



Sustainability and the Toy Industry An ESG Introduction

2025

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Introduction

Sustainability has become a core priority for businesses and people alike. Consumers, employees, governments, and other key stakeholders are closely scrutinizing corporate practices and their environmental impact. New laws and regulations are emerging across almost every jurisdiction, signaling a shift in expectations. Fortunately, prioritizing sustainability does not conflict with profitability—it's an opportunity to innovate and thrive.

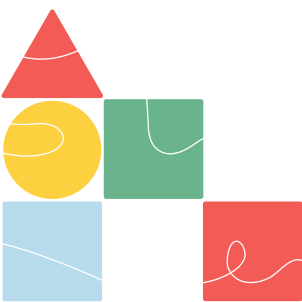
In this report, we'll provide:

- A brief history of sustainability and ESG (Environmental, Social, and Governance)
- An overview of what ESG means and why it's essential
- A look at evolving regulations in the Asia-Pacific region
- Insights into future trends in sustainability for the Toy Industry

This guide prepared by the Asia Toy and Play Association together with The Spaceship, will help you understand, plan, and prepare for the strategies your organisation should implement today to be ready for tomorrow.

List of Acronyms

- ATPA: Asia Toy & Play Association
- EPR: Extended Producer Responsibility
- ESG: Environmental, Social, and Governance
- CSRD: Corporate Sustainability Reporting Directive
- GRI: Global Reporting Initiative
- SASB: Sustainability Accounting Standards Board
- SFDR: Sustainable Finance Disclosure Regulation
- UNSDG: United Nations Sustainable Development Goals



What is ESG?

ESG - Environmental, Social, and Governance—is a framework that evaluates an organization's ethical, environmental, and social impact.

Here's a closer look:

Environmental

Focuses on a company's relationship with and impact on the natural world, as well as how environmental risks are addressed:

- Resource Use: Energy efficiency, water conservation, and waste management.
- Pollution Control: Reducing greenhouse gas emissions and minimizing harmful waste.
- Environmental opportunities (or another term that is more focused than "sustainability"):
Implementing renewable energy, sustainable sourcing, and conservation strategies.
- Biodiversity and ecosystems
- Consider adding/defining climate change as a separate bullet here

Social

Addresses how a company interacts with stakeholders and the impact of a company's operations on society:

- Human capital and Labor Practices: Fair treatment of employees, good working conditions and compensation, diversity, and inclusion.
- Community Engagement: Contributing to local communities and supporting social causes.
- Customer Responsibility: Ensuring product safety and promoting transparency.

Governance

Evaluates leadership and internal practices, and how decisions are made, measured, and reported on:

- Board Structure: Ensuring diversity and independence.
- Ethical Behavior: Anti-corruption policies and transparent business operations.
- Shareholder Engagement: Aligning company decisions with stakeholder interests.
- Other points to consider including under this one include data security, supply chain management, policies and external disclosures



Why ESG matters?

Investors, consumers, and regulators are increasingly prioritizing companies that score well on ESG criteria. Strong ESG practices not only enhance brand reputation and loyalty but also contribute to better financial performance and risk mitigation:

- Employees, especially Millennials and Gen Z, seek purpose-driven work environments. Companies with robust ESG programs attract and retain top talent.
- Investors and potential business partners are looking for long-term value, with ESG-aligned businesses often outperforming those that ignore sustainability.
- Can also add a bullet about the boom in regulations that has grown out of the measurement/reporting of ESG

ESG is no longer a niche concern; it's a core business strategy that extends beyond traditional financial metrics to embrace ethical and sustainable practices.

Global Framework: The United Nations Sustainable Development Goals

The UNSDGs, established in 2015, are 17 interconnected targets aimed at ending poverty, protecting the planet, and fostering global prosperity by 2030. These goals serve as a roadmap for businesses, governments, and organizations to create a more sustainable and equitable future. While all 17 goals are significant, industries often focus on specific ones that align with their values and operations. For example:

- Goal 8 (Decent Work and Economic Growth)

This goal aims to set a fair and level playing field for labor while also increasing productivity. Key targets include achieving higher rates of economic productivity, ensuring equal pay for equal work, and protecting labor rights.

- Goal 12 (Responsible Consumption and Production)

This goal focusses on developing and implementing sustainable practices in developing, producing and tracking the lifecycle of products and services. Key targets include promoting sustainable practices in companies including energy usage and recycling rates. Collection of data, measurement, setting goals and reporting are all essential elements.

- Goal 13 (Climate Action)

This goal aims to combat climate change. Targets include incorporating climate change measure into business strategies and planning, promoting education and capacity building, developing strategies to enhance resilience against climate risk.

These goals are particularly relevant for industries, including Toy manufacturing, to drive innovation and responsible practices throughout their supply chains.

ESG Fundamentals in the Toy Industry

As awareness of social and environmental issues grows, Toy companies face increasing pressure to align with ESG standards. Here's a breakdown of some of the key areas of how ESG applies to the Toy Industry:

Environmental Factors

- **Sustainable Materials:** Shifting from traditional plastics to bioplastics, recycled materials, and eco-friendly alternatives.
- **Life Cycle Assessment:** Evaluating a Toy's environmental impact from creation to disposal, identifying areas to reduce waste.
- **Energy Efficiency:** Utilizing energy-efficient technologies and renewable energy in production processes.
- **Waste Management:** Implementing recycling programs and designing Toys that are easier to disassemble and recycle.

Social Factors

- **Child Safety:** Committing to rigorous safety testing and compliance with international standards.
- **Diversity & Inclusion:** Creating Toys that reflect diverse backgrounds and abilities, fostering inclusivity.
- **Ethical Labor:** Ensuring fair labor practices in supply chains, with a focus on transparency and regular audits.
- **Community Engagement:** Partnering with educational institutions and NGOs to promote learning and child development.

Governance Factors

Ethical Leadership: Building boards that prioritize sustainability and ethical decision-making.

- **Transparency:** Publishing detailed sustainability reports that follow recognized frameworks like GRI or SASB.
- **Stakeholder Engagement:** Involving stakeholders in decision-making processes to build trust and accountability.
- **Risk Management:** Identifying and mitigating risks related to ESG factors to ensure long-term stability and growth.

Aligning ESG with profitability

Sustainability and profitability are not mutually exclusive. Here's how strong ESG practices can drive financial success:

1. **Innovation:** Using sustainable materials can attract environmentally conscious consumers and boost sales.
2. **Efficiency:** Energy-efficient production reduces costs, enhancing profit margins.
3. **Market Advantage:** A strong ESG profile differentiates brands, fostering customer loyalty and long-term growth.

These strategies show that sustainability isn't just about ethics; it's a strategic advantage in a competitive marketplace.

ATPA has been at the forefront of promoting sustainability within the Toy Industry, driving initiatives that prioritize environmental responsibility and align with evolving global standards. Over the years, ATPA has taken significant steps to support its members in navigating the complex sustainability regulatory frameworks in Asia Pacific, publishing a regular Overview of Extended Producer Responsibility (EPR) Regulations of key countries in the region.

The Future

The future of ESG regulations impacting the Toy Industry will be shaped by several key global trends and regulations. The EU's Corporate Sustainability Reporting Directive (CSRD) and the Global Plastics Treaty are significant requiring companies to report climate impact and manage plastic production and disposal. Additionally, the Sustainable Finance Disclosure Regulation (SFDR) will enforce new ESG disclosure requirements impacting investment in sustainability focussed firms. These regulations emphasize transparency, accountability, and a shift from superficial ESG ratings to genuine sustainability efforts. The Toy Industry will need to adapt to these evolving standards to remain compliant and competitive.

Conclusion

The Toy Industry, especially in Asia, faces a complex regulatory environment that emphasizes sustainability, safety, and ethical practices. To thrive, companies must adapt to these changes, prioritize transparency, and engage with stakeholders proactively. A strong ESG program is no longer optional—it's an expectation from consumers, employees, and investors alike. Acting now is essential as the future will bring more and more laws, regulations and mandates that will require companies to place a major focus on sustainability.

ATPA, in collaboration with its expert partners, offers tailored training programs to provide practical insights and actionable strategies, empowering your team to navigate ESG requirements effectively and drive meaningful impact.

ATPA's Sustainability Efforts

ATPA has been at the forefront of promoting sustainability within the Toy Industry, driving initiatives that prioritize environmental responsibility and align with evolving global standards:



- **Advocating for Sustainable Regulations:**
 - ATPA has worked closely with regional governments to shape and influence sustainable policies, ensuring that environmental regulations, such as EPR frameworks, are practical and supportive of business innovation. These efforts have included direct advocacy on plastic waste reduction, recycling targets, and sustainable packaging solutions.
- **Providing Strategic Insights and Position Papers:**
 - ATPA has published comprehensive Position Papers - **Extended Producer Responsibility for Packaging** and **The Journey Towards Sustainable Packaging for Toys**. In addition ATPA issues a yearly **EPR Asia Pacific Overview Report**, which offers in-depth analysis of regulations across Asia. These resources equip members with actionable knowledge to stay compliant and adopt sustainable practices effectively.
- **Collaborating for Industry-Wide Impact:**
 - ATPA has fostered collaborations among Toy companies, governments, and non-governmental organizations (NGOs) to promote circular economy models. Such initiatives include the organisation of Forums and Webinars to enable members and stakeholders to exchange ideas, share innovations, and set sustainability priorities for the Toy sector.
- **Representation on Global Sustainability Platforms:**
 - ATPA represents the Toy Industry at international forums, advocating for fair and feasible environmental standards. This includes contributing to the discussions on the United Nations Global Plastic Treaty. **ATPA is accredited to the United Nations Environmental Program.**

About The Spaceship

A few years back, four disruptors came together with a mission—a lifelong educator, an AI pioneer, a serial impact entrepreneur, and a global corporate leader. Their goal? To build powerful, engaging, and game-changing educational experiences that help people upskill in sustainability—not just for work, but for life. After several successful pilot projects, we realized the future wasn't in rigid live training sessions—it was in AI-driven, expert-guided, asynchronous learning that meets people where they are. So we pivoted—merging our expertise in education, a global network of sustainability experts, and our proprietary AI to create something revolutionary.

www.TheSpaceship.ai



About ATPA

The Asia Toy and Play Association is a dynamic multi-stakeholder coalition of toy industry players active across Asia Pacific. Our core mission is to ensure that all children have access to safe, high-quality and educational toys. We seek to shape the future of the toy industry, ensuring that toys are not only sources of joy but also powerful tools for learning and development. ATPA supports ethical trade practices and places a strong emphasis on minimizing the environmental footprint of the industry. We prioritize toy safety above all, which is evident from our active participation as an official member of the ISO TC 181 Committee 'Safety of Toys'. Additionally, ATPA is an accredited organization to the United Nations Environment Programme, highlighting our strong commitment to environmental stewardship. Our advocacy work is the cornerstone of our activities, extending across the Asia-Pacific region. ATPA actively promotes market access and fair trade, champions safety standards as well as sustainable practices within the industry. We believe passionately in the power of play—not just as a means of amusement, but as a vital tool for developmental learning. Through advocating and promoting the value of play, we want to ensure that children not only have fun but also develop essential skills and creativity that will benefit them throughout their lives.

BECOME A MEMBER TODAY

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