

## KnowTheChain ICT Benchmark - Additional Disclosure 2020

**Company Name:** Samsung Electronics

Guidance:

- We welcome examples of leading practices.
- Unless you are sharing leading practices, please limit the information to indicators for which KnowTheChain could not yet identify sufficient information on your website.
- Note KnowTheChain has already undertaken a review of your website. Should you wish to include links to existing disclosure, please specify the page number / section you are referring to.

### THEME 1: COMMITMENT AND GOVERNANCE

#### 1.1 Commitment

The company:

- (1) publicly demonstrates its commitment to addressing forced labor and human trafficking.

#### 1.2 Supplier Code of Conduct

The company's supplier code of conduct:

- (1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;

Suppliers are required to comply with Samsung's Supplier Code of Conduct which notes that "the Code is based on the RBA Code of Conduct. The global standards and guidelines established by organizations such as ILO and ISO may be used as the reference for the Code". <https://www.samsung.com/us/smug/content/dam/samsung/sg/aboutsamsung/2017/environment/pdf/supplier-code-of-conduct-en.pdf> (Page 2)

The Supplier Code of conduct provides an explicit article prohibiting forced labor. (page 3)

- (2) is easily accessible from the company's website;
- (3) is updated regularly, following internal review and input from external stakeholders;
- (4) is communicated to the company's suppliers; and
- (5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking.

#### 1.3 Management and Accountability

The company:

- (1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and

(2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.

The Governance Committee was established in April 2017, as an expansion of the old CSR Committee, with as objective to promote the Company's corporate social responsibility and enhance shareholder value. The Committee assumed the responsibilities of the CSR Committee, which supervised activities related to the Company's corporate social responsibility, and reviews/addresses all issues related to enhancing shareholder value. The CSR Risk Management Council (under the Governance Committee) supervises the internal management system to address CSR risks and discusses ways to resolve any issues.

The Governance Committee is responsible for agenda items including:

- matters related to the Company's corporate social responsibility.
- matters related to enhancing shareholder value such as preliminary reviews on shareholder return policies, activities for improving shareholder rights and interests, and other important matters that can significantly impact shareholder value.
- establishment, composition, and operation of organizations under the committee including research groups, councils, etc.
- other issues delegated by the Board of Directors

Samsung attended the IR-sustainability Road Show in 2019. There was an increased interest from investors in our (risk) management and in the current status of our supply chain operations, including human rights and labor issues. The Governance Committee shares the investors' concerns and has a deep interest in those areas. The Governance Committee gives guidance on important policies and the Committee oversees our supply chain operations.

<https://www.samsung.com/global/ir/governance-csr/board-committee/governance/>

#### 1.4 Training

- (1) trains all relevant decision-makers within the company on risks and policies that address forced labor and human trafficking;
- (2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained; and

We have total of 2,389 first-tier suppliers (Sustainability Report page 4).

We trained 497 first-tier suppliers on risks and policies that address forced labor and human trafficking. Thus the percentage of first-tier suppliers trained is  $497/2389*100= 21\%$  (2,227 individuals).

- (3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies.

As noted on page 92 of our sustainability report, first-tier suppliers are required to sign a standard contract form with second-tier suppliers that are engaged in the production of the items supplied to Samsung Electronics. It includes the same level of compliance that we ask of our first-tier suppliers.

Regarding Lower-tier Supply Chain Management, our supplier management approach extends to second-tier suppliers based in Korea in order to strengthen our competitive advantage along the entire supply chain. To manage second-tier suppliers, we clearly define first-tier suppliers' responsibilities regarding the working conditions within sub-suppliers. We encourage our suppliers

to engage in responsible corporate activities described in our Supplier Code of Conduct and ensure compliance among their sub-contractors.

Furthermore, we provide training courses to the first tier suppliers and provide training materials so that they can cascade their supply chain policies that address forced labor in their own supply chains and/or trains lower-tier suppliers on such policies. Most recent courses took place last year in Vietnam from the 17<sup>th</sup> of October to 30<sup>th</sup> of November. 156 partners participated in this 32-hours course.

[https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability\\_report\\_10242019/Sustainability\\_report\\_2019\\_en.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability_report_10242019/Sustainability_report_2019_en.pdf) (Sustainability Report p.92)

[https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability\\_report\\_10242019/Sustainability\\_report\\_2018\\_en.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability_report_10242019/Sustainability_report_2018_en.pdf) (Sustainability Report p.74)

We have identified key vulnerable groups to include children, apprentices, and migrant workers. These groups are at heightened risk for adverse human rights impacts. We have developed various policies to ensure respect for the rights of individuals belonging to these vulnerable groups.

We educate the top management and Human Resources officers of our worksites, suppliers and labor supply agencies on the intention and details of our policies and guidelines. In addition to providing policies and guidelines, we developed self-assessment checklists and on-site inspection manuals to verify the violation of human rights – forced labor, discrimination, and unjust treatment – and distribute these checklists and manuals to respective worksites and suppliers. We educated the compliance management officers of respective worksites on such on-site inspection manuals. In January 2017, we translated our migrant worker survey questionnaire into ten languages including Bangladesh, Cambodian, Indonesian, Nepali, Vietnamese, and Myanmar and distributed these questionnaires across all our worksites to help them identify and mitigate the risks these workers face.

Thus, we enable our suppliers to cascade forced labor and human trafficking policies further down the supply chain via education and the provision of a set of tools, such as policies, guidelines and a self-assessment checklist.

[https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability\\_report\\_10242019/Sustainability\\_report\\_2019\\_en.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability_report_10242019/Sustainability_report_2019_en.pdf) (Sustainability Report p.92)

## 1.5 Stakeholder Engagement

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate; and

1. The first example is the collaboration of Samsung Electronics with the International Organization for Migration (IOM) to provide training on ethical recruitment and fair labor practice to its staff, local suppliers and other business partners in Malaysia.

<https://news.samsung.com/global/samsung-electronics-and-iom-hold-training-day-in-malaysia-to-help-eradicate-modern-slavery>

2. Another example of Samsung Electronics' engagement on this issues is the collaboration with the International Organization for Migration (IOM) to host a workshop entitled "Modern Slavery and Ethical Recruitment." The event was held in Hungary and featured roughly 40 participants from Samsung Hungary and Samsung Slovakia, local suppliers and business partners. The objective of the event was to spotlight ways to reduce the business risks associated with modern slavery.

<https://news.samsung.com/global/samsung-electronics-iom-expand-efforts-to-eradicate-forced-labor>

3. Finally, we are a member of Responsible Labor Initiative (RLI), a multi-industry, multi-stakeholder initiative focused on ensuring that the rights of workers vulnerable to forced labor in global supply chains are consistently respected and promoted. The RLI Advisory Board consist of members from IOM, Global Fund to End Modern Slavery, International Justice Mission, an academic community and investor community.

<http://www.responsiblebusiness.org/initiatives/rli/rli-members/>  
<http://www.responsiblebusiness.org/initiatives/rli/rli-governance/>

- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.

## THEME 2: TRACEABILITY AND RISK ASSESSMENT

### 2.1 Traceability and Supply Chain Transparency

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of its below-first-tier suppliers (this does not include raw material suppliers);

Samsung Electronics has publicly disclosed a Smelter and Refiner list; from which we source direct as well as indirect. [https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung-051319/082219/Smelter\\_and\\_Refiner\\_List\\_in\\_Samsung\\_supply\\_chain\(2018\)\\_F.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung-051319/082219/Smelter_and_Refiner_List_in_Samsung_supply_chain(2018)_F.pdf)

- (3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking; and

Samsung Electronics has publicly disclosed a Smelter and Refiner list, from which we source direct as well as indirect, in the supply chain of 3TG. 3TG are known as minerals that are mined in conditions where human rights abuses occur, thus are high risk mineral.

[https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung-051319/082219/Smelter\\_and\\_Refiner\\_List\\_in\\_Samsung\\_supply\\_chain\(2018\)\\_F.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung-051319/082219/Smelter_and_Refiner_List_in_Samsung_supply_chain(2018)_F.pdf)

(4) at least two types of data points on its suppliers' workforce (e.g., the number of workers, gender or migrant worker ratio, or level of unionization per supplier).

The number of workers (first tier supplier) is approximately 3,700,000. Among these, migrant workers represent 1.7% and expecting mothers represent 3%.

## 2.2 Risk Assessment

Risk assessment involves evaluating the potential that a company has (by virtue of who its suppliers are and where they are located) of being linked to forced labor and human trafficking. Risk assessment is a process that is carried out in addition to and outside of auditing. It helps identify potential forced labor risks as well as actual impacts that may be hard to detect through audits. This process may involve engaging local stakeholders, labor rights experts, independent sources, and assessing risks associated with specific raw materials, regions, or groups of workers such as migrant workers.

The company discloses:

(1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and

In 2019, we have conducted an investigation of our suppliers located in Malaysia. We took an especially closer look at recruitment fees, identification documents, and dormitory conditions of 17 suppliers.

Samsung is a member of the Responsible Business Alliance (RBA, [link](#)) and we conform to the RBA Code of Conduct and its implementation methods, including due diligence across the company and our suppliers. We require all of our suppliers and their sub-contractors to comply with our Suppliers Code of Conduct ([link](#)) and Migrant Worker Guidelines ([link](#)), and we regularly provide training to ensure they understand these standards.

We have a plant in Malaysia where we produce microwave ovens for the global market. As part of our Due Diligence Process, all of our suppliers and sub-contractors conduct an annual self-assessment. As a follow up to the self-assessment, Samsung conducts on-site audits of approximately 25% of our suppliers and sub-contractors. On top of that, an RBA Certified Auditor performs verifications on randomly selected suppliers.

During on-site audits in July 2018 at 4 sub-contractors to the SEMA plant, we identified non-conformance issues at some of our sub-contractors including withholding of migrant workers' passports, payment of recruitment fees by migrant workers and poor housing conditions. Following these audits, Corrective Actions Plans (CAPs) were agreed upon with the sub-contractors to address the issues.

In November 2018, following the publication of the allegations in the *Guardian* that were clearly addressing certain SEMA sub-contractors on site, we promptly conducted additional on-site audits of all 6 sub-contracting suppliers to the SEMA plant to monitor and reconfirm the progress made with regards to the implementation of the CAPs that were established following the July 2018 on-site audits. Two of the 6 sub-contractors only started working with SEMA in October 2018 and therefore were not included in the scope of the July 2018 on-site audits.

The audit team consisted of 6 internal auditors (5 who acquired the qualification of RBA Labor & Ethics Lead Auditor) from Samsung's Headquarters in Korea and our Malaysian facility. The audit took place from November 19 to 23, 2018 and included physical inspections, document reviews and interviews with workers and management in accordance with applicable local laws and regulations, Samsung's Supplier Code of Conduct, Samsung's Migrant Worker Guidelines and RBA VAP Protocol.

We interviewed 95 migrant workers from Bangladesh, Indonesia and Nepal and surveyed all migrant workers (117) at our Malaysian facility. The interviews and survey questionnaire included not only questions about the hiring process and eventual payment of recruitment fees, but also working and living conditions. The audit team randomly selected the interviewees, considering various factors such as nationalities and work shift. Interviews with migrant workers were conducted privately, without the presence of the suppliers' staff or other persons concerned. The identity of the workers involved in the interviews, and the content of these interviews, are kept strictly confidential. No information related to the interviewees was provided to the suppliers.

(2) details on forced labor risks identified in different tiers of its supply chains.

The audit team identified the following key issues during the additional on-site audits in November 2018:

- 54% of workers from 3 sub-contractors had their passports held in a safe. Of those, 85% gave their written consent for the employer to hold their passport, and access to their passport was guaranteed within 24 hours upon request.
- 61% of workers from 3 sub-contractors paid recruitment fees.
- Two sub-contractors deducted a mandatory levy by the Malaysian Government from their workers' pay.
- Four sub-contractors provide accommodation to their workers. The quality of the housing varied widely and, in some cases, needed improvement.

### THEME 3: PURCHASING PRACTICES

#### 3.1 Purchasing Practices

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking.

The company:

(1) is taking steps toward responsible raw materials sourcing;

First-tier suppliers are required to sign a standard contract form with second-tier suppliers that are engaged in the production of the items supplied to us. It includes the same level of compliance that we ask of our first-tier suppliers. In the content 'fair labor and employment, child labor, human rights and race and gender discrimination' are touched as well as forced labor is mentioned as 'it shall not engage in labor practices that would be considered to be improper under international norms of human rights, including, without limitation, engaging in slave labor...'

Standard contract form 11.16 Code of Conduct (Excerpt)

11.16 Code of Conduct. Supplier warrants that it is in compliance with all laws, rules, regulations, standards, ordinances of any and all jurisdictions in which Suppliers sells Product or has an office and/or does business, including, without limitation, all laws, rules, regulations, standards and ordinances relating to the environmental protection, worker health and workplace safety, fair labor and employment, child labor, human rights and race and gender discrimination, bribery and corruption prevention, "conflict minerals" from the conflict zones, such as the Democratic Republic of Congo and any international treaties or agreements relating to any of the foregoing (collectively, the "Applicable Standards"). Additionally, and to the extent not provided for under the Applicable Standards, Supplier certifies that in supplying goods or services under this Agreement, it shall not engage in labor practices that would be considered to be improper under international norms of human rights, including, without limitation, engaging in slave labor or labor involving the use of children under the age of sixteen (16). Supplier further warrants that Supplier will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, or disability or any other status protected by the Applicable Standards. Upon Samsung's request, Supplier shall promptly supply Samsung a written certification that it is in full compliance with the requirements in this Section 11.16. The reference in this section to Applicable Standards shall not be construed or interpreted as an agreement by the Parties to apply any law to the interpretation, enforcement or governance of this Agreement other than the applicable law chosen by the Parties as set forth in Section 11.1 above. In addition, as supplier to Samsung, Supplier shall adhere to the Samsung Supplier Code of Conduct. <sup>4</sup>

We have a management system that prevents the use of conflict minerals in our supply chain and that is designed to minimize the risk of mining conflict minerals, including human rights violations and environmental damage. As of 2018, all of our suppliers only do business with RMAP (Responsible Minerals Assurance Process) -certified smelters for the four major conflict minerals-i.e., tantalum, tin, tungsten, and gold.  
[https://images.samsung.com/is/content/samsung/p5/global/ir/docs/sustainability\\_report\\_2019\\_en.pdf](https://images.samsung.com/is/content/samsung/p5/global/ir/docs/sustainability_report_2019_en.pdf) page 6)

We are engaged in Cobalt for development. Cobalt for development is a cross-industrial initiative that seeks to promote responsible mining practices and improve conditions at an artisanal cobalt mine site in a southern province of the Democratic Republic of Congo.

<https://news.samsung.com/global/samsung-electronics-and-partners-kick-off-cobalt-for-development-project-to-promote-responsible-artisanal-cobalt-mining-in-the-democratic-republic-of-congo>

- (2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting;
- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts); and

We perform a comprehensive annual supplier evaluation to assess the competitive edge of suppliers and to control sustainability issues. The results of our comprehensive supplier evaluation are used in all supplier management processes and high performers are granted incentives, including the preferential transaction allocations for the following year and an opportunity to join capability building incentives, while under performers are required to take corrective measures and are subject to penalties. Eight evaluation criteria is used; Technology, Quality, Responsiveness, Delivery, Cost, EHS, Finance, and Law (Social). Five items are to be checked under 'Law (Social)' including labor/human rights in the workplace.

[https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability\\_report\\_10242019/Sustainability\\_report\\_2019\\_en.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability_report_10242019/Sustainability_report_2019_en.pdf) (Sustainability Report p.92, 93)

- (4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking.

### 3.2 Supplier Selection

The company:

- (1) assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses details on the outcomes of this process.

We evaluate candidate suppliers based on five criteria—procurement and quality, EHS (Environment, Health and Safety), labor and human rights, Eco-Partner, and financial status. Only those that score 80 points or higher out of 100 points in all five criteria qualify to register as a Samsung Electronics supplier. For the EHS, labor and human rights, and Eco-Partner domains, we use a checklist based on RBA standards to perform intensive reviews. To identify the actual conditions of candidate suppliers, our in-house experts conduct on-site visits to suppliers, while their financial status (credit rating) is reviewed by professional external agencies.

Concerning Labor and Human Rights, we perform On-site audits on 20 items, including voluntary work, compliance with work hour regulations, and ban on discrimination. In particular, a ban on child labor, a minimum wage guarantee, and a ban on inhumane treatment are mandatory requirements.

In 2019, out of all the candidate suppliers we have reviewed, approximately 18% have not met our standards.

### 3.3 Integration into Supplier Contracts

The company:

- (1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts;

The Supplier Code of Conduct is based on the RBA Code of Conduct. The global standards and guidelines established by organizations such as ILO and ISO may be used as the reference for the Code. The Code is a mandatory requirement on the Supplier by Samsung. If major failures to comply with the Code are not remedied within a timescale set by Samsung, Samsung may suspend or terminate the contract with the Supplier.

<https://www.samsung.com/us/smug/content/dam/samsung/sg/aboutsamsung/2017/environment/pdf/supplier-code-of-conduct-en.pdf> (Supplier Code of Conduct page 1)

The first-tier suppliers are required to sign a standard contract form with second-tier suppliers that are engaged in the production of the items supplied to us.

There is a section titled as 'Freely Chosen Employment' in the Supplier Code of Conduct (Excerpt)

### 1.1 Freely Chosen Employment

All work must be voluntary. Forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking of persons shall not be used.

This includes transporting, harboring, recruiting, transferring or receiving vulnerable persons by means of threat, force, coercion, abduction or fraud for the purpose of exploitation.

Workers must not be required to surrender any government-issued identification, passports, or work permits as a condition of employment.

Suppliers or labor dispatch agencies shall not receive deposits or fees (e.g. recruitment or hiring fees) from workers.

In addition, labor conditions must be provided in written form to the workers in the language that they are able to understand.

(2) discloses the percentage of suppliers whose contracts include such standards; and

All suppliers (100%) have contracts, which include such standards.

#### Standard contract form 11.16 (Excerpt)

11.16 Code of Conduct. Supplier warrants that it is in compliance with all laws, rules, regulations, standards, ordinances of any and all jurisdictions in which Suppliers sells Product or has an office and/or does business, including, without limitation, all laws, rules, regulations, standards and ordinances relating to the environmental protection, worker health and workplace safety, fair labor and employment, child labor, human rights and race and gender discrimination, bribery and corruption prevention, "conflict minerals" from the conflict zones, such as the Democratic Republic of Congo and any international treaties or agreements relating to any of the foregoing (collectively, the "Applicable Standards"). Additionally, and to the extent not provided for under the Applicable Standards, Supplier certifies that in supplying goods or services under this Agreement, it shall not engage in labor practices that would be considered to be improper under international norms of human rights, including, without limitation, engaging in slave labor or labor involving the use of children under the age of sixteen (16). Supplier further warrants that Supplier will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, or disability or any other status protected by the Applicable Standards. Upon Samsung's request, Supplier shall promptly supply Samsung a written certification that it is in full compliance with the requirements in this Section 11.16. The reference in this section to Applicable Standards shall not be construed or interpreted as an agreement by the Parties to apply any law to the interpretation, enforcement or governance of this Agreement other than the applicable law chosen by the Parties as set forth in Section 11.1 above. In addition, as supplier to Samsung, Supplier shall adhere to the Samsung Supplier Code of Conduct. <sup>4</sup>

(3) requires its suppliers to integrate such standards into contracts with their own suppliers.

First-tier suppliers are required to sign a standard contract form with second-tier suppliers and it includes the same level of compliance that we ask of our first-tier suppliers, which integrates such standards.

#### THEME 4: RECRUITMENT

##### 4.1 Recruitment Approach

The company:

- (1) has a policy that requires direct employment in its supply chains;
- (2) requires employment and recruitment agencies used by its suppliers to respect the ILO core labor standards, which include the elimination of forced labor; and

**Labor dispatch agency should be interpreted in the broad sense. Thus, labor dispatch agency refers to both employment agency and recruitment agency. They shall not receive deposits of fees from workers.**

<https://www.samsung.com/us/smug/content/dam/samsung/us/aboutsamsung/2017/About-us-sustainability-report-and-policy-supplier-code-of-conduct-guide-en.pdf> (Samsung Electronics Supplier Code of Conduct Guide page 4)

- (3) discloses information on the recruitment agencies used by its suppliers.

##### 4.2 Recruitment Fees

According to the ILO, workers should not be charged directly or indirectly, in whole or in part, any fees for recruitment or related costs (such as costs for training, medical tests, or travel).

The company:

- (1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle"); and
- (2) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.

##### 4.3 Monitoring and Responsible Recruitment

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking; and
- (2) provides details of how it supports responsible recruitment in its supply chains (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).

##### 4.4 Rights of Workers in Vulnerable Conditions

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor, and additional steps are needed to ensure their rights are respected. Conditions which render workers vulnerable may include characteristics such as gender or age and external factors, including workers' legal status, employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers).

The company:

- (1) takes steps to ensure migrant workers in its supply chains understand the terms and conditions of their recruitment and employment and also understand their rights;
- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will; and
- (3) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor).

- (1) We have collaborated with the International Organization for Migration (IOM) to provide training on ethical recruitment and fair labor practice to its staff, local suppliers and other business partners in Malaysia.

<https://news.samsung.com/global/samsung-electronics-and-iom-hold-training-day-in-malaysia-to-help-eradicate-modern-slavery>

- (2) We have investigated the allegations in the Guardian article on Malaysia.

Through our due diligence processes we have identified issues relating to the employment of migrant workers. Corrective Action Plans have been implemented

As part of our Due Diligence Process, all of our suppliers and sub-contractors conduct an annual self-assessment. As a follow up to the self-assessment, Samsung conducts on-site audits of approximately 25% of our suppliers and sub-contractors. On top of that, an RBA Certified Auditor performs verifications on randomly selected suppliers.

The audit team identified the following key issues during the additional on-site audits in November 2018:

- 54% of workers from 3 sub-contractors had their passports held in a safe. Of those, 85% gave their written consent for the employer to hold their passport, and access to their passport was guaranteed within 24 hours upon request.

As of February 2019, passport retention was 0%.

- Through our interviews, we learned that some workers wanted to provide the passports for safekeeping, so we bolstered worker safeguards through enhanced monitoring and communication of our grievance channels to ensure there are no abuses. If a worker voluntarily gives their passport to their employer to be held for safekeeping, this is allowed only upon written consent. In addition, the time for returning passports was reduced to a maximum of 12 hours after a request is received.

[https://www.business-humanrights.org/sites/default/files/documents/190312\\_BHRRC%20Samsung%20Response%20Malaysia.pdf](https://www.business-humanrights.org/sites/default/files/documents/190312_BHRRC%20Samsung%20Response%20Malaysia.pdf)

## THEME 5: WORKER VOICE

### 5.1 Worker Engagement

The company:

- (1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains;
- (2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education;

We host a compliance week twice a year (first half and second half, respectively) to first-tier suppliers (2,227 workers from 497 suppliers attended) and during the week we provide trainings on labor rights and share supplier assessment results as well as the improvement.

During the ~~period~~ training we emphasize the importance of communication and request first-tier suppliers to disseminate the content by training sub suppliers. We also train a selected group of employees so they themselves can give the training to other employees.

- (3) provides evidence of the positive impact of worker engagement in its supply chains; and

We conducted Migrant Worker Guideline training in March 2017, which was attended by about 60 people from first-tier suppliers, labor sourcing company and recruitment agencies.

One of attendees from Samsung's partners in Malaysia said "Through the training program, I understood key items that company has to comply with Samsung Migrant Worker Guideline and EICC standard". The attendee added "I have already started to set up the proper process in the management system"

<https://news.samsung.com/global/samsung-migrant-worker-guidelines-training-contributes-to-safer-supply-chains>

- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

As a member of various associations and projects, we have our workers engaged in many initiatives covering different supply chain contexts such as:

- Cobalt for Development is a joint pilot project financed by Samsung SDI, BMW Group, BASF, and Samsung Electronics, which is implemented by GIZ. The project aims to improve not only the labor conditions of artisanal cobalt mining operation in that pilot mine, but also the living environment near a selected cobalt mine.  
(<https://news.samsung.com/global/samsung-electronics-and-partners-kick-off-cobalt-for-development-project-to-promote-responsible-artisanal-cobalt-mining-in-the-democratic-republic-of-congo>)
- BSR Her: Samsung jointly launched a workers' financial competency reinforcement project with BSR in 2015. The project not only aims at providing basic information related to savings, interest rates, loans, and banking, but also at teaching financial planning techniques to the family members of our employees according to their income so that they can have

confidence in realizing financial independence.

(<https://images.samsung.com/is/content/samsung/p5/uk/aboutsamsung/2017/pdf/about-us-sustainability-report-and-policy-sustainability-report-2017-en.pdf> , page 89)

(<https://herproject.org/partners/companies>)

## 5.2 Freedom of Association

The company:

- (1) works with independent local or global trade unions to support freedom of association in its supply chains;
- (2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations;
- (3) takes steps to ensure workplace environments in which its suppliers' workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and

We respect worker's right of freedom of association and in conformance with local law, we convey the message to suppliers that they shall respect the right of workers to form and join worker council or trade unions.

### 1.7 Freedom of Association (Excerpt)

In conformance with local law, Suppliers shall respect the right of all workers to form and join worker council or trade unions of their own choosing, to bargain collectively and to engage in peaceful assembly as well as respect the right of workers to refrain from such activities.

<https://www.samsung.com/us/smgt/content/dam/samsung/sg/aboutsamsung/2017/environment/pdf/supplier-code-of-conduct-en.pdf> (Samsung Electronics Supplier Code of Conduct page 5)

- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).

## 5.3 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives;
- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;

- (3) takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism;
- (4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and
- (5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

We have been operating a hotline system since 2013 to gather reports on violations of the working environment standards or infringements on human rights within our suppliers' worksites. Such reports are submitted via landline, e-mail, or mobile platform and are reviewed by respective departments for verification at Samsung Electronics. Then, those who raised the issues are notified of the corrective actions to be taken within one week, followed by a review of whether suppliers have taken corrective actions. Of note, posters showing grievance handling channels in local languages are placed in offices, corridors, manufacturing sites, dormitories, dining facilities, as well as other high-visibility locations. The number of hotline reports has been decreasing due to suppliers' voluntary efforts. To promote the grievance handling system, we are utilizing the system as a channel for suggesting policy and management system, rather than just for making personal complaints, so that suppliers can improve the working environment in partnership with their workers. We disclose the percentage of the types of complaints we have received regarding its suppliers. Topics covered include grievances about managers, wages, benefits, and working hours.

([https://images.samsung.com/is/content/samsung/p5/global/ir/docs/sustainability\\_report\\_2019\\_en.pdf](https://images.samsung.com/is/content/samsung/p5/global/ir/docs/sustainability_report_2019_en.pdf), page 97)

This grievance mechanism is open for first- and second-tier suppliers.

(<https://images.samsung.com/is/content/samsung/p5/uk/aboutsamsung/2017/pdf/about-us-sustainability-report-and-policy-sustainability-report-2017-en.pdf>, page 80)

## THEME 6: MONITORING

### 6.1 Monitoring Process

To improve implementation of its supply chain policies, conditions at supplier level can be monitored in different ways. This could include specialized audits to detect forced labor at higher-risk suppliers or worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities).

The company has a supplier monitoring process that includes:

- (1) non-scheduled visits;
- (2) a review of relevant documents;

We perform a comprehensive annual supplier evaluation to assess the competitive edge of suppliers and to sustainability issues. We use various methods to evaluate suppliers, including transaction data, on-site inspection results, and data uploaded by suppliers (Sustainability report page 92).

We also require that our first-tier suppliers and their sub-contractors protect labor/human rights for their employees by using a G-SRM system and implementing a three-stage review process, which is

‘Self Assessment, On-site Audits, and Third-party Audits’ (Sustainability report page 96) which involve document review.

- (3) off-site interviews with workers;

We conduct formal interviews privately, without the presence of managers, other staff or observers. The workers identity and comments remain confidential.

- (4) visits to associated production facilities and related worker housing; and
- (5) steps to ensure that suppliers below the first tier are monitored.

## 6.2 Monitoring Disclosure

The company discloses:

- (1) the percentage of suppliers monitored annually;

In 2018 we've conducted 407 on-site audits and 92 third-party audits. In total we have 2398 first-tier suppliers. This means we monitored 20.88% of our first-tier suppliers in the year 2018.

[https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability\\_report\\_10242019/Sustainability\\_report\\_2019\\_en.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability_report_10242019/Sustainability_report_2019_en.pdf)

(On-site Audits: page 96, Third-party Audits: page 125, total suppliers first-tier: page 4)

- (2) the percentage of unannounced monitoring visits;

We conduct our third-party audits unannounced audits. Specific schedules are not provided in advance to prevent any kind of preliminary preparation prior to the inspection and to ensure more accurate verification. In 2018 we conducted 92 third-party audits. This equals 3,85% of our first-tier suppliers.

[https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability\\_report\\_10242019/Sustainability\\_report\\_2019\\_en.pdf](https://www.samsung.com/us/smug/content/dam/s7/home/aboutsamsung/sustainability/report-and-policy/sustainability_report_10242019/Sustainability_report_2019_en.pdf)

(Sustainability Report page 96, page 125)

- (3) the number or percentage of workers interviewed; and
- (4) information on the qualification of the monitoring organization used and/or the use of worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities); and
- (5) a summary of findings, including details regarding any violations revealed.

## THEME 7: REMEDY

### 7.1 Corrective Action Plans

The company discloses:

- (1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;

- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, or spot-checks;
- (3) potential consequences if corrective actions are not taken; and
- (4) a summary or an example of its corrective action process in practice.

## 7.2 Remedy Programs / Response to Allegations

A. If no allegation regarding forced labor in the first or lower tier of a company's supply chains has been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
- (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers.

### [Allegation 1]

B.1. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s);

None of Possehl, STMicroelectronics, Infineon, NXP has direct business to SEMA; parts manufactured by Infineon and NXP were supplied to us through IPC. That is why we had indirect dialogues with the stakeholders reportedly affected.

- (3) outcomes of the remedy process in the case of the allegation(s); and

Remedy (actions taken) included returning all the foreign workers' passports, paying back all the deductions made by labor agent, etc.

- (4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

### [Allegation 2]

B.1. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s);
- (3) outcomes of the remedy process in the case of the allegation(s); and

Recruitment fees fully reimbursed. It was acknowledged that RBA CAP was completed and all findings were successfully closed.

(4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

B.2. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (3) that it engages in a dialogue with the stakeholders reportedly affected in the allegation or requires its supplier(s) to do so.

## NON-SCORED DISCLOSURE

### Target Setting

The company discloses measurable and time-bound targets to address forced labor in its supply chains.

The company reports on progress towards achieving its targets on an annual basis."

### Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

### Due Diligence on Third-Party Products

Where a company—in addition to own branded products—sells third-party electronics products, the company discloses how it assesses and addresses forced labor risks related to third-party electronics products.