provide a wide selection of quality educational and fun toys. Our product segments cover Family, Girls, Boys and Infants & Pre-school. We have an increasing number of products that are sourced according to the Forest Stewardship Council (FSC) certified practices, which helps protect our environment by promoting the responsible management of the world's forests. Increasingly, we buy products from ICTI CARE Process certified factories in Asia, which is an independent third party aid in securing social standards for the people who produce our toys. These elements and others are further elaborated in Part II under *Labour Rights*, page 22.

Employees

The TOP-TOY Group's employees work in our wholesale-, retail-, distribution- and office divisions in Northern Europe and Hong Kong. Through a participative management style adopted in the TOP-TOY Group, we are in the process of empowering employees at all levels to apply a "CSR filter" through which strategic, tactical and operational decisions are evaluated for their impact on the firm's various stakeholders. This is also relevant to the Employeeship culture⁶ currently being introduced.

Since sustainable development and the growth of the TOP-TOY Group are contingent on our commitment to a sound sustainability strategy, we believe that training and qualification in these areas are a fundamental contribution to our employee's well-being and work satisfaction.

These elements and others are further elaborated in Part II under *Labour Rights*, page 22.

Product Suppliers and Licensors

Suppliers and licensors are key stakeholders to the continued success of the TOP-TOY Group. It is crucial to have trusted and reliable suppliers and licensors. Suppliers, for example, choose the majority of the factories where our toys and related products are produced. Without suppliers' and licensors' commitment, the TOP-TOY Group would find it difficult to serve its quality oriented and socially conscious customers.⁷ Therefore, it is the Group's responsibility to maintain a close working relationship with suppliers, in order to foresee market trends, ensure time to market, meaning lead-time for production and delivery of a product, as well as encourage the implementation of our Social and Ethical Code of Conduct.⁸ These elements and others are further elaborated in Part II *Strategic Corporate Responsibility*, page 17.

Business Associations and Non-Government Organisations (NGO)

As a member of the United Nations Global Compact, the International Council of Toy Industries, Nordic Association of Toy Manufacturers and the Business Social Compliance Initiative⁹. The TOP-TOY Group has an obligation to live up to certain responsibilities that include membership requirements, public support of the associations, collaboration with key players within the associations and to contribute to the development and improvement of the associations. NGOs can be consulted concerning chemical product safety, environmental labelling, communication to consumers and other important topics when relevant. These elements and others are further elaborated in Part II under *Strategic Corporate Responsibility*, page 17.

Environment

We have seen a rapid deterioration of our environment in recent years; The TOP-TOY Group recognises its part in environmental detriment and its responsibility to protect the environment for future generations. As stewards, we acknowledge our responsibility to treat the environment according to our norms and values: with respect and integrity. To this extent, the TOP-TOY Group will improve its current initiatives and in-

troduce new initiatives to protect our environment through recycling schemes, monitoring and reducing carbon emissions and increased purchase of environmentally friendly products. These elements and others are further elaborated in Part II under *Environment*, page 26.

Governments

The governments of the countries in which we operate have secured a system of reliable and stable institutions upon which our continued success relies. The TOP-TOY Group's sphere of influence includes, amongst others, fighting anti-corruption and bribery. Corruption and bribery have a crippling effect on any government and business, and we believe it is our responsibility to be stewards and fight corruption and bribery in all and any of its forms when conducting business of any kind. We call this Clean Business. These elements and others are further elaborated in Part II under *Anti-Corruption*, page 28.

Stakeholder Issues

Stakeholder Issue Assessment

To ensure independence and unbiased findings, the TOP-TOY Group commissioned PricewaterhouseCoopers to conduct an assessment composed of internal and external interviews. The TOP-TOY Group's stakeholders have been identified through this same process coordinated by PricewaterhouseCoopers.

During the interviews, stakeholders expressed their demands and expectations in relation to sustainability at the TOP-TOY Group. The results from the interviews provided a gross list of potential material issues which are at the top of stakeholders' minds. The gross list was consolidated into a final list of material themes and issues. The sustainability materiality evaluation process resulted in 14 issues briefings where important stakeholder issues have been evaluated. The individual issues have been evaluated according to stakeholder concern and power as well as their potential impact on business success for the TOP-TOY Group. The issue assessment focuses on toys. The following products have not been analysed: stationary, home furnishing & room decor, lamps, melamine and drinkware, apparel and footwear, watches and clocks and candy.

The issue briefings shall be consolidated in a "materiality map" in which the stakeholder issues are plotted to illustrate the level of concern to stakeholders and then prioritised by the TOP-TOY Group. This internal exercise shall take place in November 2010 and falls outside the reporting period. Therefore, it is planned to include the "materiality map" in the TOP-TOY Group's next report. As a preliminary tool for this sustainability report, an overview of relevant themes and issues of stakeholder concerns are to be found in the table on the following page.

⁴ www.pwc.com/dk/

⁵ The new Toy Safety Directive 2009/48/EC, published on 30 June 2009, replaces the 20 year old 88/378/EEC Toy Directive.

⁶ "Employeeeship" is a Claus Møller Consulting concept. For more information please visit www.clausmoller.com

⁷ The conclusion about stakeholder concerns is derived from the internal stakeholder analysis.

⁸ To see our Code of Conduct please visit www.top-toy.com

⁹ www.bsci-eu.org

THEME	ISSUE	STAKEHOLDER
● Responsible Supply Chain Management Time to Market addresses the lead-time for production and delivery of a product. When the Time to Market decreases there is an increased risk of Human- and labour rights abuse as well as risk of bribery.	● Time to Market ● Human Rights and Labour Rights ● Business Integrity	● Product Suppliers and Licensors ● Governments ● NGOs
● Communication Transparency is a fundamental element when it comes to sustainable businesses; When a company is transparent in its operations, Communication to Parents and Guardians can be open and honest. Additionally, any uncertainty as to the ethics of marketing towards children can be addressed in dialogue in an open and constructive way with relevant stakeholders.	● Communication to Parents and Guardians ● Transparency ● Marketing Towards Children	● Parents and Guardians ● Governments ● NGOs
● Occupational Health and Safety Employee well-being is a core element in securing motivated and loyal staff. By reducing sick-days, for example, work satisfaction and productivity increases. The psychological and physical working environments determine employee well-being.	● Psychological Working Environment ● Physical Working Environment	● Employees ● Governments ● NGOs
● Product Responsibility Product responsibility addresses whether legislation, rules and laws are followed in regards to chemical and mechanical safety. Additionally, it addresses whether a toy adds value to a child's development and positive childhood experience. Eco-labelled products address customers demanding environmentally sustainable products made of organic materials, alternatives to traditional resources such as rubber wood and sustainably harvested wood.	● Chemical Product Safety ● Mechanical Product Safety ● Eco-labelled products ● Educational value	● Children ● Parents and Guardians ● Governments
● Environment and Climate Change All business operations have an impact on the environment. The impact can be measured in terms of CO2 emissions. Operations include, for example, transportation, office utilities, and retail outlets.	● Environment and climate change	● Environment ● NGOs ● Employees ● Parents and Guardians
● Market Position Market position concerns aspects related to competition or the lack thereof and related laws such as the European Competition Law.	● Competition	● Product Suppliers and Licensors ● Governments ● Government Organisations



What Do We Do and How?

We will address some of the controversial issues related to purchasing Chinese and other developing country manufactured products as well as governance, the TOP-TOY Group's strategic approach to sustainability, and the topical elements of the United Nations Global Compact: Human Rights, Labour Rights, Environment and Anti-Corruption. These elements are presented in accordance with the requirements set out by the United Nations Global Compact, including specific actions undertaken, measurable achievements and future plans for each of the 10 principles of the compact.

Sustainability at the TOP-TOY Group

History

In 1992, the TOP-TOY Group decided to locate a facility in Hong Kong with the capacity of ensuring quality and safety of the toys and other products sold through the retail division to our customers in Northern Europe. In 1999, TOP-TOY Hong Kong Ltd. implemented a Code of Conduct for its suppliers, which has since then been revised according to the ICTI CARE Process standardised audit checklist. The two teams, the Quality Assurance Team and the Factory Compliance Team, continue to work with toy safety and Social and Ethical factory compliance respectively.

In recent years, the TOP-TOY Group has worked towards a more structured approach to sustainability work by means of the United Nations Global Compact. The Global Compact was chosen in order to offer internal as well as external stakeholders a company in partnership with the world's largest social responsibility network, which is based on 10 universal principles.¹⁰ The focus areas of human rights, labour rights, environment and anti-corruption have become driving forces in the TOP-TOY Group's Sustainability Strategy. The strategy was adopted by the board of directors in June 2010 and runs from 2010 to 2013. The Sustainability strategy specifically addresses the principles of the United Nations Global Compact for the TOP-TOY Group and makes tangible, the general guidelines and principles of the Global Compact.¹¹ In summary, the TOP-TOY Group's sustainability work is embedded in our values, driven by a sense of good business and openness to addressing stakeholder concerns. To understand the pertinent requirement for and the approach to the TOP-TOY Group's sustainability work, it is central to understand the context in which we operate.

Operations

The TOP-TOY Group's operations span national borders and cultures, which challenges the company's values and methods of operating. We are a company that buys globally branded products from international suppliers mainly from the US, Europe and Japan. The majority of these branded products are produced in Asia, and particularly in China, where there is a concentration of expertise and capacity; approximately 85% of the world's toys production is located there. We have our headquarters in Tune, Denmark, a wholesale division in Brabrand, Denmark, and a buying office in Hong Kong. Furthermore, we operate 275 retail stores in 6 Northern European countries and employ more than 3,000 people. The TOP-TOY Group must abide by rules, regulations and laws as well as consider the cultural context of the markets we cater to or operate in. As the TOP-TOY Group sells toys used mostly by children, we are specifically attentive to taking responsibility for our consumers and product safety.

The TOP-TOY Group does not own or operate any production facility, which necessitates an understanding of a third dimension important to the TOP-TOY Group's sustainability work; the supply base from which we source our products. The well-being of factory workers in terms of protecting human- and labour rights, a proactive and encouraging approach to the improvement of the TOP-TOY Group's direct and indirect environmental impact of our buying activities and the societal aspects concerning the fight of bribery and corruption; are all aspects that are being addressed. Some of these sensitive topics will be elaborated on in the next section "Controversial Issues".

In conclusion, we have worked at fulfilling the requirements of the United Nations Global Compact as well as our other stakeholder's concerns. The work has thus been focused on human rights and labour rights as the risk of indirect abuse of these is high. They are concerns for our stakeholders and have an impact on our business and are key focus issues in the United Nations Global Compact.

"The [sustainability] work has thus been focused on human rights and labour rights as the risk of indirect abuse of these is high. They are concerns for our stakeholders and have an impact on our business and are key focus issues in the United Nations Global Compact."

Controversial Issues

There are a wide variety of controversial issues when it comes to the impact of business on society and the environment. At the TOP-TOY Group, our level of influence is most significant in the areas of labour rights and human rights. There are aspects of our business related to environmental protection and the fight of corruption and bribery. However, the group's more structured approach to sustainability has focused attention on the people's lives we affect by addressing human rights and labour rights.

It is commonly known that most industries that rely on the manufacturing capacity available in developing countries face challenges in aspects related to cultural differences, level of development, lack of reliable judicial systems, enforcement of legislation and corruption to name but a few.

For the TOP-TOY Group, there are risks of indirect abuse of internationally recognised rights, conventions, standards and best practice associated to its global buying activities. These risks are more specifically related to the International Declaration of Human Rights and the International Labour Standards since our suppliers set requirements for products and their production for factories located in Asia.

The TOP-TOY Group's internal risk assessment of countries from which it buys, includes China, Sri Lanka, Indonesia, Vietnam, Philippines, Thailand, and Madagascar, shows that there is a high risk of complicity in labour rights abuse, including freedom of association and collective bargaining, forced labour and discrimination as well as human rights abuse, including child labour.¹²

In China, for example, where the majority of our products are produced, the only recognised trade union is the All China Federation of Trade Unions (ACFTU)¹³, which in itself is controversial.

When independent trade unions are either discouraged or not allowed in the area of operation, the TOP-TOY Hong Kong Ltd.

Factory Compliance Team urges suppliers to enable employees to gather independently in order to discuss work-related problems. This approach is under development and has yet to be formalised as a policy at the TOP-TOY Group level.

Freedom of association in China continues to be a controversial and complex issue. In an ideal world there would be two options:

- 1) To refuse to conduct business in a country where legislation conflicts with the International Labour Organisation's conventions or;
- 2) To contribute to the development of that country through continued support and advocacy for the full adoption of the International Labour Organisations' Conventions. In a report, Swedwatch covers, amongst other important issues, some of the challenges related to labour rights issues in the toy manufacturing industry.¹⁴

At the TOP-TOY Group, we have chosen to conduct business in China despite the challenges and have, as an alternative, found a pragmatic solution, which is to encourage factories to allow workers to gather independently to discuss work related issues. This is not a bullet-proof solution, but given the macro environmental circumstances under which the manufacturing industry operates, it is a viable solution and helps pave the way for more optimal conditions in the future.

When our Social and Ethical Compliance Team conducts factory audits, one of the most common non-compliance issues is inconsistencies found in factory worker records which includes all aspects related to an employment contract. This is a contributory factor to the high risk of indirect abuse of human rights, for example, the issue of child labour in the manufacturing industry in Asia.

Child labour is a zero-tolerance issue in the TOP-TOY Group.¹⁵ An internal process is promptly triggered by the Factory Compliance Team if a zero-tolerance issue is identified in a factory. This process firstly involves suspending all business and secondly, the development of a Corrective Action Plan (CAP) by the TOP-TOY Hong Kong Ltd. Factory Compliance Team in collaboration with the factory Management. The Corrective Action Plan is designed to remedy all non-compliant issues and ensure long-term compliance.¹⁶ This "continuous improvement process approach" is developed in line with the standards of the International Council for Toys Industry CARE Process.¹⁷

TOP-TOY Hong Kong Ltd. seeks to be proactive when operating in high-risk countries in order to prevent complicity in labour and human rights abuse by applying the formally approved TOP-TOY Group Supplier Social and Ethical Compliance Policy as well as the TOP-TOY Group Supplier Social and Ethical Code of Conduct.¹⁸ These are the guiding documents in TOP-TOY Hong Kong Ltd.'s work undertaken in Human Rights and Labour Rights issues. They are the foundation for exercising due diligence and help encourage a long term business relationship with our suppliers; enabling joint identification of problem areas and development of corrective action plans so that risks of complicity and abuse are reduced to an absolute minimum.

¹⁰ The United Nations Global Compact 10 Principles can be found online; www.unglobalcompact.org

¹¹ The Sustainability Strategy is an internal document written and used by the Sustainability Department to focus and guide work undertaken in the TOP-TOY Group.

¹² C138 Minimum Age Convention (1973) defines 14 as minimum age. The TOP-TOY Group Supplier Ethical and Social Code of Conduct requires that the minimum age requirement is increased to 16.

¹³ For more information regarding trade union and labour rights in China, please visit www.ilo.org/public/english/region/asro/beijing/

¹⁴ www.swedwatch.org/en/reports/hard-work-make-children-happy

¹⁵ For more information on Child Labour please see www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle5.html

¹⁶ TOP-TOY Group Factory Ethical and Social Compliance Policy (Internal Document, 21 July 2009)

¹⁷ ICTI CARE Foundation, www.icti-care.org/handbook/section6.html First accessed October, 2010

¹⁸ Social and Ethical Code of Conduct is Available in English and Chinese on www.toptoy.com/responsibility/csr/code-of-conduct/

Good Governance

For the TOP-TOY Group, good corporate governance and management requires an honest and healthy interrelationship between stakeholders to provide a realistic working approach concerning corporate management and sustainability. The cornerstone of this process has been to engage Claus Møller Consulting, who has initiated a comprehensive set of organisational changes in order to better serve these relationships.¹⁹

In addition, it is the TOP-TOY Group's understanding that integration of sustainability into business strategy is necessary in order to comprehensively take responsibility for the TOP-TOY Group's economic, social and environmental impact.

Combined, the process of organisational restructuring and integration of corporate social responsibility throughout the company shall leave the TOP-TOY Group in a strong position for the future.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ In 2009/2010, we continued to host Claus Møller Consulting's "Employeehip" seminars throughout the TOP-TOY Group office staff.</p>	<p>■ We have implemented the "Energy Meter" to measure and monitor employee commitment, responsibility and loyalty.</p>	<p>■ When sufficient data has been gathered, the TOP-TOY Group shall introduce measures to increase satisfaction in our workplace.</p>
<p>■ In June 2009, the TOP-TOY Group created a senior executive position in the Sustainability Department.</p>	<p>■ The position has a direct reporting line to the Managing Director which has allowed for changes that have contributed to a more formalised and structured approach to sustainability in the TOP-TOY Group.</p>	<p>■ Relocation of the Group Sustainability Manager position to TOP-TOY A/S, our headquarters located in Denmark. To design a Group Reporting Platform for non-financial data. The reporting platform shall be based on the relevant indicators provided by the Global Reporting Initiative (GRI).²⁰</p>



Strategic Corporate Social Responsibility

The United Nations Global Compact Signature

Peter Gjørup, Managing Director signed The TOP-TOY Group up to join the United Nations Global Compact on November 23, 2009. Since then, a framework has been developed to enable the TOP-TOY Group to work strategically with the group's social and environmental commitments.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
■ In November 2009, TOP-TOY Group signed with the United Nations Global Compact.	■ In June 2010, the TOP-TOY Group formalised its Sustainability Strategy aligned with the United Nations Global Compact framework.	■ The TOP-TOY Group shall strengthen its commitment to the United Nations Global Compact by continuously improving its efforts within the adopted framework.

Spreading the Word

The TOP-TOY Group is committed to advocating responsible business practices to its stakeholders and to further advance the goals of the Global Compact.

The TOP-TOY Group advocates the advancement of the United Nations Global Compact to facilitate efficiency in achieving its goals; therefore, the TOP-TOY Group prioritises participation in regional and international events, creating awareness to internal and external stakeholders as well as communicating on its progress.

It has been the TOP-TOY Group's approach to be proactive when opportunities of advancing the United Nations Global Compact's work have been available.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ In March 2010, representatives from the Sustainability Department participated in the United Nations Global Compact Asia Pacific Regional Conclave in Delhi, India; in order to actively participate in the compact's work.</p> <p>The CEO and the Group Sustainability Manager participated in the Global Compact Leaders Summit in New York, in order to show the TOP-TOY Group's support to the United Nations Global Compact.</p> <p>Concurrently, the TOP-TOY Group has identified the benefits of participating in the United Nations Global Compact Nordic Network.</p>	■ The group exchanged views on specific challenges concerning corporate governance, labour rights, and anti-corruption and thus created a valuable network of contacts across the Asian Pacific region, the global network and Nordic region.	■ To share our experience and knowledge with our stakeholders.

¹⁹ For more information on Claus Møller please visit; www.clausmoller.com

²⁰ For more information on the Global Reporting Initiative, please visit www.globalreporting.org/Home

Supplier Ethical and Social Code of Conduct

In order to reduce the risk of unethical practices at the factory level, the TOP-TOY Group has identified key focus areas for acceptable behaviour and works with suppliers to enforce acceptable behaviour.

In July 2009, the TOP-TOY Group Factory Social and Ethical Compliance Policy was adopted by the Board of Directors which replaced the Code of Conduct adopted in 1999.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ In December 2009, the TOP-TOY Group adopted the new Supplier Ethical and Social Code of Conduct, published in the local language of our suppliers' manufacturing base outside Europe, in Mandarin, as well as English.</p>	<p>■ Better communication of TOP-TOY Hong Kong Ltd's supplying factory responsibilities as well as worker's rights. TOP-TOY Hong Kong Ltd. has communicated its Supplier Ethical and Social Code of Conduct to 10% of its suppliers, which in turn are required to communicate the Supplier Ethical and Social Code of Conduct to its factory base.</p>	<p>■ To further communicate the Supplier Ethical and Social Code of Conduct to suppliers in Mandarin.</p>
<p>■ In April 2010, the capacity of the Ethical and Social Audit Team was expanded.</p>	<p>■ In 2009/2010, the Factory Compliance Team conducted 92 full audits in 46 of our supplying factories. It is projected that the team will increase the number of audits in the supplying factories in the financial year 2010/2011</p>	<p>■ To continuously assess the Factory Compliance Team regarding:</p> <ul style="list-style-type: none"> • capacity needs • skills and abilities

The TOP-TOY Group in Partnership

As a new focus area, TOP-TOY Hong Kong Ltd. has investigated environmental impact and has therefore partnered with WWF Hong Kong in order to identify opportunities for improvement in environmental performance. At a more general level the TOP-TOY Group seeks to engage relevant organisations in partnerships to increase work more efficiently concerning human rights, labour issues, environmental concerns and anti-corruption.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ Since July 2009, TOP-TOY Hong Kong Ltd. has worked intensively with WWF Hong Kong.</p>	<p>■ TOP-TOY Hong Kong Ltd. has managed to disseminate information to internal stakeholders regarding environmental awareness and protection through a series of events including participation in case-study events for educational purposes.</p>	<p>■ To continuously communicate with stakeholders regarding concerns of mutual interest.</p>

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ The TOP-TOY Group has replanted trees equivalent to double the quantity of raw material used in 2009 for its KIDS-WOOD products made by Wonderworld Products Ltd., Thailand, through the “Tree-Plus”²¹ program.</p>	<p>■ We have planted 900 trees. Contributing to the preservation of forest in the Krajom Mountain, Thailand.</p>	<p>■ To continue the cooperation.</p>
<p>■ Selling plush animals in our stores to generate funding for the SOS Children’s Villages.</p>	<p>■ Of the 62,000 items sold, half of the sales price has been donated to the SOS Children’s Villages.</p>	<p>■ To continue the cooperation.</p>

ICTI CARE Process

At the International Toy Industry level, the TOP-TOY Group was elected to represent the Nordic Toys Association at the International Council for Toys Industry’s CARE Process (ICTI CARE Process)²¹ ethical manufacturing programme, aimed at ensuring safe and humane workplace environments for toy factory workers worldwide.

Furthermore, The TOP-TOY Group seeks to engage relevant organisations in partnerships and dialogue to increase the work being done with more efficiency for issues concerning human rights, labour issues, environmental concerns and anti-corruption.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ For toy factories not already ICTI certified, in 2009, TOP-TOY Hong Kong Ltd. applied the ICTI CARE Process standardised Audit Checklist.</p>	<p>■ The use of the ICTI Standardised Audit Checklist allows TOP-TOY Hong Kong Ltd. to assess all its toys supplying factories by comparable criteria.</p>	<p>■ To review the current audit checklist in order to ensure a more comprehensive and efficient audit process.</p>
<p>■ The TOP-TOY Group has agreed to the ‘Date Certain Program’, which progressively increases the number of ICTI CARE Process certified factories in the TOP-TOY Group’s toys supply base.</p> <p>At this stage of implementation, it is only TOP-TOY Hong Kong Ltd. that actively works with the Date Certain Program.</p>	<p>■ Overall, of the 468 factories from which TOP-TOY Hong Kong Ltd. purchases products:</p> <ul style="list-style-type: none"> • 357 (76%) have been ICTI audited and; • 34 (7%) have other similar auditing standards, which have been assessed by TOP-TOY Hong Kong Ltd.’s Factory Compliance Team; • 46 (10%) have been audited and approved by the TOP-TOY Hong Kong Ltd. Factory Compliance Team.²² • 31 (7%) factories have not been audited. 	<p>■ It is the TOP-TOY Group’s wish to extend the TOP-TOY Hong Kong Ltd. audit policy to all operations and to gradually increase the number of factories covered by ICTI certificates and ICTI audits conducted by the Factory Compliance Team.</p>



²¹ www.bangkokpost.com/feature/environment/191138/offsetting-environmental-impact

²² A total of 92 TOP-TOY Hong Kong Ltd. audits have been completed in the financial period, but only 46 were approved for product purchase.

Open Dialogue

In order for the TOP-TOY Group to ensure transparency, the organisation must have good processes for communicating about social, ethical and environmental aspects of its operations to stakeholders.

The TOP-TOY Group has continuously held an open dialogue with stakeholders in the government, society including media and other businesses to ensure that concerns are dealt with appropriately.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ In the 2009/2010 financial period, the TOP-TOY Group cooperated with a number of organisations and companies with the purpose of securing transparency in operations. Examples include: Danish Consulate General in Guangzhou, AIESEC and WWF Hong Kong. TOP-TOY Hong Kong Ltd. has commented on research conducted by Swedwatch, as well as made various position statements and public speeches. In particular, the Managing Director of TOP-TOY A/S held a public speech on January 12th, 2010 at Dansk Erhverv's Seminar.</p>	<p>■ These and other communication efforts have helped achieve an extensive range of recipients both nationally and internationally. Additionally, it has facilitated an exchange of experiences.</p>	<p>■ In the near future, it is TOP-TOY's goal to create more coordinated and strategic communication efforts in order to better deliver the message of TOP-TOY's social, ethical and environmental impact.</p>

Global Supplier Relations Management Policy

We wish to maintain existing and develop new long term strategic relations with our suppliers because we believe that long term business relationships allow for cooperation, trust and mutual development as well as economic growth.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ Towards the end of 2009, work was undertaken to adapt the organisation to create a structure for our Supplier Relations Management.</p>	<p>■ N/A</p>	<p>■ The TOP-TOY Group will continuously work with Supplier Relations Management (SRM) issues to enhance the quality of supplier relations. The Group's ambition is firstly to reduce the number of suppliers and ultimately to reduce the number of factories, in order to reduce and control risks of non-compliance as set forth in the TOP-TOY Group Supplier Ethical and Social Code of Conduct. For a number of years, TOP-TOY Hong Kong Ltd. has hosted Supplier Seminars and workshops on the latest European Toys Directives; these events are planned to be carried out in the years to come in order to facilitate implementation of new EU legislation as it emerges.</p>

Human Rights

The TOP-TOY Group operates with a full understanding of the rights and freedoms of all human beings as defined in the Universal Declaration of Human Rights; we treat all stakeholders with dignity and respect and avoid being complicit in any abuse of the rights and freedoms set forth, in particular health and safety, working hours, wages and leave, fair treatment, community impact, and product responsibility.

United Nations Global Compact Principles 1, 2 and TOP-TOY Group

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2 make sure that they are not complicit in human rights abuses.

For the TOP-TOY Group's external operations, the Group Factory Social and Ethical Compliance Policy and the TOP-TOY Group Supplier Ethical and Social Code of Conduct²³ serve to assess the risk associated with global buying activities.²⁴

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ In July 2009, the TOP-TOY Hong Kong Factory Social and Ethical Compliance Policy was adopted.</p>	<p>■ In the absence of an evaluation tool, achievements are difficult to assess. It is the TOP-TOY Group's perception that the application of the systematic inspection and monitoring approach of factories located in high risk countries contributes to minimise the risk of human rights abuse.</p>	<p>■ To continuously work with human rights issues and defining the TOP-TOY Group's role and responsibility with regards to health and safety, working hours, wages and leave, fair treatment, community impact, and product responsibility and stipulates that the Group must not be complicit in the abuse of Human Rights. Additionally, the TOP-TOY Group shall develop systems and approaches to evaluate the effectiveness of adopted policies and practices to these issues.</p>
<p>■ In the financial period 2009/2010, the TOP-TOY Hong Kong Ltd. Quality Assurance Team has conducted a total of 1,462 individual on-site factory inspections at 402 different locations in Asia. These inspections represent a total of 4,292 product quality inspections of approximately 5,500 product types purchased.</p>	<p>■ To ensure compliance with the European Toy Directive, the TOP-TOY Hong Kong Ltd. Quality Assurance Team inspects new products and conducts both on-site inspections during the production stage of the product in the factory and final inspections prior to shipment. The total 4,292 inspections are broken down as follows:</p> <ul style="list-style-type: none">• Quality Assurance (during the production process): On-site inspections of products: 183• Quality Inspections (immediately before shipment): Random on-site inspections of products: 4,109	<p>■ To continuously assess the processes and standards by which we ensure the quality and safety of our toys and related products.</p>

²³ Part 1, Section A, specifies working hours, wages and overtime. Part 2, Section A-J concerns health and safety/fair treatment. Full text is available on www.top-toy.com

²⁴ The Group Factory Social and Ethical Compliance Policy is an internal Document.

Labour Rights

The TOP-TOY Group recognises the principles set forth by the International Labour Organisation; the TOP-TOY Group’s retail and office operations are compliant with Labour Rights, rules and regulations in each geographic location. In recognition of the challenges associated with global sourcing, TOP-TOY Hong Kong Ltd. strives to improve the labour conditions of supplying factory workers by requiring supplier adherence to a mutually agreed upon framework between toy manufacturers and the ICTI CARE Process.

United Nations Global Compact Principle 3 and TOP-TOY Group

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

In December 2009, the TOP-TOY Group improved its 1999 Code of Conduct under the revised name: “Supplier Ethical and Social Code of Conduct”, which includes clauses on freedom of association and collective bargaining.²⁵

If independent trade unions are either discouraged or not allowed in the area of operation, TOP-TOY Hong Kong Ltd. urges suppliers to enable employees to gather independently to discuss work-related problems.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ TOP-TOY Hong Kong Ltd. has gradually introduced the Supplier Ethical and Social Code of Conduct to its pre-existing supply base.</p>	<p>■ To accommodate the local language requirement of TOP-TOY Hong Kong Ltd. main supply base, the revised Supplier Ethical and Social Code of Conduct has been made available in Mandarin, in addition to English.</p>	<p>■ The TOP-TOY Group shall continuously advocate its support to the full adoption of the International Labour Standards in China and other countries from which it sources, through its cooperation and membership with the ICTI CARE Process.</p>
<p>■ TOP-TOY Hong Kong Ltd. requires that new high risk suppliers adhere to the Supplier Ethical and Social Code of Conduct.</p>	<p>■ From its adoption in December 2009 until June 2010, approximately 10% of our Hong Kong based suppliers have signed the Supplier Ethical and Social Code of Conduct.</p> <ul style="list-style-type: none">• Supplier Signatories to former Code of Conduct: 232• Signatories to new Code of Conduct: 23 <p>Total Suppliers: 255</p> <p>Total Factories: 468</p>	<p>■ To gradually phase out the original “Code of Conduct and replace it with the Supplier Ethical and Social Code of Conduct so that it applies to all high risk suppliers and their factories.</p> <p>In addition, the TOP-TOY Group shall extend the systematised responsible buying practice to its Danish buying operations.</p>



United Nations Global Compact Principle 4 and TOP-TOY Group

Principle 4 the elimination of all forms of forced and compulsory labour;

In December 2009, the TOP-TOY Group improved its 1999 Code of Conduct under the revised name: “Supplier Ethical and Social Code of Conduct”, which includes clauses concerning the elimination of forced and compulsory labour.²⁶

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ TOP-TOY Hong Kong Ltd. has gradually introduced the Supplier Ethical and Social Code of Conduct to our pre-existing supply-base.</p>	<p>■ There have been no “Zero-tolerance” issues with regards to forced or compulsory labour identified in our supply chain as defined in the Factory Social and Ethical compliance Policy.</p>	<p>■ The TOP-TOY Group shall align and extend responsible supply chain management to its Danish buying operations. All existing and new suppliers shall be provided with the Supplier Ethical and Social Code of Conduct.</p>

United Nations Global Compact Principle 5 and TOP-TOY Group

Principle 5 the effective abolition of child labour;

In December 2009, the TOP-TOY Group improved its 1999 Code of Conduct under the revised name: “Supplier Ethical and Social Code of Conduct”, which includes clauses on the abolition of child labour.²⁶

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ TOP-TOY Hong Kong Ltd. requires that new high risk suppliers adhere to the Supplier Ethical and Social Code of Conduct.</p>	<p>■ Of the 92 TOP-TOY Hong Kong Ltd. audited factories there has been one incident of an identified young labourer. This case has been handled according to our remedial procedure.</p>	<p>■ The TOP-TOY Group shall align and extend responsible supply chain management to its Danish buying operations. All existing and new suppliers shall be provided with the Supplier Ethical and Social Code of Conduct.</p>

Membership in ICTI CARE Process Technical Advisory Board

The TOP-TOY Group's approach is to engage in partnerships with relevant industry peers in order to influence decision making and agenda setting in the toy industry, in accordance with the TOP-TOY Group's aforementioned Strategic Corporate Social Responsibility Objectives as described in TOP-TOY Group Sustainability Strategy, 2010-13.²⁷

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ Since March 2010, TOP-TOY Group has been a member of the ICTI CARE Process Technical Advisory Board (TAC).</p>	<p>■ As a Technical Advisory Council member of the ICTI CARE Process, the TOP-TOY Group has contributed to a recommendation for Child & Juvenile Labour in a consultation process since May 2010.</p>	<p>■ To review the process of handling "zero-tolerance" issues in non-compliant factories with regards to child labour; and to conduct activities in order to promote the abolition of child labour.</p>

United Nations Global Compact Principle 6 and TOP-TOY Group

Principle 6 the elimination of discrimination in respect of employment and occupation;

At this stage, the TOP-TOY Group has no formalised policy to ensure diversity throughout the organisation.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ Diversity issues are currently being examined by the Human Resource Department in view of making suggestions in accordance with the TOP-TOY Group's support of the United Nations Global Compact's Principle 6.</p>	<p>■ N/A</p>	<p>■ To fully comply with Principle 6, the TOP-TOY Group will continuously work with ethical conduct issues to ensure the hearing, processing and settling disciplinary cases and employee grievances.</p>

²⁶ See Section, 1B and 1C. Full text is available on www.top-toy.com

²⁷ The TOP-TOY Group Sustainability Strategy was approved by the board in June 2010 (Internal Document)

Environment

The TOP-TOY Group can minimise its negative impact of operations whilst maximising its positive impact by integrating environmental responsibility, a precautionary approach and environmentally friendly technology into its business operations.

United Nations Global Compact Principles 7, 8, 9 and TOP-TOY Group

*Principle 7 Businesses should support a precautionary approach to environmental challenges;
Principle 8 undertake initiatives to promote greater environmental responsibility; and
Principle 9 encourage the development and diffusion of environmentally friendly technologies.*

The approach has been to test methods of the precautionary approach through CO2 reduction, initiatives to promote greater environmental responsibility and encourage adoption of environmentally friendly technology through a Pilot Project: Reduce, Reuse, and Recycle. The pilot project has helped create a knowledge platform from which future initiatives can be developed.

The pilot project, implemented at TOP-TOY's Hong Kong Ltd. operations, has been conducted in collaboration with WWF Hong Kong.



ACTIONS

ACHIEVEMENTS

FUTURE PLANS

■ WWF Hong Kong Low-carbon Office Operation Programme (LOOP) has been introduced in early 2010 as a pilot project for TOP-TOY Hong Kong Ltd.

■ Complete mapping of TOP-TOY Hong Kong Ltd. Office CO2 emissions, as well as identification of potential areas of CO2 emission reduction.

■ A learning experience from the pilot project is that efficient implementation systems can be obtained through relevant environmental organisations, who, in addition, can better identify problem areas and create partnership platforms from which concerns and views can be exchanged. Furthermore, it is necessary to implement processes upon which the TOP-TOY Group can track CO2 emissions and reduce these within a reasonable time-frame.

■ Reduce, Reuse, Recycle awareness campaign for TOP-TOY Hong Kong Ltd.

■ Staff participation in finding innovative ways of reducing, reusing and recycling materials, which has raised awareness of the precautionary approach internally.

■ Adjustment of Air Temperature at the Hong Kong buying office via its Air Conditioning system.

■ Office utility bills do not allow for an accurate analysis of reduction in CO2 emissions. However, it is estimated that the air temperature (A/C) adjustment reduces the annual electricity bill by approximately 10% which also represents a reduction in kWh.

Based on experiences from the Reduce, Reuse, Recycle Pilot Project, it is planned to continue the work with environmental issues, in accordance with ISO Environmental Management System (ISO 14001) and the Green House Gas Protocol.

■ Paper Recycling Initiative including Environmental awareness through email signature and printing policy.

■ From implementation to the end of the financial year (ca. 3 months) the paper recycling initiative has resulted in a reduction of 618 KG of greenhouse gas emissions.

■ FSC Printing paper and wood policy including other environmentally friendly technologies such as soy-ink printing, water based varnish, and natural dye.

■ The Forest Stewardship Council (FSC) Certified Printing Paper procurement practice has resulted in the purchase of FSC only paper for office use, which helps sustainable forestry initiatives.

Anti-Corruption

The TOP-TOY Group recognises the challenges of corruption and its adverse effects on sustainable social, economic and environmental development. The TOP-TOY Group shall play its part in making corruption an unacceptable practice primarily through its interaction with suppliers, public officials, auditors, certification-bodies and business partnerships.

United Nations Global Compact Principle 10 and TOP-TOY Group

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Practice is to reject bribes and corruption in all its forms including gifts.

ACTIONS	ACHIEVEMENTS	FUTURE PLANS
<p>■ The TOP-TOY Group has identified the need for translating into a formal, comprehensive procedure the way it handles issues concerning anti-corruption, bribery facilitation payments, gifts, entertainment and use of agents.</p>	<p>■ N/A</p>	<p>■ To continuously work with anti-corruption issues that incorporate the 10th principle of the UN Global Compact by introducing anti-corruption programmes and policies, promoting anti-corruption clearly and consistently through communication and behaviour to high-risk entities and finally to engage industry peers and other stakeholders.</p>



Final Words

In conclusion to this report, attention must be brought to the overall objective and scope of the TOP-TOY Group's first sustainability report.

The report you are holding in your hands, or which is displayed on your computer screen is a communication to you about the TOP-TOY Group's sustainability efforts. Communication is about transmitting a message from a sender to a recipient, with the ultimate goal of instigating change through dialogue, discussion and participation. We hope that by communicating with you and with other stakeholders that we are contributing to constructive dialogue and increased transparency of activities; paving the way for better management of the direct and indirect impact of our company's operations on the environment and on society, whilst supporting and building on the positive impact of the TOP-TOY Group's activities, through the use of our human and financial resources.

We also hope that the reader is left without a doubt as to whether the TOP-TOY Group works to take responsibility for a variety of aspects including those related to product safety, social and ethical compliance as well as a precautionary approach to the environment amongst many other aspects of our business, which have been presented in a factual and frank tone throughout this report.

In terms of the report's scope, the efforts of achieving sustainability are, of course, limited to the financial period. However, as this is our first testimony of sustainability we have included elements that fall outside the reporting period.

We have provided a brief historical perspective of sustainability in the TOP-TOY Group, including the tradition for taking responsibility for our impact, the reasons for locating our buying office in Hong Kong and implementing a Code of Conduct in the late 1990's, applying the ICTI CARE Process standards, through to creating a Group Manager position for Sustainability in 2009.

It was a defining moment for the TOP-TOY Group when Managing Director Peter Gjørup signed the company into the United Nations Global Compact because the Global Compact provides a framework for what you, as a stakeholder, can reasonably expect from the TOP-TOY Group in terms of sustainability. The Compact is comprehensive and the TOP-TOY Group is dedicated to progress within the focus areas, ensuring respect for human rights, protection of labour rights and the environment as well as countering bribery and corruption. There are challenges ahead and we will continuously accept them as they arise.

The TOP-TOY Group is currently conducting a materiality assessment, which assesses the concerns and needs of our stakeholders relative to the potential impact on our business operations. The TOP-TOY Group and its stakeholders may not always see eye-to-eye on certain issues, but we are willing to listen and to consider stakeholder concerns in the process of making business decisions – which has always been a fundamental approach to business in our organisation. Therefore, please do take the opportunity to provide us with feedback on the content of this communication, by filling in the questionnaire provided and sending it to the address indicated.

Assurance Statement

Assurance Statement for TOP-TOY Holding A/S' stakeholders from the independent auditor

We have assessed TOP-TOY Holding A/S' (TOP-TOY Group) 2009/10 Sustainability Report for the purpose of expressing an opinion on the reliability of the Sustainability Report.

Applied criteria

In December 2009, TOP-TOY became a signatory to the UN's principles for sustainability; the UN Global Compact.

When joining the UN Global Compact, companies make a commitment to issue an annual Communication on Progress (COP) report, a public disclosure to stakeholders on progress made in implementing the principles.

TOP-TOY's 2009/10 Sustainability Report constitutes the company's first COP, covering the financial year from 1 July 2009 through 30 June 2010.

Delegation of responsibility

TOP-TOY's Management is responsible for preparing the 2009/10 Sustainability Report, including for setting up registration and internal control systems with a view to ensuring reliable reporting. TOP-TOY's Management is furthermore responsible for specifying acceptable reporting criteria regarding the progress in implementing the principles as well as for choosing information and data to be collected.

Our responsibility is, on the basis of our work, to express an opinion on the reliability of the Sustainability Report.

Scope of our work

We have planned and completed our work in accordance with the International Auditing Standard ISAE 3000 (assurance engagements other than audit or review of historical financial information) for the purpose of obtaining limited assurance that

- The reporting reflects TOP-TOY's progress, including actions the company has realised and objectives it has achieved in the financial year in support of the UN Global Compact principles.

Our work has - based on an assessment of materiality and risk - included inquiries, review of selected documentation, records, instructions and guidelines which support realisation of the described actions and achievement of objectives. Compared to the requirements of a financial audit engagement, the obtained assurance level is limited.

Conclusion

Based on our review, nothing has come to our attention causing us not to believe that the 2009/10 Sustainability Report reflects TOP-TOY's progress, including actions the company has realised and objectives it has achieved in the financial year in support of the UN Global Compact principles.

Copenhagen, 15 December 2010

PricewaterhouseCoopers

Statsautoriseret Revisionsaktieselskab

Birgitte Mogensen
State Authorised Public Accountant

Questionnaire

Scan and e-mail: com@top-toy.com

The TOP-TOY Group Sustainability Report 2010

Communications Department,
Hanne Steffensen
TOP-TOY A/S
Roskildevej 16, 4030 Tune
Denmark

1. Tell us what you thought about the overall content of the report.

Was the report easy to understand?

☐ Yes ☐ Average ☐ No

Was the report easy to read?

☐ Yes ☐ Average ☐ No

What about the amount of information available?

☐ Ample ☐ Average ☐ Insufficient

Are the TOP-TOY Group's sustainability activities acceptable/agreeable to you?

☐ Yes ☐ Average ☐ No

2. Please indicate which articles (1 to 15) best apply to the following questions by inserting the item(s) listed at right (multiple answers allowed):

a. Interesting article(s):

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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b. Articles that you thought were necessary for a sustainability report:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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c. Articles that you thought required more information:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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d. Articles that you thought were difficult to read or understand:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Overview of articles

1. PART I. Introduction
2. Leadership
3. Who are We?
4. Who Matters to Us?
5. PART II. Sustainability
6. What Do We Do and How?
7. Good Governance
8. Strategic Corporate Social Responsibility
9. Human Rights
10. Labour Rights
11. Environment
12. Anti-Corruption
13. PART III. Concluding Remarks
14. Final Words
15. Assurance Statement

3. Tell us your comments and/or questions about the report, if any:

If you wish to receive a reply to your comments/questions, please provide us with your contact information:

Name: _____

Company: _____ Position: _____

Address: _____

Phone: _____

Email address: _____

Your contact information will not be used for any purpose other than as a means to reply to comments and/or questions provided to us for the aforementioned item number 3.

Thank you very much for your cooperation.







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The ink used for this report is principally composed of soybean oil that contains very few volatile organic compounds (VOC)