



PUBLIC CONCERNS IN FACILITIES MAKING DISNEY-BRANDED PRODUCTS (PRIOR TO 2016)

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 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 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 © Disney. All Rights Reserved. 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 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.

TAZREEN FASHIONS

On November 24, 2012, a fire occurred in the Tazreen Fashions factory near Dhaka, Bangladesh that resulted in the tragic death of at least 112 workers. We at The Walt Disney Company extend our deepest sympathies to the families who lost loved ones in this tragedy. We share the perspective of other brands, human rights groups, government agencies, workers' organizations and others that more must be done to prevent tragic fires like the one at Tazreen.

There have been several erroneous reports about the nature of Disney's relationship with the Tazreen factory. We would like to clarify:

- Tazreen was not an authorized supplier for Disney-branded product – neither for independent licensees producing their own product nor for product intended to be sold by Disney through our own retail operations.

- Press reports have indicated that several boxes of sweatshirts with Disney characters were found at Tazreen. Walmart, the authorized licensee that produced this product for sale in Walmart stores, has advised us that the product was not produced at the Tazreen factory but that one of its suppliers moved a small quantity of this product to Tazreen for storage without Walmart's authorization.
- Disney did not authorize the movement of products to Tazreen. As described, the movement of this product and its storage at an unauthorized factory is a violation of our policies and requirements.