

**December 17, 2007**  
**The Walt Disney Company (Disney)**  
**Review and Actions Regarding Hao Wei Metal Plastic**  
**Manufactory and Jin Da Metal Plastic Manufactory**

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The following provides a summary of our understanding of questions raised with respect to two factories in China and our response to those concerns. We take these issues seriously and have consulted with a number of parties to understand the issues and identify means of improving working conditions.

*The Factories*

In May 2007, we became aware that five workers at Hao Wei Metal Plastic Manufactory in Shenzhen (Guangdong), China had initiated legal action against their local labor bureau over their allegations of continued poor working conditions at the factory and the lack of enforcement of local labor laws. We were also alerted to claims that Hao Wei was producing unauthorized Disney products.

In September 2007, approximately 70 workers from Hao Wei and Jin Da Metal Plastic Manufactory, another factory under related ownership, filed a complaint with the local labor bureau expressing concerns over the proposed consolidation and relocation of the two factories to a neighboring city, and alleging issues relating to working conditions, compensation and severance pay.

*Disney's Action*

In response to reports of the proceeding filed in May, we conducted a comprehensive assessment of the factory in June 2007. Our audit revealed that a licensee had been ordering production of Disney product at Hao Wei without our authorization or knowledge. Moreover, Hao Wei's authorization to produce Disney-branded merchandise had been terminated in 2001 due to violations of the [Disney Code of Conduct for Manufacturers](#). The same licensee had approval for production at Jin Da. During the audit, both factories revealed areas of non-compliance, and some workers communicated that the factories were not adhering to local regulations regarding overtime wages and maximum working hours.

These violations, as well as the lack of authorization for use of the Hao Wei facility, could have warranted a demand that all Disney production be terminated. However, our view is that, whenever practicable, promoting sustainable remediation, rather than termination, is in the best interests of workers employed by these factories so that these workers remain employed. Accordingly, we encouraged the licensee to maintain production at the factories and to provide support for the necessary remediation efforts.

Pursuant to this approach, the following activities have taken place:

- On-site factory audits were conducted to obtain up-to-date information on the working conditions and concerns;
- Basic training on the labor law and occupational health and safety was provided to the workers;
- A confidential worker helpline operated by an independent civil society organization was introduced into the factories;
- A visit to the new factory location for 50 worker representatives was organized by factory management. In addition, factory management is also communicating with the workers about the relocation and is taking steps to establish acceptable working conditions at the new factory.

A worker survey conducted in November 2007 showed positive worker sentiment as a result of the changes that have been made since June 2007, including improvements in wages and working hours. Furthermore, there has been improvement in communication between workers and factory management in order to allow workers to raise issues and for factory management to respond.

The licensee and factory continue to take steps to identify and address the issues raised, including support for remediation activities. In addition, Disney has met with numerous parties on this issue - including the affected workers, factory management, the licensee, local civil society organizations and labor rights groups - and will continue to work with those that share a common vision and commitment to improving the conditions in a sustainable manner.

### **About The Walt Disney Company International Labor Standards Program**

Disney is committed to the promotion and maintenance of responsible international labor practices in its licensing and direct sourcing operations throughout the world. Toward this end, we operate a wide-ranging International Labor Standards (ILS) program centered on the Company's [Code of Conduct for Manufacturers](#). The practices outlined in the Code are reinforced through our monitoring activities, as well as key programs designed to provide and support education and cooperation with internal business units, licensee and vendors. In addition, we continue to emphasize collaboration with others, including corporate, industry, and non-governmental organizations concerned with international labor standards.

When factory audits, or information brought to us by third parties, reveal noncompliance with our requirements, we investigate the claims, and work with the factory and vendor or licensee concerned to develop a remediation plan to help bring the factory's operation into compliance.

In our experience, when a factory and licensee are willing to address issues of non-compliance, maintaining production and working with both the licensee and the factory to improve working conditions can yield positive results. As part of Disney's work with licensees and factories in similar situations, factories have developed their own compliance systems, including improved worker-management communications, and have undergone various trainings on social compliance and management skills. In addition, we have implemented the confidential worker helpline at other selected factories in Southern China. For more information on Disney's International Labor Standards program, including the confidential worker helpline, please visit [www.DisneyLaborStandards.com](http://www.DisneyLaborStandards.com).