



PUBLIC CONCERNS IN FACILITIES MAKING DISNEY-BRANDED PRODUCTS

With over 30,000 facilities involved in the production of Disney-branded products, most of which produce products for many other entities at the same time, we occasionally are the subject of reports published by non-governmental organizations (NGOs) regarding allegations of poor working conditions. Where concerns have been brought to our attention, we have responded by investigating the allegations, remediating where possible, and disclosing our investigation and results.

TOY MANUFACTURING FACILITIES IN CHINA, NOVEMBER 2016

Disney is aware of concerns raised in November 2016 by China Labor Watch regarding four facilities manufacturing Disney-branded products for our licensees and vendors, along with products for numerous other companies: Foshan City Nanhai Mattel Diecast Co. Ltd., Dongguan Chang An-Mattel Toys 2nd Factory, Combine Will (Dongguan) Ind. Co. Ltd. and Shenzhen Wai Lee Fung Plastic Product Co. Ltd.

We take seriously claims of labor standards violations against the independent facilities that manufacture Disney-branded products, and when stakeholders and business partners bring such allegations to us, we work to investigate and address these allegations promptly.

The International Council of Toy Industries (ICTI) CARE program led an investigation into these allegations. Their full response is available at http://www.icti-care.org/uploadfileMgnt/01_2016121623210.pdf.

Three facilities, Foshan City Nanhai Mattel Diecast Co. Ltd., Dongguan Chang An-Mattel Toys 2nd Factory, and Combine Will (Dongguan) Ind. Co. Ltd., have no high priority labor standards violations under the Code of Conduct for Manufacturers - they meet Disney's [Minimum Compliance Standard](#) (MCS). However, several less serious issues were identified and we expect that the licensees and vendors manufacturing at these facilities will address these violations promptly as part of their continuing effort to improve working conditions.

The fourth facility, Shenzhen Wai Lee Fung Plastic Product Co., Ltd, is failing to meet Disney's Minimum Compliance Standard regarding transparency and social benefits. Disney notified its licensees and vendors using Shenzhen Wai Lee Fung Plastic Product Co., Ltd of the specific violations of our ILS Program requirements. In accordance with our ILS Program, this facility will have the opportunity to remediate these issues within a specified timeframe and remain authorized to produce Disney-branded product in a manner consistent with our expectations. If the facility chooses not to remediate or fails to do so effectively, the authorization to produce Disney-branded product will be revoked. Disney will continue to work with its licensees and vendors to encourage full remediation of the concerns identified, and monitor this facility.

As these matters are investigated and resolved, Disney will continue to encourage and rely on facility owners, business partners and governments in its ongoing efforts to foster safe, inclusive, and respectful workplaces wherever Disney-branded products are produced.

FACILITIES MANUFACTURING DISNEY-BRANDED PRODUCTS IN CHINA, 2016

Disney is aware of concerns raised in June 2016 by Students and Scholars Against Corporate Misbehaviour (SACOM) regarding eight facilities manufacturing Disney-branded products for our licensees and vendors, along with products for numerous other companies: Dongguan Qiao Tou Sun Wing Ming Toy Factory, Dongguan Xin Chuang Toys Co., Ltd., Dongguan Ovation Industrial Co., Ltd., Dongguan Senfutong Paper Co., Ltd., Guangzhou Hongtao Leather Co., Ltd., Guangzhou Sunny Industrial Co., Ltd., Yiwu Huiyi Accessories Co., Ltd. and Zhejiang Xianxing Industrial Limited. We take seriously claims of labor standards violations against the independent facilities that manufacture Disney-branded products, and when stakeholders and business partners bring such allegations to us, we work to investigate and address these allegations promptly.

Audits were performed at all of the facilities, and while results vary by facility, Disney auditors confirmed that in some cases facilities were failing to meet the requirements and expectations of the Disney International Labor Standards (ILS) Program. Upon confirming these issues, Disney notified our licensees and vendors using these facilities of the specific violations of our ILS Program requirements. In accordance with our ILS Program, most of these facilities have the opportunity to remediate these issues within a specified timeframe and remain authorized to produce Disney-branded product in a manner consistent with our expectations. If they choose not to remediate or fail to do so effectively, the authorization to produce Disney-branded product will be revoked. Disney will continue to work with its licensees and vendors to encourage full remediation of the concerns identified, and monitor the facilities. In one case, a facility was producing without our authorization, and appropriate actions are being pursued with the licensees and vendors to ensure that production ceases in this facility.

Disney's ILS Program seeks to provide independent licensees and vendors, and the facilities they engage, with clear expectations of their responsibilities to monitor their supply chains and operations. Where possible, we use our leverage with our licensees and vendors, and as appropriate, with facilities directly, to identify areas for remediation and to monitor continuous improvement. As Disney does not own or operate any of these manufacturing facilities, and because we generally do not source products directly from any facility, our efforts are focused on supporting our licensees and vendors to take appropriate action when there are areas of non-compliance. When they fail to do so in a timely or adequate manner, they may risk the loss of our business or their license.

As these matters are investigated and resolved, Disney will continue to encourage and rely on facility owners, business partners and governments in its ongoing efforts to foster safe, inclusive, and respectful workplaces wherever Disney-branded products are produced.

TOY MANUFACTURING FACILITIES IN CHINA JUNE 2016

Disney is aware of concerns raised in June 2016 by China Labor Watch (CLW) regarding two facilities in China manufacturing Disney-branded products for our licensees and vendors, along with products for numerous other companies: Dongguan Qing Xi

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Juantiway Plastic Factory and Lam Sun Toy Limited Company. We take seriously claims of labor standards violations against the independent facilities that manufacture Disney-branded products, and when stakeholders and business partners bring such allegations to us, we work to investigate and address these allegations promptly. Unlike some NGOs, China Labor Watch has made no attempt in recent years to contact us directly to share their concerns in a timely manner, and we remain disappointed that they choose instead to issue press releases months after they claim to identify issues.

Our investigation has revealed that Dongguan Qing Xi Juantiway Plastic Factory failed to remediate hiring and human resource issues identified during an investigation of the facility last year, despite our encouragement of remediation and their contractual requirements to us. In accordance with our International Labor Standards (ILS) Program, this facility's authorization to produce Disney-branded product has been revoked because they failed to correct important issues in a timely manner.

Our investigation of the allegations at Lam Sun Toy Limited Company confirmed that the facility was failing to meet expectations regarding accurate record keeping, health, fire safety and human resources practices. Upon confirming these issues, Disney notified our licensees and vendors in this facility of the specific violations of our ILS Program requirements. In accordance with our ILS Program, this facility will have the opportunity to remediate these issues within a specified timeframe and remain authorized to produce Disney-branded product in a manner consistent with our expectations. If the facility chooses not to remediate or fails to do so effectively, their authorization to produce Disney-branded product will be revoked. Disney will continue to monitor the facility's performance in cooperation with our business partners.

Disney's ILS Program seeks to provide independent licensees and vendors, and the facilities they engage, with clear expectations of their responsibilities to monitor their supply chains and operations. Where possible, we use our leverage with our licensees and vendors, and as appropriate, with facilities directly, to identify areas for remediation and to monitor continuous improvement. As Disney does not own or operate any of these manufacturing facilities, and because we generally do not source products directly from any facility, our efforts are focused on supporting our licensees and vendors to take appropriate action when there are areas of non-compliance. When they fail to do so in a timely or adequate manner, they may risk the loss of our business or their license.

As these matters are investigated and resolved, Disney will continue to encourage and rely on facility owners, business partners, and governments, in its ongoing efforts to foster safe, inclusive, and respectful workplaces wherever Disney-branded products are produced.

TANI TOY FACTORY CO. LTD.

Disney is aware of concerns raised regarding the closure of Tani Toy Factory Co. Ltd. in China. We take seriously claims of labor standards violations against the independent facilities that manufacture Disney-branded products, and when stakeholders and business partners bring such allegations to us, we work to investigate and address these allegations promptly and responsibly.

The issue relating to the Tani facility centered on an offer of mutual severance, which the workers initially accepted, and the related restructuring of the facility. Subsequent to this, concerns were raised by labor groups as to whether there was an underpayment of

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severance, unlawful dismissals and underpayment of social insurance. Once Disney was made aware of these concerns in January 2015, we engaged in efforts to help mediate a solution among the licensee, facility owner and workers involved in this situation. These efforts have also included facilitating a meeting with the licensee, factory owner, and two organizations supporting the workers: Worker Empowerment (WE) and the Hong Kong Confederation of Trade Unions (HKCTU).

Specifically, when Disney was first made aware of concerns related to this facility, we identified a third- party mediator for Tani facility management to engage in order to assist in the resolution of workers' concerns. As a result, 67 workers came to an agreement with facility management on severance in May 2015. In June 2015, Tani facility management made substantial severance offers to the remaining 196 workers in the facility, all of whom voluntarily accepted the offer and signed settlement and release agreements.

Following the execution of these settlement arrangements, concerns were raised about whether the amounts paid were correctly calculated, potential unfair dismissals and unpaid social insurance and housing funds. Throughout the remainder of 2015 and 2016, Disney continued to facilitate discussions and negotiations among the parties to reach an amicable and fair resolution of any continuing disagreements among them. This included their engagement of a mediator and consultation with independent labor law specialists to advise on requirements under Chinese labor law.

After extensive efforts to encourage the responsible parties to reach a resolution of claims in a manner that satisfies both Chinese law and Disney's International Labor Standards (ILS) Program requirements, workers in the Tani facility have now confirmed their acceptance of settlement payments from the facility owner and their acceptance of the resolution of the situation as indicated in this [letter](#). As such, we consider this matter closed.

TOY MANUFACTURING FACILITIES, CHINA 2015

In November 2015, China Labor Watch (CLW) raised concerns regarding five toy manufacturing facilities in China used by several leading brands - Combine Will (Dongguan) Industrial Co. Inc., Dongguan Qing Xi Juantiway Plastic Factory, Foshan City Nanhai Mattel Diecast Co. Ltd., Sturdy Precision Manufacturing (Shenzhen) Co. Ltd., and Jetta (Guangzhou) Industrial Co. Ltd. We are disappointed that CLW continues its approach of withholding information about such concerns until they issue press releases months after issues are identified and does not actively engage with buyers and others that share their concern for improving labor standards in Chinese factories. Nonetheless, we take seriously claims of labor standards violations against the independent facilities that manufacture Disney-branded products, and when stakeholders and business partners bring such allegations to us, we work to investigate and address these allegations promptly.

In this case, Disney worked closely with ICTI CARE - the leading standards setting organization and ethical manufacturing certification program for the global toy industry supply chain - to conduct audits at the facilities identified in the CLW report and determine whether the allegations raised had merit.

Between November and December 2015, Disney auditors joined ICTI CARE auditors at all five facilities, performing full audits as well as investigating the specific allegations made by CLW against each facility. While results vary by facility, overall Disney and ICTI CARE auditors confirmed that expectations regarding hiring/human resource practices

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and fire safety were not being met on a consistent basis at some of the facilities. Upon confirming these issues, Disney notified our licensees and vendors in these facilities of the specific violations of our ILS Program requirements. In accordance with our ILS Program, these facilities have the opportunity to remediate these issues within a specified timeframe and remain authorized to produce Disney-branded product in a manner consistent with our expectations. If they choose not to remediate or fail to do so effectively, the authorization to produce Disney-branded product will be revoked. Disney will continue to monitor their performance in cooperation with our business partners.

TOY MANUFACTURING FACILITIES, CHINA 2014

In November 2014, China Labor Watch (CLW) raised concerns regarding five toy manufacturing facilities in China used by several leading brands - Chang An Mattel Toys, Zhongshan Coronet Toys, Dongguan Radica Games Manufactory, Dongguan LC Technology, and Dongguan Lung Cheong Toys. In response, Disney has worked closely with our business partners to investigate the allegations made by CLW, to confirm these allegations if possible and encourage the remediation of any violations in facilities authorized for use by our vendors and licensees.

To date, our investigation has confirmed that Dongguan Lung Cheong Toys was not authorized to produce Disney-branded products. Disney-branded products produced at Dongguan Lung Cheong Toys were the result of unauthorized subcontracting by Dongguan LC Technology. Unauthorized subcontracting is a serious violation of Disney's contractual requirements and a contributing cause of poor working conditions. In addition, our investigation of Dongguan LC Technology validated several of the allegations made by CLW - even after substantial engagement with this facility over many years. As a result, Disney has withdrawn production authorization from Dongguan LC Technology effective immediately.

Audits were also conducted at the remaining three facilities, Chang An Mattel Toys, Zhongshan Coronet Toys, and Dongguan Radica Games Manufactory, where some of the allegations made by CLW were verified. At two facilities owned and operated by Mattel, Chang An Mattel Toys and Dongguan Radica Games Manufactory, Disney and Mattel contracted with a leading audit services provider to conduct a comprehensive review of labor standards compliance and found that while some labor standards violations existed, the major allegations made by CLW could not be validated. Nonetheless, Disney is working with its licensees to encourage full remediation of the concerns identified. At the Zhongshan Coronet Toys facility, an ICTI audit confirmed some allegations made by CLW, but again, major allegations could not be verified.

TOY MANUFACTURING FACILITIES, CHINA 2013

Further to concerns raised by China Labor Watch in October 2013 regarding five facilities in China - Guanlan Baode Toy Factory, Dongguan Dongyao Toy Factory, Foshan City Nanhai Sino-American Toy Factory, Dongguan Guangda Plastics Products Company (Qualidux), and Merton Plastics and Electronics Factory, we worked with our licensee to conduct an immediate and thorough investigation into the allegations raised against

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these facilities. We confirmed that Merton Plastics was not producing Disney product, and audit results indicated that the remaining four facilities had sufficiently addressed and improved the labor concerns raised.

DONGGUAN TIANYU TOYS CO. LTD.

In January 2013, the NGO Students and Scholars Against Corporate Misbehavior (SACOM) issued a report alleging excessive working hours, underpayment of wages, and significant health and safety violations at the facility. As a result of the allegations against Tianyu Toys, Disney engaged directly with the facility's management team as well as with ICTI, the monitoring and oversight organization for the international toy industry to establish a comprehensive remediation plan. As a result, the facility demonstrated cooperation and improvement in the areas of concern.