

Samsung Electronics (UK) Limited Modern Slavery Act Statement 2016

Samsung Electronics (UK) Limited supports the introduction of the UK Modern Slavery Act and its efforts to combat slavery and human trafficking in global supply chains. Slavery and human trafficking are abuses of a person's freedoms and rights and these practices should be eradicated. As a responsible business Samsung ensures that its employees and suppliers do not in any way support these activities.

Samsung Electronics (UK) Limited has issued this statement pursuant to Part 6, Provision 54, of the UK Modern Slavery Act 2015 for its financial year ending 31 December 2016. This statement outlines the steps Samsung Electronics (UK) Limited has taken during that period to ensure that slavery and human trafficking is not present in its organisation. In line with the provisions of the UK Modern Slavery Act, this statement seeks to address the six recommended criteria listed in the Regulations.

Organisational structure, our business and supply chain

Samsung Electronics (UK) Limited's principal activities are the importation and distribution of Samsung branded electronic and electrical goods. Samsung Electronics (UK) Limited's operations are predominantly based in the UK and Ireland with the exception of a research and development facility in Israel.

Samsung Electronics (UK) limited is a subsidiary of Samsung Electronics Co. Limited, a company incorporated in the Republic of Korea. Samsung Electronics employs approximately 308,745 employees in 80 countries and maintains 199 worldwide hubs, including production and sales subsidiaries, design centres, research centres, and 15 regional head offices worldwide. Products distributed by Samsung Electronics (UK) Limited were purchased from Samsung Electronics Co. Limited or its subsidiaries. References in this Statement to "Samsung" or "us" or "we" refer to Samsung Electronics Co. Limited and its subsidiaries.

While approximately ninety percent of Samsung's products are manufactured at Samsung-owned facilities, we have a global network of approximately 2,500 tier-1 suppliers who are important to us, and we work diligently to provide world-class working conditions throughout our global manufacturing network and comply with local laws and regulations in all regions in which we operate.

Policies and partnerships in relation to slavery and human trafficking

Samsung respects the guidelines of various international organizations and groups, and is an active member of the Electronics Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI). Samsung complies with the EICC Code of Conduct - a set of standards on social, environmental and ethical issues in the electronics industry supply chain. We also participate in

numerous activities through working groups, including the GeSI Human Rights Working Group, and other stakeholder forums.

Samsung has established corporate policies to protect the rights of vulnerable individuals. In 2015, we updated our 'Business Conduct Guidelines' based on the United Nations Guiding Principles on Business and Human Rights (UNGPs), which reinforces our commitment to the protection of employees' human rights, our prohibition policy on child labour, enforcement of involuntary labour and cooperative labour-management relations. Samsung requires its suppliers to comply with the 'Samsung Supplier Code of Conduct' based on principles defined in the EICC Code of Conduct.

Furthermore, we have designed specific policies to protect socially vulnerable populations whose basic labour rights were identified at risk of being violated as a key target for human rights protection. In 2016, we developed guidelines for migrant workers in cooperation with BSR (Business for Social Responsibility) to help eradicate forced labour, excessive commissions for employment, and any discriminatory treatment which may occur for migrant workers in the supply chain. We also worked with BSR and PIC (Partners in Change) to develop guidelines to protect the rights of apprentices in India. This guidance builds upon our earlier collaborative engagement activities with the CCR CSR (Center for Child Rights and Corporate Social Responsibility), in 2014, to develop and implement our child labour prohibition policy in China.

Due diligence processes

To ensure adherence to our Business Conduct Guidelines and Supplier Code of Conduct, Samsung adopts a three-stage process of self-assessments, on-site inspections and third party verifications. Samsung operates a dedicated unit to manage the work environment of our worldwide organisation. The unit, which operates at global corporate level, is responsible for assessing compliance management practices, these include: managing labour and human rights, safety and health, environment and ethics management. This unit works closely and collaboratively with relevant business divisions to identify risks and to resolve them as quickly as possible.

Samsung conducts comprehensive corporate responsibility risk analysis at our own production facilities, analysing various data accumulated through the internal management system. This allows us to detect workplace-related risks early and ensure consistent implementation of our performance standards. In addition, the workplace management team provides on-site consulting for high-risk production sites identified through our due-diligence and corporate social responsibility (CSR) risk assessments based on the EICC self-assessment tool. In 2016, all Samsung production sites conducted a worksite risk self-assessment.

The self-assessment tool and audits are also critical components of our overall supplier management process. In 2016 all tier-1 suppliers conducted self-assessments. Suppliers analysed their internal CSR risk factors, selected areas of weakness as improvement tasks, and amended the identified compliance gaps. Suppliers share information on improvement tasks with us through our intranet database system, and we provide additional inputs on proposed tasks, if necessary.

We hold tier-1 suppliers accountable for building and supporting a responsible work environment at tier-2 and/or lower tier suppliers and reflect these objectives in evaluating their performance. Our

standard tier-1 supplier contract stipulates that they are responsible for managing the work environment of lower tier suppliers. Samsung offers consultative and investment support to tier-2 suppliers where work management practices have been reported as substandard.

For new suppliers, our worksite assessment unit conducts mandatory on-site assessments to evaluate candidate standards. Labour rights are one of five core criteria that new suppliers must satisfy for registration. The labour rights inspection consists of 20 performance criteria which includes an examination of voluntary work, minimum wages, work hour regulation, child labour and discrimination policies.

Risk management

To mitigate the risk of any incidences of non-compliance with the Samsung Supplier Code of Conduct, we identify 'priority suppliers', considering their geopolitical location, transaction volumes, historic performance and self-assessment evaluation. On-site audits are then conducted by our EICC-certified auditors, operating independently from the procurement department, to identify improvement tasks. In 2016, we conducted on-site audits on 362 suppliers to ensure the credibility of self-assessments. Of these suppliers 95% achieved compliance by implementing improvement tasks.

To achieve a higher level of compliance management Samsung also conducts third-party audits of our suppliers through the verification agency registered with EICC. Suppliers subject to third-party audits were randomly selected and the verification cost was sourced by Samsung. All identified improvement tasks must be implemented within three months and closure audits are conducted to ensure improvement tasks are met.

Each year, on-site audits are also conducted at Samsung worksites whose management processes are found to be substandard or where labour rights issues are considered high risk. In 2016 11 such worksites were audited, and a total of 227 improvement issues were identified. Three worksites have successfully completed their improvement tasks and 211 tasks (93%) have been completed across all 11 worksites. Third party audits of Samsung worksites are undertaken at the request of customers. In 2016, 7 third party audits were conducted at Samsung worksites.

In addition to regular on-site audits, we perform unannounced and special audits by risk item, including the employment of interns and student workers. In 2016 we ran inspections at 170 Chinese suppliers during vacation periods when children may be seeking employment. In December 2016 we also began on-site inspections of migrant worker practices at recruitment agencies and suppliers in Thailand and Malaysia.

Samsung may impose penalties on the overall transactions, including restriction on product development participation, for suppliers that fail to achieve improvement goals.

Measurement and performance standards

In an effort to promote greater transparency and accountability Samsung discloses the results of third party supplier audits. In 2016, the results showed supplier performance improvements in many major verification categories. However, the overall compliance rate for labour rights issues fell

slightly (92% - 90%), compared to previous years, due to challenges meeting compliance with work hour standards and the guarantee of off-days. This performance was attributable to the increase in the number of new models introduced in 2016. To address this issue, we have taken steps to ensure that concerned suppliers hire additional staff, expand their facilities, improve their processes, and practice the predictive management of overtime work so that they are able to comply with work hour criteria. Furthermore, we monitor the weekly overtime work of all workers at those suppliers who require monthly overtime work management, and continuously provide customised assistance to help meet the work hour criteria of individual employees.

Samsung has developed a global grievance handling mechanism to identify potential violations of any work environment standards or the infringement of human rights that could possibly occur with our suppliers or at our worksites. We operate a variety of grievance handling channels (e.g. hotline, offline and online channels) for suppliers and employees. Grievance reports are reviewed by our responsible department and informants are notified of proposed solutions. Since 2016, the worksite monitoring system has categorised the type of grievances reported (e.g. work environment, working condition, etc.) and tracked their progress status and handling outcomes. For our worksites which hire migrant workers we provide grievance handling channels in the mother language of these employees to improve their accessibility. In 2016, we received a total of 9,278 worksite grievances of which 98% were completely resolved. Samsung ensures that individuals that raise grievances are not disadvantaged.

Training and capacity building

Samsung Electronics provides training to raise supplier awareness of human rights and improve the work environment. Training modules include relevant best practices, based on the EICC Code of Conduct. In addition to the Supplier Code of Conduct, Samsung also distributes a 'Supplier Code of Conduct Guide' to ensure our clearly defined principles and policies are carried out in daily business activities of our suppliers. The Guide is designed to improve understanding of the code and provide detailed measures for integration of sustainability. We require that our suppliers sign a pledge to indicate that they will implement these policies and to confirm their commitment to voluntary compliance.

After announcing the guidelines for migrant workers in 2016, Samsung initiated a training programme to keep its policy commitment and promote activities to manage the risks of forced labour and human trafficking at high risk regions. We have begun delivering workshops with 1-tier suppliers, labour sourcing companies and recruitment agencies in Malaysia and Thailand. The programme marks a significant step in a concerted effort to address this issue, and a developing programme of training, supported with on-site inspections, will continue to be provided in 2017.

To address the potential risk of suppliers employing underage workers in China, we train our managers and the HR officers of our suppliers on our recruitment process so that identity checks and face-to-face interviews are mandated for all applicants during the recruitment process. In doing so, we support working-level capacity building to protect the human rights of these vulnerable individuals.

Samsung also conducts a range of online training programmes which are provided by EICC to help employees who are in charge of HR and supplier management at our production subsidiaries build

their capacity of human rights issues. Furthermore, we have developed mandatory training programmes for all employees at our global production subsidiaries which include our policy on human rights.

Further action

Samsung is committed to maintaining a sustainable and responsible supply chain. To continue to mitigate against slavery and human trafficking taking place in our supply chain we will continue to work collaboratively with our key stakeholders to refine and improve our policies, procedures and programmes. We will continue to outline steps to tackle these issues in our annual sustainability report and modern slavery statement.

Our Business Conduct Guidelines, Supplier Code of Conduct, Supplier Code of Conduct Guide, Migrant Workers Guidelines, and our Sustainability Report are publically available.

This statement was approved by the Board of Samsung Electronics (UK) Limited.

A handwritten signature in black ink, appearing to be 'Sungwuk Kang', written over a faint circular stamp.

Mr Sungwuk Kang,
Director / Company Secretary
Samsung Electronics (UK) Limited