



Students & Scholars Against Corporate Misbehavior

Telephone: (852) 2392 5464 Fax: (852) 2392 5463

Email: sacom@sacom.hk Website: www.sacom.hk

Mailing Address: P.O.Box No. 79583, Mongkok Post Office, HONG KONG

A Public Statement on The Walt Disney Company Annual Meeting of Shareholders, March 6, 2008

To: **John E. Pepper**, Chair of the Board of Directors, the Walt Disney Company
From: **Jenny Chan**, Students & Scholars Against Corporate Misbehavior (SACOM)

Two full years have passed since March, 2006, when four institutional shareholders – the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund, and the New York City Fire Department Pension Fund – filed a proposal to help Disney end its sweatshops in China. At that time, the Disney Board failed to go a step further and resolve labor abuses committed by its overseas suppliers. Instead, it diverted public attention to *Project Kaleidoscope*, a pilot training program designed to promote sustained code compliance at ten Chinese manufacturers of Disney and McDonald's products. But where are the facilities? Which suppliers have been selected? What are the monitoring and training methods? To date, a final report of *Project Kaleidoscope*, which the Board had expected to release in early 2006, is still not available.

Disney's annual shareholder meeting will be held on March 6th in Albuquerque, New Mexico. Students & Scholars Against Corporate Misbehavior (SACOM), a Hong Kong student group fighting for worker rights in mainland China, demands that John E. Pepper, Chair of the Board, ensure transparency and disclose updated information from *Project Kaleidoscope*.

In September, 2005, just before the opening of Disney's 5th theme park, Hong Kong Disneyland, SACOM launched its *Looking for Mickey Mouse's Conscience* campaign. In the past 2½ years, we have exposed 11 Disney sweatshops in the Pearl River Delta region of southern China (for all 6 reports in Chinese and English, visit www.sacom.hk). Our first-hand investigations document illegal wage payments, excessive and forced overtime, non-provision of contracts and social security, unsafe production environments, humiliating management practices, and substandard living conditions.

SACOM has requested a face-to-face meeting with the CEO of Disney to discuss Disney's efforts to implement a code of conduct in China. Unfortunately, as of the end of February, 2008, we have received no reply to all three letters (dated August 24, 2005; December 8, 2006; and January 2, 2008; full English versions are downloadable online).

"Disney has denied social responsibility for Chinese migrant workers, predominately young girls, who produce their merchandise. There is no fairytale ending for overworked Disney toy workers, who often work up to seven days a week and 16 hours a day making toys based on characters from *Pirates of the Caribbean* during peak production seasons," commented Jenny Chan, chief coordinator of SACOM.



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Workers suffer serious lack of sleep. When they ask supervisors to check their paystubs for miscalculations, they are refused. In some printing facilities that manufacture Disney-branded children's books, work injuries are almost a daily occurrence. Hundreds of workers' fingers are cut off from dangerous machines.

Factory employers do not simply force workers to work in unsafe and horrible conditions. They also try to prevent workers from telling others about their experiences. Most workers are forced to sign one-sided "agreements" in which wages, work hours, and benefits are left out. Managers then gather the agreements and fill in the blanks as they see fit in order to falsify social audits.

Disney has relied on its auditors and commissioned Verité, an auditing service, to look into alleged labor abuses at identified Chinese factories. However, the audit reports are not shared with SACOM and the concerned public. Workers are left in the dark regarding the implementation of corrective actions, if indeed there are any at all.

We want to get out of this gridlock.

We believe that Disney needs to permit public scrutiny of its efforts by disclosing to the public the full list of its outsourcing suppliers. This is nothing more than what other proactive firms such as Nike and Adidas have done. Disney must also give every Chinese worker a copy of a written labor contract in accordance with the new Labor Contract Law, which came into effect on January 1, 2008. Last but not least, Disney should respect workers' right to develop democratic mechanisms of worker representation at all Disney suppliers.

Disney recorded \$35.5 billion in sales in 2007. Investors as well as consumers know that Disney can do better in its commitment to workers' rights. Whatever improvements Disney makes, it needs to work with the public to show its willingness to fulfill the promises embodied in its code of conduct.

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Contact person:

Jenny CHAN

Chief Coordinator

Students & Scholars Against Corporate Misbehavior (SACOM)

Email: wjchan@sacom.hk

Website: www.sacom.hk

Tel: 852 2392 5463 or 852 2392 5464

Fax: 852 2392 5463

Skype: wjchanskye