MATTEL INC /DE/
Form DEF 14A
April 02, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

Mattel, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Mattel, Inc.

Notice of Annual Meeting

of Stockholders and

2014 Proxy Statement

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NOTICE OF THE 2014 ANNUAL MEETING OF STOCKHOLDERS

Mattel, Inc.

333 Continental Boulevard

El Segundo, California 90245-5012

Notice of the 2014 Annual Meeting of Stockholders

Westin Los Angeles Airport, 5400 Century Boulevard, Los Angeles, California 90045

Friday, May 16, 2014

9:00 a.m., Los Angeles time

The 2014 Annual Meeting of Stockholders of Mattel, Inc. will be held on May 16, 2014 at 9:00 a.m. (Los Angeles time), at the Westin Los Angeles Airport, 5400 Century Boulevard, Los Angeles, California 90045 (Annual Meeting).

We will consider and act on the following items of business at the Annual Meeting:

1. **Election of the 11 director nominees named in the Proxy Statement. The nominees for election to our Board of Directors are Michael J. Dolan, Trevor A. Edwards, Dr. Frances D. Fergusson, Dominic Ng, Vasant M. Prabhu, Dr. Andrea L. Rich, Dean A. Scarborough, Christopher A. Sinclair, Bryan G. Stockton, Dirk Van de Put and Kathy White Loyd.**

2. **Advisory vote to approve named executive officer compensation (say-on-pay).**

3. **Ratification of the selection of PricewaterhouseCoopers LLP as Mattel s independent registered public accounting firm for the year ending December 31, 2014.**

4. **Stockholder proposal regarding an independent Board Chairman, if properly presented.**

5. **Such other business as may properly come before the Annual Meeting.**

The Proxy Statement accompanying this notice describes each of the items of business in more detail. The Board of Directors recommends a vote: FOR each of the 11 nominees for director named in the Proxy Statement, FOR the say-on-pay vote, FOR the ratification of the selection of PriceWaterhouseCoopers LLP as Mattel s independent registered public accounting firm and AGAINST the stockholder proposal regarding an independent Board Chairman, if properly presented.

We are pleased to take advantage of Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the Internet. As a result, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (Notice) instead of a paper copy of our proxy materials. The Notice contains instructions on how to access our proxy materials over the Internet and how to submit your proxy via the Internet. The Notice also contains instructions on how to request a paper copy of our proxy materials. All stockholders who do not receive a Notice will receive a paper copy of the proxy materials by mail. This process allows us to provide our stockholders with the information they need in a more timely manner, while reducing the environmental impact and lowering the costs of printing and distributing our proxy materials.

If you were a holder of record of Mattel common stock at the close of business on March 21, 2014, you are entitled to notice of and to vote at the Annual Meeting.

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NOTICE OF THE 2014 ANNUAL MEETING OF STOCKHOLDERS

The Westin Los Angeles Airport is accessible to those who require special assistance. If you require special assistance, please call the hotel at (310) 216-5858. **Whether or not you expect to attend the Annual Meeting, please submit a proxy to vote as soon as possible in order that your shares will be represented at the Annual Meeting.**

By Order of the Board of Directors

Robert Normile

Secretary

El Segundo, California

April 2, 2014

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Mattel, Inc.

PROXY STATEMENT

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PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

Meeting Information and Mailing of Proxy Materials

Date and Time:	May 16, 2014 at 9:00 a.m. (Los Angeles time)
Location:	Westin Los Angeles Airport, 5400 Century Boulevard, Los Angeles, CA 90045
Record Date:	March 21, 2014
Mailing Date:	On or about April 2, 2014, we will mail a Notice of Internet Availability of Proxy Materials to most stockholders and printed copies of our proxy materials to our other stockholders.

Voting Matters and Board Recommendations

Matter	Our Board s Recommendation
Election of Eleven (11) Director Nominees (page 15)	**FOR** Each Director Nominee
Advisory Vote on the Compensation of Our Named Executive Officers (Say-on-Pay) (page 101)	**FOR**
Ratification of PricewaterhouseCoopers LLP as Independent Accounting Firm for 2014 (page 105)	**FOR**
Stockholder Proposal Regarding Independent Board Chairman , if properly presented (page 106)	**AGAINST**

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PROXY SUMMARY

Board Nominees

Name	Director Since	Principal Occupation/ Key Experience	Independent	Committee Memberships
Michael J. Dolan	2004	Chairman of the Board and Chief Executive Officer of IMG Worldwide	Yes	Compensation (Chair), Executive, and Governance and Social Responsibility
Trevor A. Edwards	2012	President, NIKE Brands of NIKE, Inc.	Yes	Governance and Social Responsibility
Dr. Frances D. Fergusson	2006	Former President of Vassar College; Director at Pfizer Inc.	Yes	Executive, Finance, and Governance and Social Responsibility (Chair)
Dominic Ng*	2006	Chairman of the Board and Chief Executive Officer of East West Bancorp, Inc. and East West Bank	Yes	Audit and Finance
Vasant M. Prabhu*	2007	Vice Chairman and Chief Financial Officer of Starwood Hotels and Resorts Worldwide, Inc.	Yes	Audit and Finance
Dr. Andrea L. Rich	1998	Former President and Chief Executive Officer of the Los Angeles County Museum of Art; Former Executive Vice Chancellor and Chief Operating Officer of the University of California, Los Angeles	Yes	Compensation, and Governance and Social Responsibility
Dean A. Scarborough	2007	Chairman of the Board, President and Chief Executive Officer of Avery Dennison Corporation	Yes	Compensation, Executive, and Finance (Chair)
Christopher A. Sinclair*	1996	Former Chairman of the Board of Scandent Holdings; Former Chairman and Chief Executive Officer of Pepsi-Cola Company	Yes	Audit (Chair) and Executive (Chair)
Bryan G. Stockton	2012	Chairman of the Board and Chief Executive Officer of Mattel, Inc.	No	Equity Grant Allocation
Dirk Van de Put*	2011	President and Chief Executive Officer of McCain Foods Limited	Yes	Audit
Kathy White Loyd	2001	Founder of Horizon Institute of Technology; Former Director at Novell, Inc.	Yes	Audit and Compensation

* Audit Committee Financial Expert

Independent Lead Director

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PROXY SUMMARY

Governance Highlights

Following his first year as our Chief Executive Officer (CEO), Bryan G. Stockton was appointed to also serve as our Chairman of the Board, effective as of January 1, 2013.

Governance highlights include:

- All independent directors, other than our CEO (10 out of 11 directors);
- Annual election of directors, with majority of votes cast voting standard;
- Board membership marked by leadership, experience and diversity;
- Independent lead director and regular sessions of independent directors;
- Four active standing board committees comprised solely of independent directors;
- Board oversight of risk management;
- Succession planning, with a successful transition to our new CEO and Chairman of the Board; and
- Meaningful director and executive stock ownership guidelines.

Financial Highlights

At the Mattel family of companies, we design, manufacture and market a broad variety of toy products worldwide, which are sold to our retail customers and directly to consumers. As a global consumer goods company, we compete for executive talent with a large range of companies that are category leaders in the consumer products, apparel and fashion, food and beverage, retail, and entertainment and leisure industries. Our objectives are to grow our share in the marketplace, continue to improve our operating margins and create long-term stockholder value.

2013 was a challenging year, impacted largely by fourth quarter U.S. market sales not meeting expectations. We did, however, deliver a fourth consecutive year of sales growth and earnings growth, expanded our gross margins, returned nearly $1 billion to our stockholders and continued to invest in emerging markets like China and Russia. Highlights of our 2013 financial results are as follows:

- Worldwide net sales were up 1% percent from the prior year, with International gross sales up 5% and North American gross sales down 2%.
- Operating income was $1.17 billion, compared to operating income of $1.02 billion for the full-year 2012 (with a litigation charge).
- Earnings per share was $2.58 as compared to the prior year of $2.22 (with a litigation charge).
- Net cash flows from operating activities were approximately $698 million, a decrease of approximately $577 million from 2012.
- We paid annual total dividends of $1.44 per share during 2013, which reflects an increase of 16% from 2012, and we repurchased 11 million shares of our common stock at a cost of approximately $469 million.
- Our stock price increased from $36.62 to $47.58 during 2013, reflecting a one-year Total Stockholder Return[(1)] (TSR) of over 34% compared to our peer group one-year median TSR of 37%.

[(1)] Total Stockholder Return represents the annualized rate of return reflecting price appreciation plus reinvestment of monthly dividends and the compounding effect of dividends paid on reinvested dividends over such period.

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PROXY SUMMARY

We experienced three-year and five-year TSR of 28% and 29%, respectively.

For more details, please see our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission (SEC).

Executive Compensation Highlights

Our CEO s total direct compensation is aligned with the changes to our indexed TSR over the last five years.

Our annual cash incentives emphasize profitability as well as cash and working capital management. In 2013, annual cash incentives based on Company performance reflected our financial challenges in 2013 and were paid at 72.0% of target opportunity for our named executive officers (NEOs), which represents a 13% reduction from the 85.0% of target that was payable based on our actual performance under the financial metrics of adjusted operating profit (achieved 52.5% of target), free cash flow (achieved 121.2% of target) and gross profit as a percentage of net sales of 53.6% (resulting in a multiplier of 121.9%). This discretionary reduction in payout was made at the recommendation of our CEO in light of our overall financial performance relative to net sales and operating results and to better align earnouts of our NEOs with other senior executives.

We grant long-term performance-based restricted stock units (Performance RSUs) every three years that are earned based on the average of our annual financial performance measures and our three-year TSR performance over the three-year performance cycle. Under our 2011-2013 Long-Term Incentive Program (LTIP), the annual financial performance measures emphasize net sales and operating results. 2013 was the last year of the three-year performance cycle. In 2013, given our challenges, we did not meet the Net Sales threshold goal and achieved 59.5% of our Annual Net Operating Profit After Taxes, Less a Capital Charge target, resulting in an earnout of 44.6% for the 2013 annual financial performance measures, and a 96.1% average earnout over the three-year performance cycle. This three-year average earnout was modified by an increase of 50 percentage points, based on our achievement of TSR for the three-year performance cycle at the 84th percentile of the S&P 500, resulting in a total LTIP earnout of 146.1% of the target number of Performance RSUs awarded during the three-year performance cycle. Dividend equivalent shares were issued in an amount equal to 11% of the Performance RSUs earned for the 2011-2013 performance cycle.

A significant percentage of our NEO incentive compensation is in the form of at risk pay in order to provide the greatest emphasis on long-term performance and stockholder alignment. For 2013, our equity-based awards represented between 50% and 66% of our NEOs compensation opportunities.

Target total direct compensation for our NEOs is generally at the median of our company peer group.

In 2013, we adopted a Compensation Recovery Policy applicable to all Section 16 officers that permits our Compensation Committee to require forfeiture or reimbursement of certain cash and equity that was paid, granted or vested based upon the achievement of financial results that, when recalculated to include the impact of a material financial restatement, were not achieved, whether or not fraud or misconduct was involved.

We have an Executive Severance Plan that limits benefits to a multiple of two times base salary and annual incentive and no tax gross-ups. We also require double trigger for equity acceleration in connection with a change of control.

We maintain meaningful stock ownership guidelines. Our guidelines have been revised, effective January 1, 2014, to require stock ownership levels as a value of Mattel shares equal to a multiple of base salary (CEO at 6x, CFO at 4x and other NEOs at 3x), consistent with market practices and with retention requirements until the ownership guidelines are met.

Our Compensation Committee retains a leading independent compensation consultant.

We have experienced strong say-on-pay support, with greater than 96% stockholder approval in 2013.

Corporate Information

Corporate Headquarters:	333 Continental Boulevard, El Segundo, California 90245-5012
Corporate Website:	www.corporate.mattel.com
Investor Relations Website:	http://investor.shareholder.com/mattel/
State of Incorporation:	Delaware
Stock Symbol:	NASDAQ: MAT

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GENERAL INFORMATION

GENERAL INFORMATION

Mattel s 2014 Annual Meeting of Stockholders will be held on May 16, 2014 at 9:00 a.m. (Los Angeles time), at the Westin Los Angeles Airport, 5400 Century Boulevard, Los Angeles, California 90045 (Annual Meeting).

The Board of Directors of Mattel (Board) is soliciting proxies to be voted at the Annual Meeting. As permitted by the SEC, Mattel is providing most stockholders with access to our proxy materials over the Internet rather than in paper form. Accordingly, on or about April 2, 2014, we will mail a Notice of Internet Availability of Proxy Materials (Notice) containing instructions on how to access the proxy materials over the Internet to most stockholders, and mail printed copies of the proxy materials to the rest of our stockholders. A similar Notice will be sent by brokers, banks and other nominees to beneficial owners of shares of which they are the record holder. If you received a Notice by mail, you will not receive a printed copy of the proxy materials by mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the Proxy Statement and the 2013 Annual Report. The Notice also instructs you on how you may submit your proxy to vote via the Internet. If you received the Notice and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such printed materials contained in the Notice.

To assist us in saving money and to serve you more efficiently, we encourage you to have all your accounts registered in the same name and address by contacting Mattel s transfer agent, Computershare Trust Company, N.A., at 1-888-909-9922.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on May 16, 2014

This Proxy Statement and our 2013 Annual Report are available on our website at http://investor.shareholder.com/mattel/financials.cfm. This website address contains the following documents: the Notice of the Annual Meeting, this Proxy Statement and our 2013 Annual Report. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

Who is Entitled to Vote

The Board has set March 21, 2014 as the record date for the Annual Meeting. If you were a stockholder at the close of business on the record date, then you are entitled to receive notice of and to vote at the Annual Meeting.

As of the close of business on the record date, there were 339,755,657 outstanding shares of Mattel common stock held by approximately 30,658 holders of record. At the Annual Meeting, each share of common stock will be entitled to one vote.

How to Vote if You are the Record Holder of Your Stock

If you are the record holder of your stock, you may submit your proxy to vote via the Internet, by telephone or by mail.

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Internet and telephone voting

To submit your proxy via the Internet, follow the instructions on the Notice or go to the Web address stated on your proxy card. To submit your proxy by telephone, call the toll-free number on your proxy card.

Voting by mail

As an alternative to submitting your proxy by telephone or via the Internet, you may submit your proxy by mail. If you received only the Notice, you may follow the procedures outlined in such Notice to request a paper copy of the proxy materials, including a proxy card to submit your proxy by mail.

If you received a paper copy of the proxy materials and wish to submit your proxy by mail, simply mark your proxy card, date, sign and return it in the postage-prepaid envelope. If you do not have the prepaid envelope, please mail your completed proxy card to the following address: Mattel, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717.

How to Vote if a Bank, Broker or Other Nominee is the Record Holder of Your Stock

If a bank, broker or other nominee was the record holder of your stock on the record date, you will be able to instruct your bank, broker or other nominee on how to vote by following the instructions on the voting instruction form or Notice that you receive from your bank, broker or other nominee.

Broker Voting and Broker Non-Votes

The term broker non-votes refers to shares held by a bank, broker or other nominee (for the benefit of its client) that are represented at the Annual Meeting, but with respect to which such bank, broker or nominee has not been instructed to vote by the beneficial holder on a particular proposal and does not have discretionary authority to vote on that proposal. Banks, brokers and nominees do not have discretionary voting authority on certain non-routine matters, including the election of directors, the say-on-pay vote and the stockholder proposal regarding an independent Board Chairman and, accordingly, may not vote on such matters absent instructions from you, as the beneficial holder. Broker non-votes will not be counted in determining the number of votes cast on these non-routine matters. Brokers have discretionary authority to vote on the ratification of Mattel s auditors. Broker non-votes will be counted for the purpose of determining the presence of a quorum. If you hold your shares in street name or through a broker, it is important that you give your broker your voting instructions.

Quorum and How Votes are Counted

In order for there to be a vote on any matter at the Annual Meeting, there must be a quorum. In order to have a quorum, the holders of a majority of the voting power of shares of stock entitled to vote at the Annual Meeting must be present in person or by proxy. In determining whether we have a quorum at the Annual Meeting, we will count shares that are voted as well as abstentions and broker non-votes. If we fail to obtain a quorum at the Annual Meeting, the chair of the Annual Meeting or the holders of a majority of the shares of stock entitled to vote, present in person or by proxy, may adjourn the meeting to another place, date or time.

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Votes Required to Elect Directors and Adopt Other Proposals

Election of Directors

Under Mattel s Bylaws, in any uncontested election of directors (i.e., an election where the number of nominees does not exceed the number of directors to be elected), as is the case in this election, each director will be elected by the vote of a majority of the votes cast, assuming a quorum is present, meaning that the number of votes cast for a director s election must exceed 50% of the total votes cast (for plus against) with respect to that director s election. Abstentions and broker non-votes do not count as votes cast for or against a director s election and consequently will have no effect on a director s election.

In accordance with Mattel s Bylaws, any director nominee who fails to receive a majority of the votes cast for his or her election in an uncontested election will not be elected. Under Delaware law, however, each director holds office until his or her successor is duly elected and qualified. For this reason, any nominee currently serving on the Board who fails to receive a majority of the votes cast for his or her election in an uncontested election will not automatically cease to be a director, but instead will continue to serve on the Board as a holdover director until his or her successor is elected and qualified or until his or her earlier resignation or removal. To address this situation, Mattel s Bylaws provide that if any incumbent nominee is not elected at an annual meeting and no successor has been elected at the annual meeting, that director must tender his or her resignation to the Board promptly following the certification of the election results. The Governance and Social Responsibility Committee will make a recommendation to the Board as to whether or not to accept the tendered resignation. Taking into account the committee s recommendation, the Board will decide whether to accept the resignation and will publicly announce its decision within 90 days from the date the election results are certified. Any director who tenders his or her resignation will not participate in the recommendation of the committee or the decision of the Board with respect to his or her resignation. The committee, in making its recommendation, and the Board, in making its decision, may consider any factors or information that they consider appropriate and relevant. If the Board declines to accept a director s resignation, that director will continue to serve on the Board until his or her successor is elected and qualified, or until the director s earlier resignation or removal. If the Board accepts a director s resignation, then the Board may fill any resulting vacancy or decrease the size of the Board by majority vote of the remaining directors.

Say-on-Pay Vote, Ratification of the Selection of PricewaterhouseCoopers LLP and Stockholder Proposal Regarding Independent Board Chairman

For the advisory say-on-pay vote, the ratification of the selection of PricewaterhouseCoopers LLP as Mattel s independent registered public accounting firm and the stockholder proposal regarding an independent Board Chairman, each proposal requires the affirmative vote of the holders of a majority of the votes cast on such proposal, meaning that the number of votes for such proposal must exceed 50% of the total votes cast (for plus against) with respect to that proposal.

Abstentions and broker non-votes will not be counted as votes cast for or against a proposal and consequently will have no effect on the outcome of any of the proposals to be considered at the Annual Meeting.

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How Your Proxy Will Be Voted

If you are a record holder and submit your proxy without instructions as to how it is to be voted, the proxy holders identified on the proxy will vote your shares as follows:

FOR the election as directors of the 11 nominees named in this Proxy Statement;

FOR proposal 2, the advisory vote to approve named executive officer compensation (say-on-pay);

FOR proposal 3, ratification of Mattel s independent registered public accounting firm; and

AGAINST proposal 4, a stockholder proposal regarding an independent Board Chairman, if properly presented.
If you indicate voting instructions when you submit your proxy, the proxy holders will follow your instructions in casting votes.

If you hold your shares through a broker and do not instruct the broker on how to vote your shares on the election of directors, on proposal 2 or on proposal 4, your shares will not be voted for the election of any directors and will not be voted on proposal 2 or on proposal 4, as applicable, and instead will be considered a broker non-vote as to those proposals. If you do not instruct the broker on how to vote your shares on proposal 3, the broker has discretion to vote your shares on proposal 3.

The Board does not know of any matters that will come before the Annual Meeting other than those described in the Notice of Annual Meeting. If any other matters are properly presented for consideration at the Annual Meeting, then the proxy holders will have discretion to vote on such matters as they see fit. This includes, among other things, considering any motion to adjourn the Annual Meeting to another time and/or place, including for the purpose of soliciting additional proxies for or against a given proposal.

How to Change Your Vote or Revoke Your Proxy

If you are the record holder of your stock, you may revoke your proxy at any time before it is voted by:

Delivering to the Secretary of Mattel, at or before the taking of the vote at the Annual Meeting, a written notice of revocation bearing a later date than your proxy;

- Signing a later-dated proxy relating to the same shares and delivering it to the Secretary of Mattel at or before the taking of the vote at the Annual Meeting;

- If you submit your proxy by telephone or via the Internet, calling the telephone voting number or visiting the Internet voting site again and changing your vote, up to 8:59 p.m. (Los Angeles time) or 11:59 p.m. (Eastern time) on May 15, 2014 (the business day before the Annual Meeting) or for holders of Mattel common stock in the Mattel, Inc. Personal Investment Plan, up to 8:59 p.m. (Los Angeles time) or 11:59 p.m. (Eastern time) on May 13, 2014 (three business days before the Annual Meeting); or

- Attending the Annual Meeting and voting in person, although attendance at the Annual Meeting will not, by itself, revoke a proxy.

If you are mailing a written notice of revocation or a later proxy, send it to: Secretary, Mail Stop M1-1516, Mattel, Inc., 333 Continental Boulevard, El Segundo, CA 90245-5012. You may also hand deliver a written notice of revocation or a later-dated proxy to the Secretary of Mattel at the Annual Meeting, at or before the taking of the vote.

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If you hold your shares through a broker, you must follow directions received from the broker in order to change your vote or to vote at the Annual Meeting. You need to present a valid proxy from your broker authorizing you to vote your shares at the Annual Meeting.

Admission Policy for Annual Meeting

Mattel restricts admission to the Annual Meeting to stockholders of Mattel, family members accompanying stockholders of Mattel, persons holding validly executed proxies from stockholders who held Mattel stock as of the close of business on March 21, 2014 and invited guests of Mattel.

You must bring certain documents with you in order to be admitted to the Annual Meeting and to bring family members with you. The purpose of this requirement is to help us verify that you are actually a stockholder of Mattel. Please read the following rules carefully, because they specify the documents that you must bring with you to the Annual Meeting in order to be admitted. The items that you must bring with you differ depending upon whether or not you were a record holder of Mattel stock as of the close of business on March 21, 2014. A record holder of stock is someone whose shares of stock are registered in his or her name in the records of Mattel s transfer agent, Computershare Trust Company, N.A. (Computershare). Many stockholders are not record holders because their shares of stock are registered in the name of their broker, bank or other nominee, and the broker, bank or other nominee is the record holder instead; this is sometimes referred to as holding shares in street name. If you are unsure as to whether you were a record holder of Mattel common stock as of the close of business on March 21, 2014, please call Computershare at 1-888-909-9922.

If you were a record holder of Mattel common stock as of the close of business on March 21, 2014, then you must bring:

Valid personal photo identification (such as a driver s license or passport).

At the Annual Meeting, we will check your name for verification purposes against our list of record holders as of the close of business on March 21, 2014.

If a broker, bank or other nominee was the record holder of your shares of Mattel common stock as of the close of business on March 21, 2014, then you must bring:

Valid personal photo identification (such as a driver s license or passport); and

Proof that you owned shares of Mattel common stock as of the close of business on March 21, 2014.

Examples of proof of ownership include the following: (i) an original or a copy of the voting instruction form from your bank or broker with your name on it, (ii) a letter from your bank or broker stating that you owned Mattel common stock as of the close of business on March 21, 2014, or (iii) a brokerage account statement indicating that you owned Mattel common stock as of the close of business on March 21, 2014.

If you acquired your shares of Mattel common stock at any time after the close of business on March 21, 2014, you do not have the right to vote at the Annual Meeting, but you may attend the Annual Meeting if you bring:

Valid personal photo identification (such as a driver s license or passport); and

Proof that you own shares of Mattel common stock. Examples of proof of ownership include the following:

If a broker, bank or other nominee is the record holder of your shares of Mattel common stock: (i) a letter from your bank or broker stating that you acquired Mattel common stock after March 21, 2014, or (ii) a brokerage account statement as of a date after March 21, 2014 indicating that you own Mattel common stock; or

If you are the record holder of your shares of Mattel common stock, a copy of your stock certificate or a confirmation acceptable to Mattel that you bought the stock after March 21, 2014.

If you are a proxy holder for a stockholder of Mattel who owned shares of Mattel common stock as of the close of business on March 21, 2014, then you must bring:

The validly executed proxy naming you as the proxy holder, signed by a stockholder of Mattel who owned shares of Mattel common stock as of the close of business on March 21, 2014; and

Valid personal photo identification (such as a driver s license or passport).

If you are a proxy holder for a stockholder of Mattel who acquired shares of Mattel common stock after the close of business on March 21, 2014, you do not have the right to vote at the Annual Meeting, but you may attend the Annual Meeting if you bring:

The validly executed proxy naming you as the proxy holder, signed by a stockholder of Mattel who acquired shares of Mattel common stock after the close of business on March 21, 2014; and

Valid personal photo identification (such as a driver s license or passport).

You may not use cameras, recording equipment or other electronic devices during the Annual Meeting. Shares may be voted in person at the Annual Meeting only by (i) the record holder as of the close of business on March 21, 2014 or (ii) a person holding a valid proxy executed by such record holder.

Householding

The SEC rules permit us to deliver a single set of Mattel s proxy materials to one address shared by two or more of our stockholders. This delivery method is referred to as householding and can result in significant cost savings to Mattel. To take advantage of this opportunity, we have delivered only one set of proxy materials to multiple stockholders who share an address, unless we received contrary instructions from the impacted stockholders prior to the mailing date. Each record stockholder that receives paper copies of the proxy materials will receive a separate proxy card or voting instruction form. Also, householding will not in any way affect dividend check mailings.

We agree to deliver promptly, upon written or oral request, a separate copy of Mattel s proxy materials, as requested, to any stockholder at the shared address to which a single copy of those documents was delivered, at no cost to you. If you prefer to receive separate copies of the proxy materials, contact Broadridge Financial Solutions, Inc. at 1-800-542-1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you are currently a stockholder sharing an address with another stockholder and wish to receive only one copy of future proxy materials for your household, please contact Broadridge at the above phone number or address.

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PRINCIPAL STOCKHOLDERS

PRINCIPAL STOCKHOLDERS

As of March 21, 2014, the only persons known by Mattel to own beneficially, or to be deemed to own beneficially, 5% or more of Mattel s common stock were as follows.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent Owned[1]
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	27,068,592[2]	7.97%
The Vanguard Group 100 Vanguard Blvd. Malvern, Pennsylvania 19355	23,267,150[3]	6.85%
Wellington Management Company, LLP 280 Congress Street Boston, Massachusetts 02210	22,753,343[4]	6.70%

(1) The percentages shown are based on 339,755,657 shares of Mattel common stock outstanding as of March 21, 2014 and may differ from the percentages reflected in the filings referenced below.

(2) As reported in a Schedule 13G/A filed with the SEC on January 30, 2014 by BlackRock, Inc. on behalf of itself and its subsidiaries. The Schedule 13G/A states that BlackRock, Inc. has sole voting power as to 23,927,288 shares and sole dispositive power over all of the shares.

(3) As reported in a Schedule 13G/A filed with the SEC on February 11, 2014 by The Vanguard Group. The Schedule 13G/A states that The Vanguard Group, as an investment advisor, has sole voting power as to 552,811 shares, shared dispositive power as to 518,535 shares and sole dispositive power as to 22,748,615 shares.

(4) As reported in a Schedule 13G/A filed with the SEC on February 14, 2014 by Wellington Management Company, LLP. The Schedule 13G/A states that Wellington Management Company, LLP, as investment advisor, has shared voting power as to 8,405,862 shares and shared dispositive power as to all 22,753,343 shares.

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SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information regarding the beneficial ownership of Mattel common stock as of March 21, 2014, the record date, by (i) each director and nominee for director, (ii) our named executive officers, as described under the section Compensation Disclosure Compensation Discussion and Analysis and (iii) all current directors and executive officers of Mattel as a group.

Name of Beneficial Owner	Position with Mattel as of the Record Date	Amount and Nature of Beneficial Ownership[1][2]
Michael J. Dolan	Director	91,525
Trevor A. Edwards	Director	0
Kevin M. Farr	Chief Financial Officer	699,767
Dr. Frances D. Fergusson	Director	17,907
Timothy J. Kilpin	Executive Vice President, Global Brands Team Boys & Girls	125,917
Geoff M. Massingberd	Executive Vice President, International	223,036
Dominic Ng	Director	18,500
Robert Normile	Executive Vice President, Chief Legal Officer and Secretary	378,736
Vasant M. Prabhu	Director	15,907
Dr. Andrea L. Rich	Director	49,106
Dean A. Scarborough	Director	16,500
Christopher A. Sinclair	Director	45,389
Bryan G. Stockton	Chairman of the Board and CEO	985,712
Dirk Van de Put	Director	175
Kathy White Loyd	Director	7,059
All current Directors and Executive Officers, as a group (22 persons)		3,246,582[3]

(1) Each director and executive officer named above owns or controls, or may be deemed to beneficially own or control, less than 1.0% of Mattel common stock. Except as otherwise noted, the directors and executive officers named above have sole voting power and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable. There were 339,755,657 shares of Mattel common stock outstanding as of March 21, 2014.

(2) Includes (i) shares which the individuals shown have the right to acquire upon vesting of restricted stock units (RSUs), or upon exercise of vested options, as of March 21, 2014 or within 60 days thereafter, and (ii) shares held through the Mattel stock fund of the Mattel, Inc. Personal Investment Plan, a 401(k) tax-qualified savings plan, as set forth in the table below.

(3) The amount stated represents approximately .95% of the outstanding shares of Mattel common stock.

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SECURITY OWNERSHIP OF MANAGEMENT

Name of Beneficial Owner	Stock Options	RSUs	401(k) Shares
Michael J. Dolan	58,525	33,000	
Trevor A. Edwards			
Kevin M. Farr	171,263	514,067	14,437
Dr. Frances D. Fergusson	17,907		
Timothy J. Kilpin	75,159	47,536	3,222
Geoff M. Massingberd	95,191	127,845	
Dominic Ng	9,500	9,000	
Robert Normile	72,497	293,518	12,721
Vasant M. Prabhu	15,907		
Dr. Andrea L. Rich	16,106	33,000	
Dean A. Scarborough	4,500	12,000	
Christopher A. Sinclair	24,239	21,000	
Bryan G. Stockton	285,458	639,029	7,225
Dirk Van de Put	175		
Kathy White Loyd	7,059		
All current Directors and Executive Officers	1,019,359	2,173,961	53,262

PROPOSAL 1 ELECTION OF DIRECTORS

Identifying and Evaluating Nominees for Director

The Board, acting through the Governance and Social Responsibility Committee, is responsible for identifying and evaluating candidates for membership on the Board. Mattel s Corporate Governance Guidelines set forth the process for selecting candidates for director positions and the role of the Governance and Social Responsibility Committee in identifying potential candidates and screening them with input from the Chairman of the Board.

Under the Guidelines, the Governance and Social Responsibility Committee is responsible for reviewing with the Board annually the skills and characteristics required of Board members given the current make-up of the Board and the perceived needs of the Board at that time. This review includes an assessment of the talents, skills, areas of expertise, experience, diversity and independence of the Board and its members. Any changes that may have occurred in any director s responsibilities, as well as such other factors as may be determined by the committee to be appropriate for review, are also considered.

The charter of the Governance and Social Responsibility Committee also sets forth the process by which the committee actively seeks individuals qualified to become Board members for recommendation to the Board. The committee, with input from the Chairman of the Board, screens candidates to fill vacancies on the Board, solicits recommendations from Board members as to such candidates, and considers recommendations for Board membership submitted by stockholders as described further below. Candidates whom the committee expresses interest in pursuing meet in person with at least two members of the Governance and Social Responsibility Committee before they are selected. The committee recommends to the Board director nominees for each annual meeting of stockholders.

The Governance and Social Responsibility Committee also has adopted a Director Nominations Policy that describes the methodology for selecting the candidates who are included in the slate of director nominees recommended to the Board and the procedures for stockholders to follow in submitting nominations and recommendations of possible candidates for Board membership. The Director Nominations Policy provides a flexible set of guidelines for the effective functioning of Mattel s director nominations process. This policy also identifies the following minimum qualifications that each nominee should possess:

- An outstanding record of professional accomplishment in his or her field of endeavor;
- A high degree of professional integrity, consistent with Mattel s values;
- Willingness and ability to represent the general best interests of all of Mattel s stockholders and not just one particular stockholder or constituency, including a commitment to enhancing stockholder value; and

Willingness and ability to participate fully in Board activities, including active membership on at least one Board committee and attendance at, and active participation in, meetings of the Board and the committee(s) of which he or she is a member, and no commitments that would, in the Governance and Social Responsibility Committee s judgment, interfere with or limit his or her ability to do so.

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PROPOSAL 1 ELECTION OF DIRECTORS

The Director Nominations Policy also lists the following additional skills, experiences and qualities that are desirable in nominees:

- Skills and experiences relevant to Mattel s business, operations or strategy. These skills and experiences might include, among other things, experience in senior management of a large, consumer products or multinational company, and/or senior level experience in one or more of the following areas: finance, accounting, law, strategy and business development, operations, sales, marketing, international business, information technology and/or public relations;

- Qualities that help the Board achieve a balance of a variety of knowledge, experience and capability on the Board and an ability to contribute positively to the collegial and collaborative culture among Board members; and

- Qualities that contribute to the Board s overall diversity diversity being broadly construed to mean a variety of opinions, perspectives, professional and personal experiences and backgrounds, as well as other differentiating characteristics.

Lastly, the Director Nominations Policy indicates that whether a nominee would be an independent director of Mattel also is considered in the context of the overall independence of Mattel s Board and the independence of the committees of the Board.

In performing its role in the annual nomination process, the Governance and Social Responsibility Committee reviews the composition of the Board in light of the committee s assessment of the needs of the Board for additional or replacement Board members, Mattel s current business structure, operations and financial condition, challenges facing Mattel, the Board s performance and inputs from stockholders and other key constituencies, and evaluates director nominees against the criteria for nominees set forth in the Director Nominations Policy, including such criteria related to diversity. The committee intends to review the Director Nominations Policy periodically, and anticipates that modifications may be necessary or advisable from time to time as Mattel s needs and circumstances evolve, and as applicable legal or listing standards change. Accordingly, the Governance and Social Responsibility Committee may amend the Director Nominations Policy from time to time, in which case the most current version will be available in the Corporate Governance section of Mattel s corporate website.

Stockholder Nominations

The Governance and Social Responsibility Committee will consider stockholder nominations of possible candidates for Board membership that are submitted properly pursuant to the advance notice provisions of Mattel s Bylaws and applicable law, as well as recommendations made by stockholders, as described below. In evaluating such nominations and recommendations, the Governance and Social Responsibility Committee applies the same criteria as are used for evaluating candidates generally, as described above.

Any stockholder of Mattel may nominate one or more persons for election as a director of Mattel at an annual meeting of stockholders if the stockholder complies with the timing and other requirements for such nomination contained in the advance notice provisions of Mattel s Bylaws and applicable law. The notice should be sent to: Secretary, Mail Stop M1-1516, Mattel, Inc., 333 Continental Boulevard, El Segundo, CA 90245-5012.

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PROPOSAL 1 ELECTION OF DIRECTORS

Any stockholder of Mattel may also recommend one or more persons for nomination by the Board for election as a director by sending to the Governance and Social Responsibility Committee the name of such recommended nominee, as well as a detailed statement explaining why such stockholder is making such recommendation. Any such recommendation must include all information required by Mattel s Bylaws and applicable law. Such recommendation should be sent to: Governance and Social Responsibility Committee, c/o Secretary, Mail Stop M1-1516, Mattel, Inc., 333 Continental Boulevard, El Segundo, CA 90245-5012. See the Deadline for Future Proposals, Nominations and Recommendations by Stockholders Recommendations of Director Candidates section of this Proxy Statement for a description of the procedures that are required to be followed. Mattel s Bylaws and the Director Nominations Policy are available on Mattel s corporate website at http://corporate.mattel.com/about-us/relatedlinks.aspx.

The Nominees

The authorized number of directors is currently set at 11 and the Board currently consists of 11 members. Based upon recommendations of the Governance and Social Responsibility Committee, the Board has nominated the following 11 members for re-election to the Board at the Annual Meeting to serve until the next annual meeting of stockholders and until their respective successors have been duly elected and qualified, or until their earlier resignation or removal:

Michael J. Dolan	**Vasant M. Prabhu**	**Bryan G. Stockton**
Trevor A. Edwards	**Dr. Andrea L. Rich**	**Dirk Van de Put**
Dr. Frances D. Fergusson	**Dean A. Scarborough**	**Kathy White Loyd**
Dominic Ng	**Christopher A. Sinclair**	

All of the nominees are currently directors, and each nominee has consented to being named in this Proxy Statement as a nominee for election as a director and has agreed to serve as a director if elected.

If you submit your proxy, unless you give instructions to the contrary, the proxy holders will cast your votes for the election of the nominees listed above. If, before the Annual Meeting, any nominee becomes unavailable to serve, the Board may identify a substitute for such nominee and treat votes for the unavailable nominee as votes for the substitute. We presently believe that each of the nominees named above will be available to serve.

No nominee has any current arrangement or understanding with Mattel or, to Mattel s knowledge, any other person or persons, pursuant to which any nominee was or is to be selected as a director or nominee. None of the nominees has any family relationship to any other nominee or to any executive officer of Mattel.

The Board, upon recommendation of the Governance and Social Responsibility Committee, selected a slate of nominees whose experiences, qualifications, attributes and skills in, among other things, leadership of large corporations, consumer products, international business, marketing and advertising, financial management and operations, information technology, commercial banking, investment banking, including mergers and acquisitions and business development, accounting, community outreach, corporate governance and public policy, led the Board to conclude that these persons should serve as our directors at this time. The Board also selected nominees with experience gained from past service with Mattel and situations confronting other companies that are comparable to those confronting Mattel.

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PROPOSAL 1 ELECTION OF DIRECTORS

Set forth below for each nominee who is standing for election is his or her name, age, tenure as a director of Mattel, and a description of his or her principal occupation, other business experience, public company and other directorships held during the past five years and educational degrees. The specific experiences, qualifications, attributes and skills that led the Board to conclude that each nominee should serve as a director at this time are described below.

MICHAEL J. DOLAN

Age: 67

Director Since: 2004

Compensation Committee (Chair)

Executive Committee

Governance and Social Responsibility Committee

Mr. Dolan has served as Chairman of the Board and Chief Executive Officer of IMG Worldwide, a global leader in sports, fashion and media entertainment, since November 2011. Prior to that, Mr. Dolan served at IMG as President and Chief Operating Officer, from April 2011 to November 2011, and before that as Executive Vice President and Chief Financial Officer, from April 2010 to April 2011. He served as Executive Vice President and Chief Financial Officer of Viacom, Inc., a leading global entertainment content company, from May 2004 to December 2006. Mr. Dolan served as Senior Advisor to Kohlberg Kravis Roberts & Co., a leading private equity firm with substantial investments in many large consumer retail companies, from October 2004 to May 2005. Prior to that, he served in the following positions with Young & Rubicam, Inc., a marketing and communications company: Chairman of the Board and Chief Executive Officer (2001 to 2003), Vice Chairman and Chief Operating Officer (2000 to 2001) and Vice Chairman and Chief Financial Officer (1996 to 2000). Mr. Dolan holds bachelor s and master s degrees from Fordham University, an MBA from Columbia University, and a Ph.D. from Cornell University.

Other Directorships/Advisory Affiliations:

Mr. Dolan serves on the Board of Directors of Bacardi Limited (since 2009), where he currently serves on its Audit Committee, the Board of Directors of the March of Dimes (since 2013) and the Board of Directors of Northside Center for Child Development (since 2003). Mr. Dolan has served as Chairman of the Board of America s Choice, Inc., a developer of research-based school improvement solutions (2004 to 2010).

Key Experience/Director Qualifications:

Mr. Dolan brings to Mattel s Board a valuable perspective on the entertainment industry through his experience as Chief Executive Officer of IMG, which is important to Mattel since many of its most popular toys are derived from licensed entertainment properties. Also, Mr. Dolan s long tenure with Young & Rubicam enables him to provide unique insights to Mattel, which is a large purchaser of advertising, in the areas of advertising and brand building. Mr. Dolan has gained valuable experience as the former Chief Financial Officer of IMG, Viacom and Young & Rubicam, where he dealt with complex accounting principles and judgments, internal controls, financial reporting rules and regulations, and evaluating the financial results and financial reporting processes of large companies. Mr. Dolan s extensive business experience makes him an important contributor to Mattel s Compensation Committee on which he serves as Chair and the Governance and Social Responsibility Committee and the Executive Committee on which he serves as a member.

TREVOR A. EDWARDS

Age: 51

Director Since: 2012

Governance and Social Responsibility Committee

Mr. Edwards has served as President, NIKE Brands of NIKE, Inc., the world s leading designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities, since July 2013. From August 2006 through June 2013, Mr. Edwards served as Vice President, Global Brand & Category Management of NIKE, Inc. Mr. Edwards served as Vice President, Global Brand Management of NIKE from September 2002 to August 2006, and before that, as Vice President, U.S Brand Marketing from 2000 to 2002, and as Vice President, EMEA Marketing from 1999 to 2000. He was the Director of Marketing for Europe from 1997 to 1999 and the Director of Marketing for the Americas from 1995 to 1997. During his career at NIKE, Mr. Edwards has led some of the brand s most significant break-through innovations, including spearheading the creation of NIKE+. In addition, he helped transform the digital landscape and position NIKE as a leader in the use of social media to connect with consumers globally. Mr. Edwards began his career at The Goldman Sachs Group, Inc. and has also held management positions at Colgate-Palmolive Company. Mr. Edwards holds a bachelor s degree in business and an MBA from Baruch College, City University of New York.

Other Directorships/Advisory Affiliations:

Mr. Edwards serves on the boards of the following non-profit entities: NIKE Foundation (since 2005) and Management Leadership for Tomorrow (since 2008).

Key Experience/Director Qualifications:

Mr. Edwards brings to Mattel s Board and the Governance and Social Responsibility Committee on which he serves as a member, two decades of marketing and global brand management experience from a large, public company. His leadership, strategy and management skills in overseeing category business units globally and all brand management functions, including digital and advertising, sports marketing, brand design, public relations and retail marketing, provide a unique perspective on Mattel s key goals and strategy for growth.

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PROPOSAL 1 ELECTION OF DIRECTORS

DR. FRANCES D. FERGUSSON

Age: 69

Director Since: 2006

Executive Committee

Finance Committee

Governance and Social Responsibility Committee (Chair)

Dr. Fergusson served as President of Vassar College from 1986 to 2006. From 1982 to 1986, Dr. Fergusson was Provost and Vice President for academic affairs at Bucknell University. Dr. Fergusson received in 2011 the Harvard Medal for her outstanding service to the University. Dr. Fergusson holds a bachelor s degree from Wellesley College and master s and Ph.D. degrees from Harvard University.

Other Directorships/Advisory Affiliations:

Dr. Fergusson serves on the Board of Directors of Pfizer Inc. (since 2009), where she chairs their Regulatory and Compliance Committee and serves on their Compensation and Science & Technology Committees, The Getty Trust (since 2007), The School of American Ballet (since 2007) and Second Stage Theatre (since 2006). She served on the Board of Directors of Wyeth Pharmaceuticals (2005- 2009), where she chaired the Nominating and Governance Committee and served on the Corporate Issues and Science & Technology Committees. She was a director of HSBC Bank USA (1990 to 2008) and was on its Executive Committee and Chair of the Human Resources and Compensation Committee. Dr. Fergusson also has served on the boards of the following non-profit entities: The Mayo Clinic (1988-2002, Chair 1998-2002), Harvard University Board of Overseers (2002-2008, President 2007-2008), Vassar College (President and Chair of the Executive Committee, 1986-2006), National Humanities Center (2006-2012), Foundation for Contemporary Arts (2006-2012) and The Noguchi Foundation (1997-2007).

Key Experience/Director Qualifications:

As the former President of a major educational institution, Dr. Fergusson provides to Mattel s Board her extensive general and financial management and leadership experience. Dr. Fergusson also brings to Mattel s Governance and Social Responsibility Committee on which she serves as Chair and the Executive Committee and the Finance Committee on which she serves as a member, her broad experience serving on the Boards of many large, highly-regarded for-profit and non-profit entities. Dr. Fergusson chaired major strategic planning efforts at Vassar College, The School of American Ballet and Second Stage Theatre.

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PROPOSAL 1 ELECTION OF DIRECTORS

DOMINIC NG

Age: 55

Director Since: 2006

Audit Committee

Finance Committee

Mr. Ng has served as Chairman of the Board and Chief Executive Officer of East West Bancorp, Inc. and East West Bank, one of the largest banks based in California, since 1992 and served as president from 1992 to 2009. Prior to that, Mr. Ng was President of Seyen Investment, Inc., from 1990 to 1992, and before that Mr. Ng spent a decade practicing as a certified public accountant with Deloitte & Touche LLP. From 2005 to 2011, Mr. Ng served as a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco. Mr. Ng transformed East West Bank from a small savings and loan association based in Los Angeles into a full service commercial bank with $26 billion in assets and over 130 locations worldwide. Ranked in the top 10 of the 100 Best Banks in America by Forbes for the last four consecutive years (2010-2013) and rated among the top 25 U.S. banks by market capitalization, East West Bank is a leading commercial bank that is widely known as the financial bridge between the United States and Greater China. Mr. Ng holds a bachelor s degree from the University of Houston, an honorary doctor of law degree from Occidental College and an honorary fellowship from Lingnan University in Hong Kong.

Other Directorships/Advisory Affiliations:

Mr. Ng serves on the Board of the United Way of Greater Los Angeles (since 1995), is a member of the 100,000 Strong Foundation s Advisory Council (since 2013) and the University of Southern California President s Leadership Counsel (since 2013), and is an advisory committee member of the Resnick Institute of the California Institute of Technology (since 2010). Mr. Ng also is Chairman of the Committee of 100, an international, non-profit, non-partisan membership organization that promotes constructive relations between the people of the United States and Greater China (2011 April 2014). Mr. Ng has served on the boards of the following non-profit entities and government affiliations: California Bankers Association (2002-2011), California Commission for Jobs and Economic Growth (2005-2010), California State Treasurer s Financial Institution Advisory Committee (1995-1998), Los Angeles Mayor s Trade Advisory Council (2009-2011), Pacific Council on International Policy (2010-2013) and Town Hall Los Angeles (1997-2004).

Key Experience/Director Qualifications:

As a certified public accountant, Mr. Ng has gained valuable experience dealing with complex accounting principles and judgments, internal controls, financial reporting rules and regulations, and evaluating financial results and financial reporting processes of large companies. Mr. Ng brings all of this experience to Mattel s Audit Committee where he serves, along with Messrs. Sinclair, Prabhu and Van de Put, as one of the Committee s four Audit Committee Financial Experts, and to the Finance Committee on which he also serves as a member. Mr. Ng s extensive experience conducting business in China is extremely valuable to Mattel because of Mattel s large manufacturing presence in China. Mr. Ng also brings to Mattel s Board extensive business and governmental connections in the State of California and the City of Los Angeles, where Mattel is headquartered.

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PROPOSAL 1 ELECTION OF DIRECTORS

VASANT M. PRABHU

Age: 54

Director Since: 2007

Audit Committee

Finance Committee

Mr. Prabhu has served as Vice Chairman and Chief Financial Officer of Starwood Hotels and Resorts Worldwide, Inc. (Starwood), one of the world s largest hotel and leisure companies, since March 2010. From 2004 to March 2010, he served as Executive Vice President and Chief Financial Officer of Starwood. Prior to joining Starwood, Mr. Prabhu served as Executive Vice President and Chief Financial Officer of Safeway, Inc. from 2000 to 2003. From 1998 to 2000, Mr. Prabhu served as President of the Information and Media Group of McGraw-Hill. Mr. Prabhu served as Senior Vice President Finance & Chief Financial Officer of Pepsi International from 1992 to 1998. Mr. Prabhu holds a bachelor s degree in Engineering from the Indian Institute of Technology, Mumbai, India, and an MBA in Marketing and Finance from the University of Chicago.

Other Directorships/Advisory Affiliations:

Mr. Prabhu serves on the Board of Directors of the U.S. India Business Counsel (since 2013). Mr. Prabhu has served as a director and member of the Audit and Compensation Committees of the Board of Directors of Knight Ridder (2003 2006).

Key Experience/Director Qualifications:

As Chief Financial Officer of a large public company, Mr. Prabhu has extensive experience dealing with complex accounting principles and judgments, internal controls, financial reporting rules and regulations, and evaluating financial results and financial reporting processes of large companies. Mr. Prabhu brings this experience to Mattel s Audit Committee where he serves, along with Messrs. Ng, Sinclair and Van de Put, as one of the Committee s four Audit Committee Financial Experts, and to the Finance Committee on which he also serves as a member. As Senior Vice President Finance & Chief Financial Officer of Pepsi International, Mr. Prabhu was responsible for the company s franchise and had oversight of operations in more than 100 countries. His global management and finance experience are also important to Mattel given its significant international operations. Mr. Prabhu also brings to Mattel s Board his experience serving on the Board of Directors of another large public corporation.

DR. ANDREA L. RICH

Age: 70

Director Since: 1998

Compensation Committee

Governance and Social Responsibility Committee

Dr. Rich served as President and Chief Executive Officer and Artistic Director of the Los Angeles County Museum of Art (LACMA) from 1999 to 2005 and as President and Chief Executive Officer of LACMA from 1995 to 1999. Prior to her decade-long tenure at LACMA, Dr. Rich had a long, distinguished academic and administrative career at the University of California, Los Angeles (including being the recipient of the UCLA Distinguished Teaching Award in 1974 and the UCLA Medal in 2000 (the University s highest honor) for Dr. Rich s contributions to the University and to the community), culminating in her appointment to the position of Executive Vice Chancellor and Chief Operating Officer from 1991 to 1995, when she retired from University service. Dr. Rich holds bachelor s, master s and Ph.D. degrees from the University of California, Los Angeles, where she graduated summa cum laude and was a Phi Beta Kappa member.

Other Directorships/Advisory Affiliations:

Dr. Rich serves on the Board of Directors of The Jules Stein Eye Institute (since 2006), the UCLA Brain Mapping Institute Foundation (since 2011), and Save the Children (since 2009). Dr. Rich served on the Board of Directors of the Douglas-Emmett Real Estate Investment Trust (2007-2014), the Private Bank of California (2005-2013) and La Plaza de Cultura y Artes (2006-2013). In addition, she has served on the boards of Pitzer College and Claremont McKenna College.

Key Experience/Director Qualifications:

Dr. Rich contributes to Mattel s Board and to the Compensation Committee and the Governance and Social Responsibility Committee on which she also serves as a member, her management experience, having served as Chief Operating Officer of a large public university where she was responsible for all of its operations, including administrative and academic oversight of the UCLA Medical Enterprises (hospital, medical school, physician practice plans, research institutes, etc.), eleven professional schools and a $2 billion budget. Her extensive non-profit service and connections throughout the Los Angeles metropolitan area, where Mattel is headquartered, are important to Mattel s philanthropic activities in the community, and her wide-ranging experience in education and community service provides a valuable and unique perspective to the Board.

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PROPOSAL 1   ELECTION OF DIRECTORS

DEAN A. SCARBOROUGH	Mr. Scarborough has served as Chairman of the Board, President and Chief Executive Officer of Avery Dennison Corporation, an industry leader that develops innovative identification and decorative solutions for businesses and consumers worldwide, since April 2010. From May 2005 to April 2010, he served as President and Chief Executive Officer of Avery Dennison. From 2000 to May 2005, Mr. Scarborough served as President and Chief Operating Officer of Avery Dennison. He also has served on Avery Dennison s Board of Directors since 2000. Mr. Scarborough holds a bachelor s degree from Hiram College and an MBA from the University of Chicago.
Age: 58 **Director Since:** 2007 **Compensation Committee** **Executive Committee** **Finance Committee (Chair)**	*Other Directorships/Advisory Affiliations:* As discussed above, Mr. Scarborough serves as Chairman of the Board of Avery Dennison Corporation since 2010 and a director of Avery Dennison Corporation since 2000. *Key Experience/Director Qualifications:* As a currently-serving President and Chief Executive Officer of a large public company, Mr. Scarborough brings to Mattel s Board deep management, brand building, leadership, finance, global retail and operations experience that makes him an important contributor to the Board, the Compensation Committee and the Executive Committee on which he also serves as a member and the Finance Committee on which he serves as Chair. Mattel and Avery Dennison share some of the same customers and distribution channels, enabling Mr. Scarborough to provide valuable perspective and insights in these areas. He also brings to Mattel s Board his experience serving on the Board of Directors of another large public company. Mr. Scarborough is a prominent member of the Los Angeles business community, where Mattel is headquartered.

CHRISTOPHER A. SINCLAIR

Age: 63

Director Since: 1996

Audit Committee (Chair)

Executive Committee (Chair)

Independent Lead Director

Mr. Sinclair has served as Executive Chairman of Cambridge Solutions Corporation Ltd., a leader in providing information technology and business process outsourcing services from 2005 to 2009. He also served as a Managing Director of Manticore Partners, LLC, a venture capital advisory firm, from 2000 to 2005. Prior to that, he served as an Operating Partner of Pegasus Capital Advisors, LP, a private equity firm, from 2000 to 2002. From 1999 to 2000, he served as Chairman of the Board and Chief Executive Officer of Caribiner International, Inc. Prior to that, he served as President and Chief Executive Officer of Quality Food, Inc., Chairman and Chief Executive Officer of Pepsi-Cola Company and President and Chief Executive Officer of PepsiCo Foods & Beverages International and Pepsi-Cola International for more than five years. Mr. Sinclair holds a bachelor s degree in Marketing from the University of Kansas and an MBA from the Tuck School of Business at Dartmouth College.

Other Directorships/Advisory Affiliations:

In addition to the directorships listed above, Mr. Sinclair has served as Chairman of the Board of Scandent Holdings, an information technology investment company (2002-2008) and on the Board of Directors of Foot Locker, Inc. (1995-2008), where he served on the Finance and Compensation Committees, Cambridge Solutions Corporation, Ltd. (2003-2009), where he served on the Compensation and Audit Committees, and Perdue Farms (1992-2000).

Key Experience/Director Qualifications:

Mr. Sinclair was responsible for building Pepsi-Cola s international business, and he brings substantial global business experience to Mattel s Board. As a former Chief Executive Officer of a large, multinational, multibrand consumer products company like Pepsi-Cola, Mr. Sinclair also gained front-line exposure to many of the issues facing a public company like Mattel, particularly on the operational, financial and corporate governance fronts, making Mr. Sinclair well suited to be Mattel s Lead Director and to chair each of Mattel s Audit Committee and Executive Committee. Mr. Sinclair has extensive board experience, having served on the boards of numerous companies, including a number of emerging market growth ventures such as The Water Initiative (since 2008) and Biovittoria, Ltd. (since 2009).

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PROPOSAL 1 ELECTION OF DIRECTORS

BRYAN G. STOCKTON

Age: 60

Director Since: 2012

Equity Grant Allocation Committee

Mr. Stockton has been our Chairman of the Board since January 2013 and our Chief Executive Officer and a director since January 2012. He served as our Chief Operating Officer from January 2011 through December 2011, as President, International from November 2007 to January 2011, as Executive Vice President, International from February 2003 to November 2007 and as Executive Vice President, Business Planning and Development from November 2000 to February 2003. From April 1998 until November 2000, he was President and Chief Executive Officer of Basic Vegetable Products, the largest manufacturer of vegetable ingredients in the world. For more than 20 years prior to that, he was employed by Kraft Foods, Inc., the largest packaged food company in North America, and was President of Kraft North American Food Service from August 1996 to March 1998. Mr. Stockton holds a bachelor s degree and an MBA from Indiana University.

Other Directorships/Advisory Affiliations:

Mr. Stockton has served on the Board of Directors of Bob Evans Farms, Inc. (2006-August 2012), where he was a member of its Compensation Committee and Finance Committee. Mr. Stockton has been actively involved with the Toy Industry Association since 2004, having been a member of the Board of Directors (served as its Chairman from 2010-2012) and currently serving as a Board Advisor. In addition, Mr. Stockton currently serves as a member of the President s Advisory Council at Otis College of Arts & Design (since April 2011), the UCLA Anderson School Board of Visitors (since August 2012) and the 2015 Special Olympics World Summer Games Los Angeles Board of Directors (since June 2012).

Key Experience/Director Qualifications:

Mr. Stockton brings to Mattel s Board decades of international business and global consumer products brand management experience as well as a deep understanding of Mattel s business. Mr. Stockton also provides Mattel s Board with invaluable leadership, international, marketing, mergers and acquisitions, financial, operations and general management experience.

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DIRK VAN DE PUT

Age: 53

Director Since: 2011

Audit Committee

Mr. Van de Put has served as President and Chief Executive Officer of McCain Foods Limited, an international leader in the frozen food industry, since July 2011. From May 2010 to July 2011, he served as Chief Operating Officer of McCain Foods, and he has served on the Board of Directors of McCain Foods since May 2010. From September 2009 to May 2010, he served as President of the Global Over-the-Counter, Consumer Health division of Novartis AG, a world leader in innovative healthcare products, research and development. From 2007 to 2009, he served as President of the Americas division at Groupe Danone, a leader in the food industry in packaged water, dairy and baby food products. Mr. Van de Put served as President of the Latin America division at Groupe Danone from 1998 to 2007. In 1998, Mr. Van de Put served as President of the Caribbean division of The Coca-Cola Company and served as Vice President of the Value Chain Management, Brazil division of The Coca-Cola Company from 1997 to 1998. Mr. Van de Put holds a doctorate in veterinary medicine from the University of Ghent and an MBA from the University of Antwerp.

Other Directorships/Advisory Affiliations:

Mr. Van de Put serves on the Board of Directors of the Consumer Goods Forum, a worldwide organization that represents hundreds of consumer product good companies and grocery retailers (since 2013).

Key Experience/Director Qualifications:

As a currently-serving President, Chief Executive Officer and member of the Board of Directors of a large, multinational corporation, Mr. Van de Put has invaluable management, finance, leadership, international, global retail and operations expertise. Mr. Van de Put contributes to Mattel s Board extensive and diversified management experience in large public and private companies in the global retail and consumer packaged goods industries. Mr. Van de Put also brings all of this experience to Mattel s Audit Committee where he serves, along with Messrs. Sinclair, Prabhu and Ng, as one of the Committee s four Audit Committee Financial Experts.

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PROPOSAL 1 ELECTION OF DIRECTORS

KATHY WHITE LOYD

Age: 64

Director Since: 2001

Audit Committee

Compensation Committee

Ms. White Loyd founded the Horizon Institute of Technology in 2002. Horizon is an educational institution dedicated to promoting academic excellence in the field of computer science. She also founded Rural Sourcing, Inc., an information technology services provider, in 2003. Ms. White Loyd served as Executive Vice President, e-business and Chief Information Officer of Cardinal Health, Inc. from 1999 to 2003, where she was responsible for directing the company s strategic use of information systems and the e-business organization. From 1996 to 1999, Ms. White Loyd was Senior Vice President and Chief Information Officer for Allegiance Corporation, which merged with Cardinal Health, Inc. in 1999. From 1981 to 1991, she was a tenured professor of information technology at the Bryan School of Business at the University of North Carolina. Ms. White Loyd holds a bachelor s degree in Business Education and an MBA from Arkansas State University and an Ed.D. in Business Education from the University of Memphis.

Other Directorships/Advisory Affiliations:

Ms. White Loyd has served on the Board of Directors of Novell, Inc. (2003-2010), where she was a member of its Compensation and Corporate Governance Committees. She also served on the Board of the University of North Carolina Educational Foundation (2005-2009).

Key Experience/Director Qualifications:

As a former Chief Information Officer and one of the country s most respected information management leaders, Ms. White Loyd provides Mattel s Board with unique insights into the strategic use of information technology as a competitive advantage. Such experience and her public company experience make Ms. White Loyd an important contributor to the Board and the Audit Committee and Compensation Committee on which she serves as a member.

Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES NAMED HEREIN FOR ELECTION AS DIRECTORS.

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THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Director Independence

Nasdaq requires each Nasdaq-listed company to have a board of directors comprised of at least a majority of independent directors. Generally, under Nasdaq rules, a director qualifies as independent if the director is not an executive officer or employee of the listed company and, as affirmatively determined by the Board, has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Nasdaq rules specify a number of categories of relationships between a director and a listed company that would make a director ineligible to be independent. Mattel s Board has adopted Corporate Governance Guidelines that include provisions regarding qualifications for director independence. The Corporate Governance Guidelines are available on Mattel s corporate website at http://corporate.mattel.com/about-us/guide.aspx. These provisions incorporate Nasdaq s categories of relationships between a director and a listed company that would make a director ineligible to be independent.

In accordance with Nasdaq rules and Mattel s Corporate Governance Guidelines, the Board has affirmatively determined that each of the current directors of Mattel, except Bryan G. Stockton, our CEO, has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is independent within the meaning of both Mattel s and Nasdaq s director independence standards, as currently in effect. Furthermore, the Board has determined that each of the members of our Audit Committee, Compensation Committee, and Governance and Social Responsibility Committee is independent within the meaning of Nasdaq director independence standards applicable to members of such committees. The Audit Committee members also meet the specific membership criteria for members of audit committees under the applicable Nasdaq and SEC rules. The Compensation Committee members also qualify as non-employee directors and outside directors within the meaning of Section 16 of the Securities and Exchange Act of 1934, as amended (Exchange Act) and the Internal Revenue Code, respectively.

In making these determinations, the Board considered, among other things, ordinary course commercial relationships with companies at which Board members then served as executive officers (including IMG Worldwide, Starwood Hotels and Resorts Worldwide, Inc. and Avery Dennison Corporation). The aggregate annual amounts involved in these commercial transactions were less than the greater of $200,000 or 5% of the annual consolidated gross revenues of these companies, and our Board members were not deemed to have a direct or indirect material interest in those transactions. The Board has determined that none of these relationships is material and that none of these relationships impairs the independence of any non-employee director.

Board Meetings

During 2013, the Board held five meetings. No director attended less than 75% of the aggregate of all Board meetings and all meetings held by any committee of the Board on which he or she served.

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THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Policy Regarding Attendance of Directors at the Annual Meeting of Stockholders

Each member of Mattel s Board is expected, but not required, to attend Mattel s annual meeting of stockholders. There were 11 directors at the time of the 2013 Annual Meeting of Stockholders, and 11 attended the meeting.

Board Committees

Our Board has established six principal committees: the Audit Committee, the Governance and Social Responsibility Committee, the Compensation Committee, the Executive Committee, the Finance Committee and the Equity Grant Allocation Committee. Each of the Audit Committee, the Governance and Social Responsibility Committee and the Compensation Committee has a written charter that is reviewed annually and revised as appropriate. A copy of each of these committees current charter is available on our website at http://corporate.mattel.com/about-us/bios.aspx.

The current chairs and members of the committees are identified in the following table.

Director	Audit Committee	Governance and Social Responsibility Committee	Compensation Committee	Executive Committee	Finance Committee	Equity Grant Allocation Committee
Non-Employee Directors						
Michael J. Dolan		M	C	M		
Trevor A. Edwards		M				
Dr. Frances D. Fergusson		C		M	M	
Dominic Ng	M				M	
Vasant M. Prabhu	M				M	
Dr. Andrea L. Rich		M	M			
Dean A. Scarborough			M	M	C	
Christopher A. Sinclair*	C			C		
Dirk Van de Put	M					
Kathy White Loyd	M		M			
Employee Director						
Bryan G. Stockton						M

C Chair

M Member

* Independent lead director

Audit Committee

Mattel s Audit Committee is chaired by Mr. Sinclair and includes Mr. Ng, Mr. Prabhu, Mr. Van de Put and Ms. White Loyd as members. The Board has determined that each member of the Audit Committee meets the SEC and Nasdaq independence requirements for members of audit committees. The Board has further determined that each member of the Audit Committee satisfies the financial sophistication requirements of the Nasdaq listing standards, and that Mr. Sinclair, the Chair of the Audit Committee, and Messrs. Ng, Prabhu and Van de Put are all Audit Committee Financial Experts, as such term is defined under SEC rules.

During 2013, the Audit Committee held 12 meetings.

The purpose of the Audit Committee is to provide assistance to the Board in fulfilling the Board s oversight responsibilities regarding:

- The quality and integrity of Mattel s financial reports;
- The independence, qualifications and performance of Mattel s independent registered public accounting firm;
- The performance of Mattel s internal audit function; and
- Mattel s compliance with legal and regulatory requirements.

The Audit Committee has the sole authority to appoint or replace the independent registered public accounting firm. The committee is directly responsible for the compensation and oversight of the work of the independent registered public accounting firm for the purpose of preparing or issuing an audit report or related work. The independent registered public accounting firm reports directly to the committee.

The Audit Committee meets periodically, in separate executive sessions, with management, the Chief Legal Officer, the senior internal auditing officer and the independent registered public accounting firm. The committee may request any officer or employee of Mattel or Mattel s outside counsel or independent registered public accounting firm to attend a meeting of the committee or to meet with any members of, or consultants to, the committee. The committee has the authority to retain independent legal, accounting or other advisors, to the extent it deems necessary or appropriate.

Additional duties and responsibilities of the Audit Committee are outlined in the committee s charter, and include the following:

- To pre-approve audit services, internal-control-related services and permitted non-audit services to be performed for Mattel by its independent registered public accounting firm;
- To meet with the independent registered public accounting firm and management in connection with each annual audit to discuss the scope of the audit and the procedures to be followed;
- To review and discuss Mattel s quarterly and annual financial statements with management, the independent registered public accounting firm and the internal audit group;

To discuss with management and the independent registered public accounting firm Mattel s practices with respect to risk assessment, risk management and critical accounting policies;

To review periodically with the Chief Legal Officer the implementation and effectiveness of Mattel s compliance and ethics programs; and

To discuss periodically with the independent registered public accounting firm and the senior internal auditing officer the adequacy and effectiveness of Mattel s accounting and financial controls, and consider any recommendations for improvement of such internal control procedures.

Governance and Social Responsibility Committee

Mattel has a Governance and Social Responsibility Committee chaired by Dr. Fergusson that includes Mr. Dolan, Mr. Edwards and Dr. Rich as members. All of the members of the committee are independent directors.

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THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

During 2013, the Governance and Social Responsibility Committee held five meetings.

The primary purposes of the Governance and Social Responsibility Committee are:

- To assist the Board by identifying individuals qualified to become Board members, consistent with the criteria approved by the Board, and to select, or to recommend that the Board select, the director nominees for the next annual meeting of stockholders;
- To assist the Board in evaluating potential executive candidates in succession planning;
- To develop and recommend to the Board the Corporate Governance Guidelines applicable to Mattel;
- To lead the evaluation of the Board s performance;
- To evaluate, and make recommendations to the Board regarding, the independence of the Board members;
- To recommend to the Board nominees for each committee;
- To assist the Board with oversight and review of social responsibility matters such as sustainability, corporate citizenship, community involvement, diversity and equal opportunity matters, global manufacturing principles, public policy matters and environmental, health and safety issues; and
- To provide oversight with regard to philanthropic activities.

The committee also works closely with the Chief Executive Officer and other members of Mattel s management to assure that the Company is governed effectively and efficiently, and has additional authority and responsibilities as specified in its charter.

Compensation Committee

Mattel has a Compensation Committee chaired by Mr. Dolan that includes Dr. Rich, Mr. Scarborough and Ms. White Loyd as members. All of the members of the committee are independent directors. We intend that the members also qualify as outside directors within the meaning of Section 162(m) of the Internal Revenue Code and as non-employee directors within the meaning of the SEC s Rule 16b-3.

During 2013, the Compensation Committee held six meetings.

The purpose of the Compensation Committee is to develop, evaluate and, in certain instances, approve or determine the compensation plans, programs and practices of Mattel. The committee has the authority to undertake and may exercise all of the powers of the Board with respect to the specific responsibilities listed in the committee s charter, including:

Approving all forms of compensation to be provided to the Chief Executive Officer and executives in the executive leadership job level and above (Senior Vice Presidents and above) in Mattel s compensation structure;

Annually reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer, and reviewing and evaluating the Chief Executive Officer s performance;

Administering Mattel s short- and long-term incentive programs and equity compensation plans;

Reviewing the form and amount of non-employee Board of Directors compensation; and

Assessing material risks associated with our compensation structure, programs and practices generally.

In performing its duties, the Compensation Committee reports and, as appropriate, makes recommendations to the Board regarding executive compensation programs and practices. The Compensation Committee also informs the non-management directors of the Board of its decisions regarding compensation for the Chief Executive Officer and other senior executives and, at times, refers its decisions to the Board for ratification.

The Compensation Committee has access to, and in its discretion may meet with, any officer or other employee of Mattel or its subsidiaries. The committee meets at least once each calendar year without the Chief Executive Officer present, and often has executive sessions where no Mattel officer or employee is present. The committee may use the services of Mattel s regular corporate legal counsel with respect to legal matters or, in its discretion, retain other legal counsel if it determines that such counsel is necessary or appropriate under the circumstances.

The Compensation Committee may, in its discretion, use a compensation consultant or other professional or expert to provide data and advice to the committee regarding the compensation of executives of Mattel and to assist the committee in performing its other responsibilities. The retention and, where appropriate, termination of any such compensation consultant are at the Compensation Committee s sole discretion, and such decisions are made without the participation of any officer or other member of Mattel management. The Compensation Committee, in its sole discretion, approves the fees to the compensation consultant and any other terms related to the consultant s engagement. The terms of the Compensation Committee s charter require its compensation consultant to be independent, meaning it is free from any relationship with Mattel or its officers or other members of management that the committee determines, in its sole discretion, would interfere in the exercise of the independent judgment of the compensation consultant. In determining the independence of the compensation consultant, the terms of the Compensation Committee s charter require it to consider the nature and extent of any services provided by the consultant to Mattel or to any executive or management of Mattel, other than at the committee s discretion, and such other factors as the committee is required to consider pursuant to Nasdaq standards in effect from time to time.

The Compensation Committee has retained Frederic W. Cook & Co., Inc. (Cook & Co.) as its independent compensation consultant since August 2007 to provide the committee with advice and guidance on the design of Mattel s executive compensation programs and the evaluation of our executive compensation. Cook & Co. has not performed and does not currently provide any services to management or Mattel. Each year the Compensation Committee reviews the independence of the compensation consultants and other advisors who provide advice to the Compensation Committee, employing the independence factors specified in the Nasdaq listing standards. The Compensation Committee has determined that Cook & Co. is independent within the meaning of the committee s charter and Nasdaq listing standards, and the work of Cook & Co. for the committee does not raise any conflicts of interest. Cook & Co. attends Compensation Committee meetings and meets with the Compensation Committee without management. They provide the Compensation Committee with third-party data and analysis and advice and expertise on competitive compensation practices and trends, executive compensation plan and program design, and proposed executive and director compensation. Cook & Co. reports directly to the committee and, as directed by the

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THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

committee, works with management and the Chairman of the committee. In 2013, Cook & Co. assisted the Compensation Committee on the following matters:

- Analyzing and advising on:
  - the base salaries, target and actual annual incentives, bonus leverage, long-term incentives, target and actual total direct compensation and all other compensation for our Chief Executive Officer and his direct reports as compared to the compensation of their counterparts at our comparator peer companies;
  - our annual incentive plan design, provisions and practices; and
  - our long-term incentive design, provisions and practices;
- Reviewing and advising regarding our comparator peer companies;
- Evaluating the specific elements of compensation of our Chief Executive Officer and his direct reports;
- Assessing the risks of our compensation structure, programs and practices;
- Reviewing and advising regarding our Compensation Recovery Policy;
- Reviewing and advising on our 2013 Proxy Statement;
- Providing the Compensation Committee with executive compensation regulatory and legislative updates; and
- Advising regarding institutional advisers voting policies and market trends.

The Compensation Committee retains its authority over, and is responsible for, all compensation decisions.

Other Board Committees

Mattel has an **Executive Committee** chaired by Mr. Sinclair that includes Mr. Dolan, Dr. Fergusson and Mr. Scarborough as members. During 2013, the Executive Committee held no meetings. The Executive Committee may exercise all the powers of the Board, subject to limitations of applicable law, between meetings of the Board.

Mattel has a **Finance Committee** chaired by Mr. Scarborough that includes Dr. Fergusson, Mr. Ng and Mr. Prabhu as members. During 2013, the Finance Committee held five meetings. The committee s primary functions are to advise and make recommendations to the Board with regard to Mattel s use of available capital, including but not limited to dividends to stockholders, mergers and acquisitions and stock repurchase programs.

Mattel has an **Equity Grant Allocation Committee** with Mr. Stockton as the current sole member. The Equity Grant Allocation Committee s primary function is to exercise the limited authority delegated to the committee by the Board and the Compensation Committee with regard to making annual and off-cycle equity compensation grants pursuant to Mattel s 2010 Equity and Long-Term Compensation Plan to employees below the executive leadership job level.

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Board Leadership Structure

Effective as of January 1, 2013, Bryan G. Stockton, Mattel s Chief Executive Officer, succeeded Robert A. Eckert as Chairman of the Board following Mr. Eckert s retirement as a director of Mattel. Mattel s corporate governance documents provide the Board with maximum flexibility to select the appropriate leadership structure for the Company. The Board strongly believes at this time that the most effective Board leadership structure is Mr. Stockton serving as both Board Chairman and Chief Executive Officer and Mr. Sinclair serving as the Board s independent lead director. As discussed below, the Board believes that this leadership structure at the present time strikes the optimal balance between unified leadership and effective independent oversight.

Mattel s business is complex, and its products are sold throughout the world. Especially in this challenging economy, the Board believes that it is best for Mattel and its stockholders to have the same individual serve as Chairman and Chief Executive Officer. First, this structure promotes efficient Board meetings. A combined Chairman and Chief Executive Officer acts as a bridge between management and the Board, encouraging, along with the independent lead director, strong information flows so that both groups act with a common purpose. Second, this structure facilitates short-term crisis management and long-term strategic planning. The Chief Executive Officer has an in-depth knowledge of Company operations, as well as the industries and markets in which Mattel competes. As such, the Board believes that Mr. Stockton, rather than an outside director, is in the best position to bring valuable insights, business issues and market opportunities and risks to the Board s attention for review and deliberation. Third, this Board leadership structure promotes decisive, unified leadership. With a combined Chairman and Chief Executive Officer, there is clarity about responsibility and accountability. Most importantly, combining the role of Chairman and Chief Executive Officer builds a cohesive corporate culture, allowing Mattel to speak with a single voice both inside and outside the Company.

The Board also recognizes the importance of strong independent Board leadership. Mattel s Corporate Governance Guidelines require that the independent directors select an independent lead director when the Chairman is not independent. The independent directors have selected Mr. Sinclair to serve as the independent lead director. The Board believes that the independent lead director provides the same independent leadership, oversight and benefits for the Company and Board that would be provided by an independent Chairman. The independent lead director s duties include the following significant responsibilities:

- Presides at all meetings of the Board at which the Board Chairman is not present, including executive sessions of the independent directors;

- Serves as liaison between the Board Chairman and the independent directors;

- Approves information sent to the Board;

Approves meeting agendas for the Board;

Approves schedules of meetings to assure that there is sufficient time for discussion of all agenda items;

Has the authority to call meetings of the independent directors; and

If requested by major stockholders, ensures that he is available for consultation and direct communication.

Consistent with its commitment to good corporate governance practices, the Board evaluates the Board s leadership structure periodically as well as whenever it elects a new Chief Executive Officer. As part of this

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evaluation, the Board assesses which leadership structure is in the best interests of the Company and its stockholders and retains the authority to select a different leadership structure, including separating the positions of Chairman and Chief Executive Officer. For example, when Robert A. Eckert stepped down as Chief Executive Officer in December 2011 and was succeeded by Mr. Stockton, Mattel s Board decided that Mr. Eckert should continue to serve as Chairman of the Board in order to facilitate continuity of Mattel s senior leadership and so that the Board would continue to benefit from Mr. Eckert s substantial knowledge of the operations, opportunities and challenges of Mattel and the industries in which it competes.

Board Risk Oversight

Role of Full Board in Risk Oversight

The full Board is responsible for overseeing Mattel s ongoing assessment and management of risks impacting Mattel s business. The Board engages in risk oversight throughout the year as a matter of course in fulfilling its role overseeing management and business operations, and specifically focuses on risks at one meeting held each year. The Board relies on Mattel s management to identify and report on material risks, and relies on each of the Board s committees to oversee management of specific risks related to each committee s function.

Role of Management in Risk Oversight

Consistent with their role as active managers of Mattel s business, our senior executive officers play the most active role in risk management, and the Board looks to such officers to keep the Board apprised on an ongoing basis about risks impacting Mattel s business and how such risks are being managed. Each year as part of Mattel s risk evaluation process performed by its internal audit team, Mattel s most senior executive officers, including the Chief Legal Officer, provide input regarding material risks facing the business group or function that each manages. These risks are reviewed with the Audit Committee as part of seeking its approval of the internal audit plan for the next year, and later presented to the full Board along with a discussion of Mattel s strategy for managing these risks. Since much of the Board s risk oversight occurs at the committee level, Mattel believes that this annual process is important to ensure that all directors are aware of Mattel s most material risks.

Role of Board Committees in Risk Oversight

The Board s committees assist the full Board in overseeing many of the risks facing Mattel s business.

The Audit Committee discusses with management Mattel s material financial reporting and accounting risk exposures and the steps management has taken to monitor and control such exposures, including Mattel s risk assessment and risk management policies and procedures. The Audit Committee is also responsible for overseeing Mattel s compliance risk, which includes risk relating to compliance with laws and regulations, policies and procedures.

The Compensation Committee oversees any risks presented by Mattel s compensation programs and practices, including those that may relate to pay mix, range and sensitivity of performance-based variable plans, selection of performance measures, goal setting process, and the checks and balances on the payment of compensation. See Compensation Risk Review for a more detailed description of the Compensation Committee s review of potential pay risk.

The Finance Committee oversees risks relating to capital allocation and deployment, including Mattel s credit facilities and debt securities, capital expenditures, dividend policy, and mergers and acquisitions. The Finance Committee also oversees third party risk, which includes risks arising from customers, suppliers, subcontractors, creditors, debtors, counterparties in hedging transactions and others.

The Governance and Social Responsibility Committee oversees and reviews with management risks relating to: succession planning, environmental and health and safety compliance, sustainability, corporate citizenship, community involvement, diversity, equal opportunity, philanthropy and charitable contributions, stockholder proposals dealing with governance or social responsibility matters, and public policy and governmental relations.

Code of Conduct

Our Board has adopted a Code of Conduct, which is a general statement of Mattel s standards of ethical business conduct. The Code of Conduct applies to all of our employees, including our Chief Executive Officer and our Chief Financial Officer. Certain provisions of the Code of Conduct also apply to members of the Board in their capacity as Mattel s directors. The Code of Conduct covers topics including, but not limited to, conflicts of interest, confidentiality of information and compliance with laws and regulations. We intend to disclose any future amendments to certain provisions of our Code of Conduct, and any waivers of provisions of the Code of Conduct required to be disclosed under the rules of the SEC or listing standards of Nasdaq, on our website at http://corporate.mattel.com/about-us/ethics.aspx.

Communications with the Board

The independent directors of Mattel have unanimously approved a process by which stockholders of Mattel and other interested persons may send communications to any of the following: (a) the Board, (b) any committee of the Board, (c) the independent lead director or (d) the independent directors. Such communications should be submitted in writing by mailing them to the relevant addressee at the following address:

[Addressee]

c/o Secretary, Mail Stop M1-1516

Mattel, Inc.

333 Continental Boulevard

El Segundo, CA 90245-5012

Any such communications will be relayed to the Board members who appear as addressees, except that the following categories of communications will not be so relayed, but will be available to Board members upon request:

Communications concerning company products and services;

Solicitations;

Matters that are entirely personal grievances; and

Communications about litigation matters.

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THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Corporate Governance Documentation and How to Obtain Copies

Mattel is committed to having solid standards of corporate governance. Current copies of the following materials related to Mattel s corporate governance standards and practices are available publicly on Mattel s corporate website at http://corporate.mattel.com/about-us/corporate-governance.aspx.

Board of Directors Amended and Restated Guidelines on Corporate Governance;

Information on Board and Committee membership and biographies of Board members;

Audit Committee Charter;

Compensation Committee Charter;

Governance and Social Responsibility Committee Charter;

Code of Conduct;

Restated Certificate of Incorporation;

Amended and Restated Bylaws;

Director Nominations Policy;

Audit Committee Complaint Procedure;

Policy on Adoption of a Shareholder Rights Plan; and

Golden Parachute Policy.

A copy of any or all of these documents may also be obtained, free of charge, by mailing a request in writing to: Secretary, Mail Stop M1-1516, Mattel, Inc., 333 Continental Boulevard, El Segundo, CA 90245-5012.

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AUDIT MATTERS

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission (SEC) or subject to Regulations 14A or 14C of the Securities Exchange Act of 1934, as amended (Exchange Act), or the liabilities of Section 18 of the Exchange Act. The Report of the Audit Committee shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent Mattel specifically incorporates it by reference.

The Audit Committee s responsibility is to assist the Board in its oversight of:

- the quality and integrity of Mattel s financial reports;
- the independence, qualifications and performance of PricewaterhouseCoopers LLP (PwC), Mattel s independent registered public accounting firm;
- the performance of Mattel s internal audit function; and
- the compliance by Mattel with legal and regulatory requirements.

Management of Mattel is responsible for Mattel s consolidated financial statements as well as Mattel s financial reporting process, disclosure controls and procedures, and internal control over financial reporting.

PwC is responsible for performing an integrated audit of Mattel s annual consolidated financial statements and of its internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed with management, the senior internal auditing officer of Mattel, and PwC, the audited financial statements of Mattel as of and for the year ended December 31, 2013 and Management s Report on Internal Control Over Financial Reporting. Management has confirmed to the Audit Committee that, as required by Section 404 of the Sarbanes-Oxley Act, management has evaluated the effectiveness of Mattel s internal control over financial reporting using the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this evaluation, management concluded that Mattel s internal control over financial reporting was effective as of December 31, 2013.

PwC has expressed its opinion that:

Mattel s consolidated financial statements present fairly, in all material respects, its financial position as of December 31, 2013 and 2012, and its results of operations and cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America; and

Mattel has maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* issued by COSO.

In addition, Mattel s Chief Executive Officer and Chief Financial Officer reviewed with the Audit Committee, prior to filing with the SEC, the certifications that were filed pursuant to the requirements of the Sarbanes-

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REPORT OF THE AUDIT COMMITTEE

Oxley Act and the disclosure controls and procedures management has adopted to support the certifications. The Audit Committee periodically meets in separate executive sessions with management, the Chief Legal Officer, the senior internal auditing officer and PwC. Each of PwC, the senior internal auditing officer, the Chief Financial Officer and the Chief Legal Officer has unrestricted access to the Audit Committee.

The Audit Committee has discussed with PwC the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees , as adopted by the Public Company Accounting Oversight Board (the PCAOB). In addition, the Audit Committee has received the written disclosures and the letter from PwC required by the PCAOB regarding the firm s independence from Mattel and has also discussed with PwC the firm s independence from Mattel.

The Audit Committee has also considered whether PwC s provision of non-audit services to Mattel is compatible with maintaining the firm s independence from Mattel.

The members of the Audit Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving accounting or auditing, including the subject of auditor independence. As such, it is not the duty of the Audit Committee to plan or conduct audits or to determine that Mattel s consolidated financial statements fairly present Mattel s financial position, results of operations and cash flows and are in conformity with accounting principles generally accepted in the United States of America and applicable laws and regulations. Each member of the Audit Committee is entitled to rely on:

- the integrity of those persons within Mattel and of the professionals and experts (such as PwC) from which the Audit Committee receives information;

- the accuracy of the financial and other information provided to the Audit Committee by such persons, professionals or experts absent actual knowledge to the contrary; and

- representations made by management or PwC as to any information technology services of the type described in Rule 2-01(c)(4)(ii) of Regulation S-X and other non-audit services provided by PwC to Mattel.

Based on the reports and discussions described above, the Audit Committee recommended to the Board that the audited financial statements be included in Mattel s Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the SEC.

AUDIT COMMITTEE

Christopher A. Sinclair (Chair)

Dominic Ng

Vasant M. Prabhu

Dirk Van de Put

Kathy White Loyd

March 26, 2014

FEES INCURRED FOR SERVICES BY PRICEWATERHOUSECOOPERS LLP

The following table summarizes the fees accrued by Mattel for audit and non-audit services provided by PricewaterhouseCoopers LLP during fiscal years 2013 and 2012:

Fees	2013	2012
Audit fees[1]	$ 7,303,000	$ 7,156,000
Audit-related fees[2]	$ 212,000	$ 267,000
Tax fees[3]	$ 1,926,000	$ 3,494,000
All other fees		
Total	$ 9,441,000	$ 10,917,000

(1) Audit fees consisted of fees for professional services provided in connection with the integrated audit of Mattel s annual consolidated financial statements and the audit of internal control over financial reporting, the performance of interim reviews of Mattel s quarterly unaudited financial information, comfort letters, consents and statutory audits required internationally.

(2) Audit-related fees consisted primarily of agreed upon procedures engagements and the audits of employee benefit plans.

(3) Tax fees principally included (i) tax compliance and preparation fees (including fees for preparation of original and amended tax returns, claims for refunds and tax payment-planning services) of $783,000 for 2013 and $865,000 for 2012, and (ii) other tax advice, tax consultation and tax planning services of $1,143,000 for 2013 and $2,629,000 for 2012.

The Audit Committee charter provides that the Audit Committee pre-approves all audit services and permitted non-audit services to be performed for Mattel by its independent registered public accounting firm, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act.

In addition, consistent with SEC rules regarding auditor independence, the Audit Committee has adopted a Pre-Approval Policy, which provides that the Audit Committee is required to pre-approve the audit and non-audit services performed by our independent registered public accounting firm. The Pre-Approval Policy sets forth procedures to be used for pre-approval requests relating to audit services, audit-related services, tax services and all other services and provides that:

The term of the pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period or the services are specifically associated with a period in time;

The Audit Committee may consider the amount of estimated or budgeted fees as a factor in connection with the determination of whether a proposed service would impair the independence of the registered public accounting firm;

Requests or applications to provide services that require separate approval by the Audit Committee are submitted to the Audit Committee by both the independent registered public accounting firm and the Chief Financial Officer or Controller, and must include a joint statement as to whether, in their view, the request or application is consistent with the rules of the SEC on auditor independence;

The Audit Committee may delegate pre-approval authority to one or more of its members, and if the Audit Committee does so, the member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting; and

The Audit Committee does not delegate to management its responsibilities to pre-approve services performed by the independent registered public accounting firm.

All services provided by our independent registered public accounting firm in 2013 were pre-approved in accordance with the Audit Committee s Pre-Approval Policy.

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COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION DISCLOSURE

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis (CD&A) describes our executive compensation programs for our 2013 fiscal year named executive officers (NEOs), who were:

Bryan G. Stockton, our Chairman of the Board & Chief Executive Officer;

Kevin M. Farr, our Chief Financial Officer;

Timothy J. Kilpin, our Executive Vice President, Global Brands Team Boys & Girls;

Geoff M. Massingberd, our Executive Vice President, International; and

Robert Normile, our Executive Vice President, Chief Legal Officer & Secretary.

Corporate Objectives and Strategies

Our corporate objectives are to grow our share in the marketplace, continue to improve our operating margins and create long-term stockholder value. To achieve these objectives, management has established the following strategies:

The first strategy is to **deliver consistent growth** by investing in our core brands, optimizing entertainment partnerships, building new franchises, and working to expand and leverage our international footprint.

The second strategy is to **optimize operating margins** through sustaining gross margins within the low-to-mid 50% range in the near-term and above 50% in the long-term, and delivering on cost savings initiatives.

The third strategy is to **generate significant cash flow** and continue our disciplined, opportunistic and value-enhancing deployment.

Compensation Programs

Our compensation programs are designed to:

- Reward strong Company financial performance and stock price appreciation, consistent with our corporate objectives;
- Link pay opportunity to Company performance, focusing on pay for performance;
- Provide responsible and balanced incentives;
- Attract and retain high-caliber executive leadership;
- Provide competitive compensation within the consumer products market; and
- Be mindful of the concerns of our stockholders and good governance practices.

Strong Say-On-Pay Support

Our stockholders approved the 2012 compensation

of our NEOs with over 96% approval.

In light of this overwhelming support of our 2012 say-on-pay stockholder advisory vote and the tie between our compensation opportunities and our financial and stock price performance, our Compensation Committee made no significant changes to the overall design of our compensation programs during 2013. Our Compensation Committee will continue to work to ensure that management s interests are aligned with our stockholders interests to support long-term value creation.

EXECUTIVE SUMMARY

2013 Financial Performance

Our 2013 financial performance was less than anticipated, due in part to fourth quarter US market sales not meeting expectations; however, we expanded our gross margins, saw our stock price increase

and provided additional value to our stockholders through increased return of cash.

During 2013, we paid annual total dividends of $1.44 per share, which reflects an increase of over 16% from 2012, and we repurchased 11 million shares of our common stock at a cost of approximately $469 million (increased from $78 million in 2012).

Our stock price increased from $36.62 to $47.58 during 2013 (from December 31 to December 31), reflecting a one-year Total Stockholder Return[1] (TSR) of over 34% compared to our peer group one-year median TSR of 37%.

Our stock appreciation also yielded a three- and five-year TSR of 28% and 29%, respectively. This compares to our peer group three- and five-year median TSR of 22% and 21%, respectively.

[1] Total Stockholder Return represents the annualized rate of return reflecting price appreciation plus reinvestment of monthly dividends and the compounding effect of dividends paid on reinvested dividends over such period.

Our stock price appreciation and ability to return cash to our stockholders was due in large part to our strong balance sheet and our ability to continue to deploy capital effectively. Some of our key financial performance measures are illustrated in the following table.

Financial Measure	2013	2012	Percentage Chang
Net Sales	$6.48 billion	$6.42 billion	1%
Operating Income	$1.17 billion	$1.02 billion	14%[1]
Earnings per share (EPS)	$2.58	$2.22	16%[1]
Net cash flow from operations	$698 million	$1.28 billion	(45%)

[1] The 2012 results reflect a litigation charge arising from the litigation between Mattel and MGA Entertainment, Inc., which resulted in reductions to operating income and net income of $137.8 million and $87.1 million, respectively (Litigation Charge). The Litigation Charge also negatively impacted earnings per share by $0.25 per share.

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Pay-for-Performance Alignment

We believe that our executive compensation programs have been effective at

incentivizing results by appropriately aligning pay and performance.

The following table demonstrates our pay-for-performance model by showing our CEO s total direct compensation (TDC) (comprised of base salary, annual cash incentive under the Mattel Incentive Plan (MIP) and equity-based long-term incentives (LTIs) as reported in the Summary Compensation Table) against the changes to Mattel s indexed TSR over the last five fiscal years. The compensation shown below is for Mr. Eckert as our CEO through 2011, and for Mr. Stockton as our CEO since January 1, 2012.

* The number shown above as the indexed TSR for each year is based on the dollar amount a stockholder would have held at the end of the indicated fiscal year assuming that such stockholder invested $100 in Mattel common stock on December 31, 2008.

2013 Annual Cash and Equity-Based LTIs Linked to Performance

We believe a significant percentage of incentive compensation should be

in the form of at risk pay tied to our measurable performance.

Consistent with this focus, the largest portion of our executives compensation is in the form of performance-based annual cash incentive under the MIP and equity-based LTIs. Our equity-based LTIs are comprised of long-term performance-based restricted stock units (Performance RSUs), stock options and time-vested restricted stock units (RSUs).

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Our Annual Cash Incentives Emphasize Profitability, Cash and Working Capital Management

Under our annual cash incentive plan, the MIP, we evaluate our Company performance based on three measures that we believe drive value for our stockholders:

- Adjusted Operating Profit used for planning, forecasting and assessing the core operating performance of our business;
- Adjusted Free Cash Flow used to evaluate the effectiveness of our operations to generate cash that is available to finance our operations and enhance stockholder returns through our strong quarterly dividends, strategic acquisitions and investments and share repurchases; and
- Gross Profit as a Percentage of Net Sales a key measure of the underlying strength of our operating performance and the strength of our brands in the market place, as well as reflective of our overall ability to price for innovation and manage costs.

In 2013, under the MIP, we achieved:

- 52.5% of target for our annual adjusted operating profit goal (39.4% after 75% weighting);
- 121.2% of target for our annual adjusted free cash flow goal (30.3% after 25% weighting); and
- annual gross profit as a percentage of net sales of 53.6%, resulting in a 121.9% multiplier of the amounts earned under the first two financial measures.

Based on this Company performance, the annual incentive payouts to our NEOs based on our Company performance resulted in an earned payout of 85.0% of target MIP opportunity, which was reduced in the discretion of the Compensation Committee to 72.0% of target MIP opportunity. This discretionary reduction was based in part on the recommendation of our CEO, in light of our overall financial performance relative to net sales and operating results and to better align earnouts of our NEOs with other senior executives. Messrs. Stockton, Farr and Normile accordingly received an annual incentive payout of 72% of target MIP opportunity for 2013. Mr. Kilpin s MIP opportunity was based 50% on Company performance, 35% on Global Brands Team - Boys & Girls (GBT Boys & Girls) performance and 15% on Worldwide Mattel Brands performance. Mr. Massingberd s MIP opportunity was based 50% on Company performance, 35% on International Division performance and 15% on Worldwide Mattel Brands performance. Based on the performance of the GBT Boys & Girls (84.3% of target), International Division (123.3% of target) and Worldwide Mattel Brands (0% of target), Mr. Kilpin s payout was 62.2% of his target MIP opportunity, and Mr. Massingberd s payout was 75.8% of his target MIP opportunity.

Our Equity-Based Performance RSUs Emphasize TSR, Net Sales, Operating Results and Capital Deployment

Our Long-Term Incentive Program (LTIP) is for a select group of our senior executives under which every three years we grant Performance RSUs that vest based on our annual financial performance (performance-related component) and our stock performance (market-related component) over the three-year performance cycle. We believe that granting Performance RSUs every three years, rather than annually with overlapping cycles, provides greater emphasis on the connection between our performance and the compensation paid to our executives, focuses our executives on specific financial and stock performance goals, provides greater retention value and aligns more closely with our three-year business planning cycle.

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The measures for the 2011-2013 Performance RSUs are:

- Annual Net Operating Profit After Taxes, Less a Capital Charge (NOPAT-CC) focuses our executives on improving operating profits while effectively deploying capital and ultimately creating value for stockholders;

- Annual Net Sales added for the 2011-2013 LTIP performance cycle and reflects the underlying momentum and growth of our business; and

- Relative Three-Year TSR underscores the connection between executive pay and stockholders interests by measuring our ability to provide greater return to our stockholders than other companies, as compared to the TSR of the companies in the S&P 500.

The financial performance goals (NOPAT-CC and annual net sales) under the performance-related component are separately established and measured for each year of the three-year performance cycle and then averaged together at the end of the three-year period, while the market-related component, or TSR, is measured over the full three-year performance cycle. Our Performance RSUs are denominated and paid in shares, which provides additional alignment with stockholders interests as the value of the shares will depend on our stock price. Dividend equivalents are paid in shares when and to the extent the Performance RSUs are earned and paid in shares.

Under our 2011-2013 LTIP, the 2013 annual performance-related component was achieved at 44.6% of target, based upon:

- 59.5% of target was achieved in respect of the NOPAT-CC goal (44.6% after 75% weighting); and

- threshold performance was not achieved with respect to the net sales goal (0% after 25% weighting).

As 2013 was the last year of the three-year performance cycle, the achievement of the 2013 annual financial performance measures was averaged with the achievements of the 2011 and 2012 annual financial performance measures and resulted in a 96.1% average earnout over the three-year performance cycle for the performance-related component. This three-year average performance earnout was then modified based on our strong achievement of TSR for the three-year performance cycle relative to companies in the S&P 500. Our TSR for the three-year performance cycle was at the 84th percentile of the S&P 500, and as a result the average performance earnout percentage was increased by 50 percentage points. This resulted in a total LTIP earnout of 146.1% of the target number of shares earned during the three-year performance cycle. Dividend equivalent shares were issued in an amount equal to 11% of the Performance RSUs earned.

Pay Mix Tied To Measurable Performance and Stockholders Interests

We believe our pay mix should promote alignment with stockholders interests and provide the greatest emphasis on long-term performance.

Our Compensation Committee has designed and developed our executive compensation programs so that a significant percentage of annual compensation is delivered in the form of equity, rather than cash, which promotes alignment with stockholders interests and creates incentives for long-term performance. A substantive portion of the total target direct compensation for our NEOs, ranging between approximately 70% to 87%, is performance-based and at risk. The charts below show the total target direct compensation mix for 2013 for Mr. Stockton as CEO and the average for the other NEOs.

* Total Target Direct Compensation is the sum of annual base salary, annual incentive (MIP) target, annual LTI target value (i.e., annualized LTIP Performance RSU target value, plus annual target dollar value of stock options and time-vested RSUs see chart on page 57).

Our equity-based LTIs are a key component of our executive compensation, with awards ranging between approximately 50% and 66% of our NEOs compensation opportunities in 2013. Our equity programs include both long-term goals and multi-year vesting to create incentives for our executives to sustain performance over the long term, as well as to encourage retention.

Our equity-based LTIs have been designed as a portfolio mix of the following components:

- Performance RSUs awarded every three years under our LTIP, with shares earned based on a performance-related component, with annual goals for each year in the three-year performance cycle, and a three-year relative TSR market-related component;

- Stock options annual grants that have value only with stock price appreciation and continued service over time; and

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- Time-vesting RSUs annual grants that put significant value at risk and are effective as an ownership and retention tool.

We view stock options as performance-based, as by their nature they do not deliver any value or return to the executive unless there is appreciation in our stock price. We believe stock options align the executives interests with stockholders interests by providing the opportunity for executives to realize value only when our stock price increases. Time-vesting RSUs also align executives interests with stockholders interests as the value delivered corresponds to the market value of our common stock.

Good Governance and Best Practices

We are committed to having strong governance standards with respect to our compensation programs and practices that are mindful of the concerns of our stockholders.

What We Do

ü ***Compensation Recovery Policy*** In 2013, our Board adopted a Compensation Recovery Policy applicable to our Section 16 officers that permits our Compensation Committee **to require forfeiture or reimbursement** of certain cash and equity that was paid, granted or vested based upon the achievement of financial results that, when recalculated to include the impact of a material financial restatement, were not achieved, whether or not fraud or misconduct was involved.

ü ***Best Practices Executive Severance Plan (Severance Plan)*** Our Severance Plan provides consistent benefits among the participants and reflects current compensation best practices and trends, which include:

- **Double-trigger** equity acceleration for all equity awards;
- Severance benefit levels set at a **multiple of two times** of base salary and annual incentive for our CEO and participating NEOs; and
- Bonuses for the year of termination based on **actual performance**.

ü ***Meaningful Stock Ownership Guidelines*** Our guidelines align our executives long-term interests with those of our stockholders and discourage excessive risk-taking. Our guidelines have been revised, effective January 1, 2014, to require stock ownership levels as a value of Mattel shares equal to a multiple of base salary **(CEO at 6x, CFO at**

4x and other NEOs at 3x), consistent with market practices and with retention requirements until the ownership guidelines are met.

ü ***Total Target Direct Compensation at Median of Peer Group*** Target total direct compensation for our NEOs is aligned generally at the **median of our comparator peer group**.

ü ***Independent Compensation Consultant*** Our Compensation Committee engages its own **independent** compensation consultant, Frederic W. Cook & Co., Inc. (Cook & Co.), who performs an annual comprehensive market analysis of our executive compensation programs and pay.

ü ***Annual Risk Assessment*** Based on our annual risk assessment, our compensation programs **do not present any risk** that is reasonably likely to have a material adverse effect on Mattel.

ü ***Annual Comparator Peer Group Review*** Our Compensation Committee, in conjunction with Cook & Co., reviews the makeup of our comparator peer group annually and makes adjustments to the composition of the group as it deems appropriate.

What We Don t Do

Ñ***No Excise Tax Gross-Ups*** We do not provide any gross-ups of excise taxes on severance or other payments in connection with a change of control.

Ñ***No Continuation of Fringe Benefits*** We do not continue certain executive fringe benefits pursuant to our Severance Plan.

Ñ***No Tax Gross-Up Payments on Perquisites*** We do not provide tax gross-up payments other than in the limited circumstances for business-related relocations and related international tax compliance that are under our control, are at our direction, benefit our business operations and are generally available to other employees.

Ñ ***No Hedging or Pledging Permitted*** We generally do not permit our Board members, officers and employees to engage in hedging transactions or to pledge or use Mattel shares as collateral for loans.

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ELEMENTS OF COMPENSATION

Philosophy and Objectives

In the consumer products market where we compete for talent, base salary, annual cash incentive, equity-based LTIs, benefits and perquisites, and severance and change-of-control benefits are all components of a competitive and effective overall executive compensation package. The table below lists the elements of our executive compensation programs and how they relate to our philosophy and objectives.

Element of Compensation	Objective
Base Salary	Provide fixed income for financial certainty and stability Reward individual performance Attract and retain executives
Annual Cash Incentive	Incentivize and motivate executives to meet or exceed our short-term business and financial objectives Hold executives accountable for performance against financial performance goals Promote team orientation by encouraging participants in all areas of the Company to work together to achieve common Company goals Attract and retain executives
Equity-Based Long-Term Incentives Performance RSUs Stock Options Time-Vesting RSUs	Incentivize and motivate executives to achieve key long-term business strategies and objectives Align executives interests with stockholders interests Foster a long-term focus to increase stockholder value Encourage executive stock ownership Attract and retain executives
Benefits and Perquisites	Provide for safety and wellness of executives

	Provide income security for retirement Enhance executive productivity Attract and retain executives
Severance and Change-of-Control Benefits	Provide income security Allow our executives to continue to focus their attention on our business operations in the face of the potentially disruptive impact of a proposed change of control transaction and to assess takeover bids objectively without regard to the potential impact on their own job security Attract and retain executives

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Base Salary

Our Compensation Committee reviews the base salaries of our CEO and his direct reports at its first meeting of each year. Our CEO typically provides our Compensation Committee with his recommendation regarding merit increases to base salary for each of these executives other than himself. Merit increases to base salaries are driven primarily by our CEO s evaluation of individual performance, market competitive factors and our corporate merit budget. Our CEO s base salary is determined by our Compensation Committee in an executive session with input from Cook & Co., without the presence of our CEO.

Given our emphasis on performance-based compensation and because our salaries were already in a market competitive range, our CEO recommended, and our Compensation Committee determined, that none of our NEOs would receive a merit increase in base salary for 2013.

In light of 2013 financial performance, and to promote internal equity, our CEO recommended, and our Compensation Committee agreed, that there be no annual merit base salary increases for our NEOs for 2014.

Annual Cash Incentive

The MIP, our annual cash incentive plan, provides our NEOs and approximately 11,000 other global employees with the opportunity to earn annual cash incentive compensation based on achievement of our short-term financial and business objectives. The MIP:

- Links pay to performance and puts a meaningful portion of compensation at risk based on Company and business group financial success;
- Provides a competitive level of targeted annual pay to attract and retain key talent;
- Promotes team orientation by encouraging all areas of Mattel to work together to achieve common Company goals; and
- Provides appropriate reward leverage and risk for threshold to maximum performance.

Our Compensation Committee believes that it is important to have our corporate executives annual incentives tied to overall Company results and have business group leaders annual incentives additionally tied to the performance of the business groups that they manage and for which they are accountable, as shown in the table below. This table also shows the target MIP opportunities for 2013, expressed as a percentage of base salary, for each of our NEOs under the MIP.

Mr. Stockton s target MIP opportunity was increased from 130% to 150% of his base salary effective 2013 in connection with his assumption of the duties of Chairman of the Board, in lieu of base salary increases over the past two years, and to maintain market competitiveness. Messrs. Massingberd s and Kilpin s target MIP opportunities were increased for 2013 to 70% of base salary (from 65% for Mr. Massingberd and 60% for Mr. Kilpin) to reflect each of Mr. Massingberd s and Mr. Kilpin s division leadership job level within our internal compensation structure and to be more competitive within the market. Our internal compensation structure was realigned to the market in 2013 to recognize the scope of our key division leadership roles that have primary responsibility over our business groups. Messrs. Farr s and Normile s target MIP opportunities for 2013 were set at the same level as in 2012.

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Name	2013 Target MIP Opportunity as a % of Base Salary	2013 Performance Measure
Bryan G. Stockton	150%	100% Company
Kevin M. Farr	70%	100% Company
Timothy J. Kilpin	70%	50% Company 35% GBT Boys & Girls 15% WW Mattel Brands
Geoff M. Massingberd	70%	50% Company 35% International Division 15% WW Mattel Brands
Robert Normile	65%	100% Company

Under the MIP, actual annual incentives payable to our NEOs may be between 0% and 200% of the executive s target MIP opportunity, based on our attainment of the pre-established financial performance goals. Our Compensation Committee believes the structure of the MIP is market competitive and encourages behavior that benefits the Company and the business group or corporate function over which the executive has primary responsibility.

Company Performance Measures

At its March 2013 meeting, our Compensation Committee set the performance measures under the MIP for our NEOs, which measures were based on objective criteria intended to satisfy the performance-based compensation requirements under Section 162(m) of the Internal Revenue Code.

In order to focus our annual incentives on multiple performance measures that each drive stockholder value, our Compensation Committee adopted three Company-wide performance measures for the MIP, as set forth in the following table.

Measure		Definition	Purpose
Measures emphasize: profitability in absolute terms and as a percentage of revenue and cash and working capital management	**Adjusted Operating Profit** (75%)	Adjusted operating income, plus/minus non-operating income/expense	Plan and measure the core operating performance of our business and its profitability in absolute terms
	Adjusted Free Cash Flow (25%)	Adjusted cash flows from operating activities, less capital expenditures, such as purchases of tools, dies, molds, and other property, plant and equipment	Evaluate the effectiveness of our operations at generating cash that is available to finance our operations and enhance stockholder returns through our strong quarterly dividends, strategic acquisitions and investments and share repurchases
	Gross Profit as a Percentage of Net Sales (+/- percentage earned by up to 25% of percentage earned)	Gross profit dollars as a percentage of net sales	Measures the strength of our brands in the market place and the underlying strength of our operating performance; Measures our overall ability to price for innovation and input costs

Additionally, in order to improve alignment with stockholders interests and ensure that events outside the control of management do not unduly influence the achievement of the performance measures, actual results are adjusted for the impact of the adoption of new accounting pronouncements, impact of specified strategic initiatives, expenses, and unusual items. In 2013, actual results for these measures were adjusted for an intangible impairment, litigation costs and resolution of legal disputes, foreign exchange, severance payments, the devaluation of the Venezuelan currency and higher than planned cash tax payments.

The portion of our executives target MIP opportunities that is tied to these Company financial measures is based on an aggregate weighted performance payout percentage that may range between 0% and 200% of target annual incentive, determined in accordance with the following formula.

Adjusted Operating Profit	+	Adjusted Free Cash Flow x	Gross Profit as a Percentage of Net Sales
75% weighting		25% weighting	Increase/Decrease percentage earned by up to 25% of percentage earned
% Earned After Weighting		% Earned After Weighting	Effect of Multiplier
Threshold 30%		Threshold 10%	Threshold decrease by 25% earned
Target 75%		Target 25%	Target no change
Maximum 120%		Maximum 40%	Maximum increase by 25% earned

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For any annual cash incentive to be payable under the MIP, the Company s adjusted operating profit must be greater than the threshold established by our Compensation Committee at the beginning of the year. Presuming this threshold is achieved, without giving effect to the multiplier, performance under the MIP can result in percentages earned ranging from 30% for threshold performance (under only the adjusted operating profit measure) to a maximum of 160% for maximum performance under both financial measures. The multiplier based on our gross profit as a percentage of net sales results in increasing or decreasing the weighted total percentage earned by an amount up to 25% of such total percentage earned. As a result, the annual incentive opportunity, after giving effect to the potential multiplier, could range from 22.5% at threshold (if actual adjusted operating profit is met at threshold and actual adjusted free cash flow is below threshold) to 200% at maximum, determined as follows:

Threshold percentage: threshold adjusted operating profit percentage earned of 30% x multiplier, which decreases the percentage earned by 7.5% (i.e., 25% of 30%) = 22.5% threshold earnout.

Maximum percentage: maximum adjusted operating profit percentage earned of 120% + maximum adjusted free cash flow percentage earned of 40% = 160% x multiplier, which increases percentage earned by 40% (i.e., 25% of 160%) = 200% maximum earnout.

The table below shows the actual levels achieved in 2013 relative to the 2013 financial performance goals established by our Compensation Committee and the performance percentage earned (but not paid) after giving effect to weighting based on such performance for our NEOs. Target Adjusted Free Cash Flow was set at $513 million based on estimated working capital usage for 2013, which is lower than 2012 actual results primarily as a result of the payment of the Litigation Charge in 2013. Target gross profit as a percentage of net sales was set at 52.9% based on the estimated impact of cost pressures and product mix, partially offset by pricing.

Company Measure(1)	Threshold (millions)	Target (millions)	Maximum (millions)	2013 Actual (millions)	Percentage of Target Achieved	Weighted Performance Earnout Percentage
Adjusted Operating Profit (75%)	$ 1,170	$ 1,238	$ 1,306	$ 1,184	52.5%	39.4%
Adjusted Free Cash Flow (25%)	$ 413	$ 513	$ 613	$ 548	121.2%	30.3%
Combined earned performance percentage (before Multiplier)	40%	100%	160%			69.7%
Gross Profit % of Net Sales (Multiplier)	52.1%	52.9%	53.7%	53.6%		Multiplier (by 121.9%)
Total Company Performance Earnout						**85.0%**
Approved Compensation Committee Earnout with Discretionary Reduction						**72.0%**

(1) Linear interpolation between the threshold and target level and between the target and maximum level are applied for each measure.

Business Group Performance Measures

For Mr. Massingberd, 50% of his target annual incentive opportunity under the MIP was based on the Company performance earnout percentage as described in the table above, and the other 50% was based on the performance of the International Division (35%) and Worldwide Mattel Brands (15%). For Mr. Kilpin, 50% of his target annual incentive opportunity under the MIP was based on the Company performance earnout, and the other 50% was based on the performance of GBT Boys & Girls (35%) and Worldwide Mattel Brands (15%). The performance measures for the International Division were operating profit less

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working capital charge, times a multiplier based on the International Division s gross profit as a percentage of net sales. For Worldwide Mattel Brands and for GBT Boys & Girls, the performance measures were the sum of (i) the group s U.S. operating profit less inventory charge, plus (ii) the non-U.S. operating profit for the group at planned overhead less inventory charge, times a multiplier based on the group s gross profit as a percentage of net sales. Threshold performance under each of these financial measures earns 40%, target performance earns 100% and maximum performance earns 160%, which are then adjusted up or down by 25% of such percentage based on the gross profit as a percentage of net sales multiplier for the applicable group. The following table sets forth the target and actual results, after permitted adjustments, for each group s applicable operating profit and gross profit as a percentage of net sales measures and the performance percentage earned for that measure, which is then subject to the weightings above.

Business Group	Target Applicable Operating Profit *(millions)*	Actual Applicable Operating Profit *(millions)*	% Earned based on Applicable Operating Profit	Target Applicable Gross Profit % of Net Sales	Actual Applicable Gross Profit % of Net Sales	Effect of Applicable Gross Margin Profit % of Net Sales	Performance Percentage Earned
International	$ 481	$ 480	98.6%	53.2%	54.7%	125.0%	123.3%
WW Mattel Brands	$ 1,341	$ 1,222	0.0%				