



Mr Robert Iger
CEO of The Walt Disney Company
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Email: robert.a.iger@disney.com

Brno, January 11th, 2010

Dear Mr Iger,

We are writing to you regarding the recent investigation reports published by Students and Scholars against Corporate Misbehavior (SACOM) and China Labor Watch (CLW) concerning labor rights violations at five Chinese factories producing Disney toys: Tianyu Toys Factory, Wai Shing Metal Plastic Toys Factory, Rong Gao Toys Co., Yiuwah Stationary Factory and Merton Plastics and Electronics Factory.

As you might know from our previous letter, Society for Fair Trade (Společnost pro Fair Trade) is a Czech non-governmental organization that raises awareness of the Czech public about working, social, environmental and economic conditions of production in developing countries and promotes Fair Trade as one of the positive alternatives. On these issues we inform public, mobilize citizens and alert media. Society for Fair Trade has been actively involved in awareness raising, campaigning and educational activities since its foundation in 2003. Since 2009, Society for Fair Trade is also a member of the **“Stop Toying Around!” Campaign**, a European coalition that brings together NGOs from Austria, Czech Republic, France, Poland, and Romania, and that aims at **improving working conditions in the toy production** through initiating a dialogue with toy companies subcontracting their production to China.

Rong Gao Toys Co.

In 2007, following the publication of an investigation report by SACOM revealing serious labor rights violations at **Haowei Toys**¹, one of Disney’s suppliers, our French partner Peoples Solidaires launched an Urgent Appeal in support of the workers at Haowei Toys. As a result, thousands of concerned French citizens and consumers sent protest letters to Disney. According to the results of the second investigation led by SACOM from January to May 2009, after Haowei Toys had relocated from Shenzhen to Dongguan, and registered as **Rong Gao Toys**, Disney and its supplier implemented some remediation efforts. In particular, Rong Gao has enrolled in the government regulated social security scheme, in accordance with the law, and an in-factory Labor Management Committee has been established. However, labor conditions at Rong Gao still fall short of legal requirements, and of your own Code of conduct provisions. In particular, by February 2009, the workers’ representatives of the Labor Management Committee of Rong Gao had all left the factory, without being replaced, safety standards at the production department were not implemented and labor contracts did not mention any occupational hazards.

¹ See investigation report “Haowei Toys brings you... Mickey Mouse: A Survey of Conditions at a Disney Supplier in China“, September 2007: <http://sacom.hk/wp-content/uploads/2008/07/haowei-toys-disney-sep2007-sacom.pdf>

We are concerned about the apparent failure of Disney to ensure respect of labor rights at Rong Gao and sustain a well functioning Labor Management Committee, and therefore urge Disney to :

- make sure new workers' representatives are elected at Rong Gao;
- require that Rong Gao management provide a comprehensive worker training by independent labor NGOs.

Tianyu Toys Factory

In October 2007, SACOM investigated **Tianyu Toys**, another Disney supplier, and issued a report², which underscored the problems of long working hours, illegal underpayment and cheating in factory audit. Between March and May 2009, a year and a half after its first investigation, SACOM conducted a second investigation at Tianyu Toys³. The results show that no significant improvements have been made. Although working hours have been decreased from 12-15 hours a day to 10 hours a day (which is still illegal), infringement of the laws on contract, wage, health and safety, and social insurance have not been addressed by the factory. Additionally, the factory still employs the same tactics to deceive auditors during inspection.

Society for Fair Trade is extremely worried that conditions at Tianyu have not significantly improved, and urges Disney to:

- address the violations at Tinayu;
- require that Tianyu sets up a representation system as well as a system to empower workers to work alongside the internal monitoring systems of the factory and Disney.

Wai Shing Metal Plastic Toys Factory

According to the results of an investigation led by SACOM at **Wai Shing**⁴ from July to August 2009, workers at this factory are not given a copy of their labor contract as foreseen by the Chinese law, forced excessive overtime has been observed (as much as 120 hours overtime per month while the limit set by the law is 36) and wages are extremely low and not sufficient to live on. Neither health examinations, nor occupational health training are offered, no protective equipment is provided to workers and production safety measures are not observed. Finally, conditions in the dormitories are reported to be insanitary and inhumane. The investigation led at Wai Shing also underlines the limits of the social audits ordered by brand name companies and the International Council of Toy Industries (ICTI). As the report shows, workers are trained for questions asked by the auditors: they are given incentives to give the "correct" answers and prevented from answering "unsatisfactorily", which constitutes a clear deception of the auditors.

² See investigation report "Tianyu Toys Brings You... Winnie the Pooh: A Survey of Conditions at a Disney Supplier in China", October 2007: <http://sacom.hk/wp-content/uploads/2008/07/tianyu-toys-disney-oct2007-sacom.pdf>

³ See investigation report "Exploitation of Toy Factory Workers at the bottom of the Global Supply Chain", September 2009: http://doku.cac.at/toy-report_final_oct2009.pdf .

⁴ See investigation report "Exploitation of Toy Factory Workers at the bottom of the Global Supply Chain", September 2009: http://doku.cac.at/toy-report_final_oct2009.pdf .

Society for Fair Trade therefore endorses SACOM's demands, and urges Disney to commit to the following concrete steps to address the violations at Wai Shing:

- ensure all workers are given a copy of their labor contract;
- require that workers be paid living wages (rather than minimum wages) so that they do not need to do excessive overtime in order to earn a living;
- ensure Wai Shing's management implements Chinese laws regarding health and security at work; in particular, make sure adequate protective equipment is provided to workers;
- investigate living conditions at Wai Shing's dormitories and ensure security and sanitary measures are implemented;
- invite NGOs to provide labor rights trainings.

Yiuwah Stationary Factory

On July 30, Disney's Senior Vice President of Corporate Responsibility, Jennifer Anopolsky, issued a statement that Disney implemented a number of measures to address labor violations at another of its suppliers, **Yiuwah Stationary Factory**. This was a response to the public outcry after the death of a child laborer in the factory in April 2009⁵. In a follow up investigation report, published in September 2009⁶, CLW reveals that in spite of some changes, the plan implemented by Disney failed in several serious ways. According to this report, although Yiuwah made progress in the areas of child labor and safety, underage workers were still employed, and safety trainings were only offered to workers who operate machines. Moreover, workers' salaries did not change and still failed to meet minimum wage standards for overtime wages. Workers were also denied their legal right to purchase social security or medical insurance.

Society for Fair Trade is extremely worried about this latest information and urges Disney to address again the violations at Yiuwah.

Merton Plastics and Electronics Factory

Another investigation led by CLW at **Merton Plastics and Electronics Factory**⁷, after several previous investigations already led by CLW over the past decade, has shown that, although the inclusion of Merton in Disney and McDonald's Kaleidoscope factory remediation project brought significant change to the factory, serious violations continue to take place at Merton's.

CLW began investigating Merton in 1998, when it was a sweatshop plagued with strikes and particularly poor conditions, and reported numerous violations in its first publication on Merton in 2000, including underpaid overtime regularly lasting through the night, 120 consecutive workdays without rest, excessive fines, overcrowded dorms, audit falsification and contract violations. According to CLW, many of the same wage, working hours and safety violations still persisted when they investigated Merton again in 2006, four years after Kaleidoscope was launched.

⁵ See investigation report "Shattered dreams: 17 Years Old Worker Mutilated by Machine While Working in Unsafe Conditions", CLW, April 2009: <http://www.chinalaborwatch.org/4-29%20Liupan.pdf>

⁶ See investigation report "Yiuwah Stationary Factory followup Report", CLW, September 2009: <http://www.chinalaborwatch.org/Yiuwah%20Stationary%20Factory%20Followup%20Report.pdf>

⁷ See investigation report "Unhappy Holidays at Merton Toy Factory: Disney, MacDonal'd's, Mattel produce toys in poor conditions", October 2009: <http://www.chinalaborwatch.org/20091029merton.htm>

We also understand that Disney refuted CLW's investigation at the time, and denied the existence of serious problems at Merton.

In its last investigation report, CLW notes that, although many of the worst violations they exposed in their first reports have been addressed, major issues remain unresolved. These include: illegal scheduling (Saturday is not continued overtime and therefore is both mandatory and paid at half the legal overtime wage); excessive overtime with 11.5 hours of work each day and 123 hours of overtime per month; no annual vacation for Spring Festival; difficulty quitting; and poor living conditions.

Society for Fair Trade therefore endorses CLW's demands, and urges Disney to commit to the following concrete steps to address the violations at Merton:

- ensure that all Saturday work is voluntary and paid at the legal rate of twice the normal wage (as stated in the Labor Law);
- confirm that overtime hours do not surpass the legal limit;
- ensure that paid annual vacation is implemented, starting in 2010;
- investigate and revise quitting procedures to comply with the Labor Law;
- investigate and improve dormitory and canteen conditions.

More generally, we are very worried that in the majority of the cases mentioned in this letter, violations of labor rights at your suppliers were already brought to your attention years earlier. Even though Disney responded that measures would be taken, violations still persisted at the factories. We believe this reflects systemic difficulties on Disney's part identifying and correcting labor violations.

Therefore, Society for Fair Trade believes Disney should **change purchasing policies** that direct orders to factories with the worst conditions and do not **enable manufacturers to comply with labor laws and codes of conducts**, as well as its **audit system** that has failed to identify serious labor violations.

Society for Fair Trade encourages Disney to contact CLW and SACOM and discuss how to improve factory conditions and particularly the apparent problems with Disney's auditing system in China. You may contact SACOM at sacom@sacom.hk or 852-2392 5464 and CLW at clw@chinalaborwatch.org or at 212-247-2212.

Sincerely,

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