

Company Engagement Questions:

KnowTheChain Information and Communications Technology Sector benchmark

KnowTheChain is benchmarking 20 ICT companies on their commitments and programs targeted at addressing human trafficking and forced labor in the supply chain.

Each company has been invited to respond to the questions below **by 15 April 2016**. The responses will be published on the **website of Business & Human Rights Resource Centre (BHRRC)**, one of the partners in KnowTheChain.

Documents

1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.

Please see below links.

- 2015 Samsung Electronics **Sustainability report**
http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/download/2015/SAMSUNG_SUSTAINABILITY_REPORT_2015_ENG.pdf
- 2015 Samsung Electronics **Business Conduct Guideline**
<http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/business-conduct-guidelines-eng-2015.pdf>
- 2015 Samsung Electronics **Supplier Code of Conduct**
http://www.samsung.com/us/aboutsamsung/for_partners/downloads/samsung-supplier-code-of-conduct-guide-ver-2-1.pdf
- 2015 Samsung Electronics **Supplier Code of Conduct Guide**
http://www.samsung.com/us/aboutsamsung/for_partners/downloads/samsung-supplier-code-of-conduct-guide-ver-1-1.pdf

Commitment and governance

Awareness and commitment

2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.

Please see below references and links.

- On Company website : [Slave labor and human trafficking prohibition policy](#)
- [Business conduct guideline](#). Page 142
- [Supplier Code of Conduct](#) page 4
- [Supplier Code of Conduct Guide](#) page 4-10

Supply chain standards

3. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.

Please see below references and links.

- 2015 Samsung Electronics **Supplier Code of Conduct**
http://www.samsung.com/us/aboutsamsung/for_partners/downloads/samsung-supplier-code-of-conduct-guide-ver-2-1.pdf
- 2015 Samsung Electronics **Supplier Code of Conduct Guide**
http://www.samsung.com/us/aboutsamsung/for_partners/downloads/samsung-supplier-code-of-conduct-guide-ver-1-1.pdf
- Samsung Electronics publicizes our Supplier Responsibility Code of Conduct in website. Everyone can easily access this site;
<http://www.samsung.com/sec/aboutsamsung/samsungelectronics/partners.html>
- In addition, Samsung Electronics operates an exclusive website for its suppliers, named G-SRM, where all suppliers can easily find Supplier Code of Conduct and other information
<https://www.secbuy.com>
- Samsung Electronics examines if there are any cases or needs to change Samsung Electronics' Supplier Code of Conduct on a regular basis. We update aforementioned contents if there are actual cases that require changes in policy and standard. Recent revision of Supplier Code of Conduct was in June 2015 reflecting EICC Version 4 and September 2015 revising cover page and preface since initial publication in October, 2012.
- Samsung's policy on Supplier Code of Conduct :

Our Policy

Supplier Code of Conduct Samsung is committed to maintaining sustainable and responsible supply chain. To achieve our goal, we have established a 'Supplier Code of Conduct,' which is based on the EICC Code of Conduct, mandatory requirement for suppliers doing business with Samsung. In particular, we recently updated 'Supplier Code of Conduct' to cover provisions regarding the protection of immigrant workers' rights in line with the revision of the EICC Code of Conduct in 2015.

Source:

http://www.samsung.com/us/aboutsamsung/sustainability/sustainabilityreports/download/2015/SAMSUNG_SUSTAINABILITY_REPORT_2015_ENG.pdf (Page 51)

Note on EICC membership: Many ICT companies are members of the Electronics Industry Citizenship Coalition, EICC. If your company is a member and provides a link from its own website to the latest version of the EICC Code (i.e. version 5.1 effective January 1, 2016), then that code will be considered by KnowTheChain in reviewing the company's supply chain standards.

Management

4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe their scope of responsibility.

- Corporate Human Resources Team manages workplace environment of our production hubs in other markets. They are responsible for managing labor and human rights, and ethics management at our worldwide production sites. In addition, they provide various workplace compliance management trainings to the global workforce.
- Partner Collaboration Center is responsible for supplier compliance management which includes implementation of supply chain policies and standards relevant to human trafficking and forced labor.
- Corporate Sustainability Management Office (CSMO) within the Corporate Management Office headed by the CFO. CSMO oversees the corporate sustainability strategy and policies by coordinating diverse internal departments including aforementioned Corporate Human Resources Team, and Partner Collaboration Center.
- CFO makes final decisions over issues about our company's supply chain policies and standards relevant to human trafficking and forced labor. Refer to below organizational alignment chart.



Training

5. Does your company conduct training programs for internal decision-makers and suppliers on risks, policies and standards related to human trafficking and forced labor? Please describe.

To support education tailored to the different legal standards of each country, we conduct compliance management education for employees at our local subsidiaries and suppliers. The education is provided in the form of regular meetings, workshops, or conferences, and is utilized as a forum of communication with the management at our suppliers who are in charge of compliance.

For example, in October 2014, Samsung Electronics and approximately 150 representations of major suppliers held workshops in Tianjin and Huizhou, China. The workshops included a compliance management declaration ceremony in which suppliers declared to comply with local labor laws and create a safe worksite. In particular, the workshops served as a forum to reconfirm our compliance management policy, such as prohibition of child labor employment and prohibition of night work and

overtime by minor workers.

Stakeholder engagement

6. In the last three years, has your company engaged a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives on human trafficking and forced labor, especially as it relates to the supply chain? Please describe with whom your company has engaged, the purpose of the engagement, and your company's role.

a) In 2016, Samsung Electronics has just started to engage with NGOs to study forced labor issue among foreign migrant workers in order to develop and refine our migrant worker policy. Samsung's Global Code of Conduct explicitly express that we do not, under any circumstances, permit forced labor or child labor. Samsung enacted the child labor prohibition policy describing our strong will to abolish and prevent child labor in partnership with The Center for Child Rights and Corporate Social Responsibility (CCR CSR), a social enterprise established by Save the Children Sweden. Our child labor prohibition policy is based on the 'UN Convention on the Rights of the Child', 'UNICEF Children's Rights and Business Principles', and 'ILO Convention'.

b) As a member of EICC, we support the work undertaken by the EICC to ensure that forced, bonded or indentured labor, or trafficking of persons is strictly forbidden. Samsung is committed to maintaining sustainable and responsible supply chain. To achieve our goal, we have established a 'Supplier Code of Conduct,' which is based on the EICC Code of Conduct, mandatory requirement for suppliers doing business with Samsung. In particular, we updated 'Supplier Code of Conduct' to cover provisions regarding the protection of immigrant workers' rights in line with the revision of the EICC Code of Conduct in 2015.

Traceability and risk assessment

Traceability and risk assessment

7. Please describe your company's supply chain tracing and risk assessment processes. Include any specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group.

To mitigate the risk of any incidences of non-compliance with its supply chain, Samsung classifies suppliers requiring ongoing supervision into 'priority suppliers', considering the unique characteristics of each country and region, and provides on-site support. According to procurement size by region, we have selected more than 240 suppliers in China and 160 suppliers in Southeast and Southwest Asia as priority suppliers, and have conducted on-site audits for their production facilities in 2014. Based on the on-site audit results, Samsung provides advice for right and effective improvement. In addition, we impose penalties on suppliers when other non-compliance factors are found contrary to the self-assessment results. .

The on-site audit criteria consisted of a total of 104 items guided by the EICC Code of Conduct. For comprehensive evaluation on-site audit was conducted on our suppliers' production sites, including in-person interviews with employees of suppliers. The corrective measures are registered on the compliance management system of suppliers. In 2014, all suppliers that we audited registered corrective measures in the system. While suppliers take self-improvement measures, Samsung provides support through policy checking, direction for improvement and selected the final set of corrective measures to be completed within six months. (Source: 2015 SR)

To achieve a higher level of compliance management Samsung also conducts third-party verifications of our suppliers through the verification agency registered with EICC. Suppliers subject to third-party

verifications were randomly selected and the verification cost was sourced by Samsung. In 2014 we carried out a total of 90 third-party audits, and 190 third-party audits have been conducted in total since 2013. Samsung published a key summary of its 2014 third-party audits in the 2015 Sustainability Report.

Samsung Electronics conduct compliance evaluations of our global product sites each year by a team of our internal auditors. The selection of production sites for on-site audit is based on risk evaluations and the audit helps us to identify compliance gaps where immediate action is needed. The evaluation check-list is composed of 120 categories in 11 total sectors (53 internally selected categories, 51 EICC categories, and 16 supplier management categories). Please refer to page 48 in the 2015 Sustainability Report where you can find more information on audit process from preliminary review (stage 1), on-site inspection (stage 2) to follow-up management (stage 3) for our production sites.

If there are any issues questioned on forced labor from NGOs or Media, Samsung Electronics immediately investigates and asks for corrective measures if any violations of our Code of Conduct are uncovered. In addition, we share issues in question with our facilities and suppliers to prevent similar violations and execute irregular check-up to find whether there are similar cases during business operation.

Transparency

8. Does your company disclose a) identified forced labor risks b) the names and locations of first-tier suppliers, and c) some information on suppliers beyond the first tier? If yes, please provide a URL.

a) We disclose Compliance Rate of Major Categories of 3rd Party Audit which includes the compliance rate for voluntary work in the labor and rights category ([Sustainability report page 54](#))

b) We do not disclose the names of the first their suppliers as it is business confidentiality, we disclose following information on our suppliers: ([Sustainability report page 66](#))

There are approximately 2,800 registered suppliers in our global supply chain. Supplier companies that provide 90% total procurement spending are categorized as the 'Critical' suppliers, equal to about 30% of the total registered supplier. We focused our initial procurement evaluation and compliance management on the 'Critical' suppliers, and those with over 30% of the transaction weight in the company account for about 45%.



(Source : [Sustainability report, Page 53](#))

Purchasing practices

Purchasing practices

9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.

Yes. In August 2013, Samsung established its code of conduct on global purchasing, and provides

education on purchasing best practice to its purchasing personnel across the world. The code of conduct consists of the 'Charter of Purchasing Practices', 'Standards and Principles of Purchasing', 'Ethical Standards for Purchasing', and 'Socially Responsible Purchasing'. 'Ethical Standards for Purchasing' communicates our standards and commitment to ethical business practices to which our employees must adhere. In support of this the company has provided online education regarding global purchasing practices to all executives and employees since January 2014.

● **Ethical Standards for Purchasing**

1. We shall perform sound and fair purchasing activities, and pursue ethical behavior based on the awareness that the actions of the individual represent our corporate reputation.
2. We shall comply with the local regulations and business ethics of each country when performing purchasing activities.
3. We shall not pursue personal interests in dealing with the current or potential partners by taking advantage of a superior status or favorable relations.
4. We shall not engage in any activity that might cause financial or material damage, make an unreasonable request, or provide preferential treatment by abusing our authority with our suppliers.
5. We shall not leak or personally use tangible/intangible assets that belong to the company or suppliers, or any other private information acquired during work.
6. We shall use appropriate language and maintain respectful behavior when communicating with stakeholders such as suppliers, and not cause inconvenience to suppliers by calling or visiting their employees more than necessary.
7. We shall accept any responsibilities related to civil/criminal liability and personnel matters should we violate the standards stated above. Samsung Electronics is committed to establish a clean and transparent purchasing organization, and apply the Samsung Employee Business Conduct Guidelines and our ethical management principles to any cases that are not defined in these Ethical Standards for Purchasing.

Supplier selection

10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them? Please describe.

For the promotion of fair trade, Samsung annually examines the capacity level of its suppliers and manages any associated risks. When entering a contract with Samsung, all suppliers are required to comply with ISO 9001, ISO 14001, and Samsung Environmental Standards for Hazardous Chemical Substance Management. Moreover, they must not be involved in labor practices that do not meet Samsung Human Rights Policy and Standards such as child labor, forced labor, or discrimination.

For more details about supplier contract management, please refer to [Sustainability report](#) page 65-68.

11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands?

We understand that difficulties may arise for our suppliers when managing working hours as there can

be many variables such as monthly changes in human resources and fluctuating production volume. Samsung Electronics took note of such difficulties and established the 'prior management system', which forecasts and informs overtime hours based on the supplier's production capacity and production order data, to support the effective overtime hour management of suppliers

Integration into supplier contracts

12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?

Yes, please refer to below example of standard form of contract for suppliers.

1. Suppliers shall comply with the requirements stated in ISO 9001, ISO14001, or other quality assurance standards approved by Samsung and equivalent to the two standards. In addition, suppliers shall follow the Samsung standards for the control of environmentally harmful materials.
2. Suppliers shall guarantee that their products are safe for normal and predictable use and do not contain materials that can harm or endanger the human body. Moreover, suppliers shall assure that the production, distribution, and use of their products do not infringe or misappropriate a third-party's intellectual property rights.
3. Suppliers shall guarantee that they comply with all laws, regulations, rules, standards, and ordinances, as well as relevant international agreements and conventions, that cover environmental protection, employee health and workplace safety, fair labor and employment, child labor, human rights, racial and gender discrimination, anti-corruption, and conflict minerals (including in the Democratic Republic of the Congo) in the areas of their business presence. In the areas that are not stated in the applicable jurisdiction, suppliers shall not be involved with labor practices that are considered inappropriate according to international human rights standards, including engaging children under the age of 16 in forced labor or any labor, in providing products and services. Moreover, suppliers shall not discriminate against employees or applicants based on race, skin color, religion, gender, nationality, age, or disability, and any additional matters protected under other applicable standards. Upon the request of Samsung, suppliers shall prove their compliance with the above requirement in writing. Furthermore, all Samsung suppliers must comply with the code of conduct for Samsung suppliers.

Cascading standards

13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.

Yes. We mandate our suppliers to cascade EICC standards down the supply chain by comprising this item in our check list for self-assessment as well as for the on-site audits of our suppliers. Following are the specific statements asked to our suppliers, for which their conformance status is then evaluated:

- The EICC Code requirements have been communicated to the next tier major suppliers
- An effective process to ensure that the next tier major suppliers implement the Code is implemented.

Recruitment

Recruitment approach

14. Please describe your company's recruitment approach, including whether your company requires recruitment agencies in its supply chain to uphold workers' rights, whether it has a policy on direct employment, and whether it requires suppliers to disclose to the company the recruiters that they use.

Our [Supplier Code of Conduct Guide](#) (page 4) outlines policy and procedures regarding company's recruitment approach as follows:

- Supplier shall establish adequate policies and procedures to ensure that any type of forced, bonded (including debt bondage), involuntary prison, or trafficked labor is not used.
- In the case of hiring workers through a labor dispatch agency, the Supplier shall only conduct business with labor dispatch agencies which have legal and valid licenses and shall enter into a labor dispatch contract with the agency.
- The Supplier shall require a labor dispatch agency to have documented policies and procedures in compliance with this Guide, and systems of monitoring compliance with the relevant policy shall be in place.
- All workers and labor dispatch agencies shall be trained with restrictions on forced labor and have relevant training records.

Recruitment fees

15. Please describe your company's approach to recruitment fees, including (a) whether your company requires that no fees be charged during recruitment processes, and (b) whether and how it ensures that fees paid are reimbursed.

Our company's approach to recruitment fees are outlined in the [Supplier Code of Conduct Guide](#) (page 4) as follows:

- The Supplier or labor dispatch agency shall not request any worker to pay deposits or fees (e.g. recruitment or hiring fees).
- For a foreign worker, the Supplier shall require labor dispatch agencies in the sending country to ensure that aforementioned fees are not in excess of one month's wages. If a foreign worker has paid the fees in excess of the worker's one month net wage, the Supplier shall require the relevant labor dispatch agency to reimburse such excess to that foreign worker within 30 days of the start of the worker's employment.

Abided by EICC guideline which bans charging of all recruitment and hiring fees for workers from 2016, Samsung Electronics prohibits all recruitment or hiring fees accordingly for our corporations in overseas. Our overseas corporations pay hiring commissions charged to migrant workers on behalf of them.

Recruitment audits

16. Does your company audit **recruiters** to assess risks of forced labor and human trafficking?

Samsung Electronics' manufacturing facilities in overseas does not audit recruitment agencies on a regular basis. However, when we do regular audit our manufacturing facilities, we do investigate whether there are any forced labor and human trafficking for our employees. We also identify whether

there are any irrational procedure and messages during recruitment process and company joining process during in-person interviews with employees. Interview questions include if employees are asked for any forced labor after business hours and if they are using annual leaves.

Worker voice

Communication of policies to workers

17. Please describe how your company communicates is human trafficking and forced labor related policies and standards to workers in its supply chain.

Human trafficking and forced labor related policies and standards are comprised in the materials stated in the question 1(Sustainability Report, Business Code of Conduct Guideline, Supplier Code of Conduct, Supplier Code of Conduct Guide) are available on the company websites accessible to public. These policies are also available from company intranet and Partner Portal dedicated to our suppliers.

Worker voice

18. Please describe how your company engages with workers outside of the context of the factories in which the work (whether directly or in partnership with stakeholders).

- **Operation of Labor Council**

Each worksite of Samsung operates a labor council to promote workers' benefits and rights. Labor councils have worked to facilitate a culture in which management and employees discuss matters regarding working conditions and 260,000 work environment and work together to resolve the issues. Labor councils are operated in 47 worksites in Korea and abroad, and they represent 260,000 employees, which accounts for 83% of all employees.

- **Listening to Employees**

We listen to employee concerns through various communication channels, including but not limited to meetings between employees and management, and online and offline grievance settlement channels that guarantee anonymity. Once employee concerns are reported through available channels, we attempt to resolve the issue promptly within 24 hours or one week at the latest, depending on the concern. In addition, we offer legal advice through in-house lawyers and counseling services at each operation sites for employees. Furthermore, we have set up an online communication channel called 'Samsung Live' to gather employees' opinions.

- **Employee Counseling Center**

Samsung Electronics operates various employee counseling centers in domestic business sites such as the, Life Coaching Center, which offers counseling services for employees with difficulties in marriage, child-rearing, office life, and more. These services also provide specialized psychological services by adopting diverse programs, including personality tests and stress management education. The counseling staff at the Life Coaching Center are composed of specialists, who have certified licenses and have received systematic education and intensive training. All counseling information remains classified so that employees can comfortably use the counseling centers.

Worker empowerment

19. Please elaborate on whether and how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of

organizing where there are regulatory constraints on freedom of association.

As stated in our Business Conduct Guideline, our objective is to maintain and develop a mutually cooperative and coexisting employer-employee relationship based on faith and trust. To this end, we recognize and respect our employees' right to the freedom of association in accordance with local laws.

In this regard, we make efforts to raise suppliers' awareness on our policy, including that of freedom of association and other workers' rights, by holding regional workshops and supplier representative meetings as a forum for continuous communication between management and employees in charge of the compliance of suppliers. Through such communication, we reaffirm our strong commitment for compliance management. In addition, Samsung offers compliance management education for both local and overseas staff suppliers to provide tailored educational programs reflecting each country's regulations.

Grievance mechanism

20. Please describe your company's grievance mechanism, including whether it is available to suppliers' workers, and how it is communicated to suppliers' workers.

In 2013, we established a hotline reporting system to help report and prevent human rights violations. Information about how to report through the hotline was displayed on posters, which were posted at supplier companies. In 2014, we expanded the reporting options to mobile phones via QR code scanning, as well as telephone and email reporting. All cases received through the hotline are investigated by Samsung Electronics' employee in charge. We guarantee anonymity of informants and mandates the prohibition of retaliation. Once a report is made, an informant is informed within a week via telephone or email on the measures that will be taken in response to his or her report. If the report is found to be valid, the suppliers concerned must demonstrate improvements within one month, and we validate the improvement results.

Monitoring

Auditing process

21. Please describe your companies auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents, and c) interviews with workers.

Yes. Our auditing process includes both announced and semi-announced visits, a review of relevant documents and interview with workers conducted both onsite and offsite. For more details on auditing process, please refer to [Sustainability report](#) page 48, 52-54.

Audit disclosure

22. Does your company disclose a) the percentage of suppliers audited annually b) the percentage of unannounced audits c) information on who carried out the audits, and d) a summary of findings, including details of any violations revealed? Please provide a URL.

Our [Sustainability report](#) discloses number of third party audits, information on who carried out the audits (whether it was internal or third-party audit), compliance rate of major categories of third party audit, and key summary of third-party audit by category. For details on these information, please refer to pages 53 to 55 of the [Sustainability report](#).

Remedy

Corrective action plans

23. Does your company have a process for creating corrective action plans? Please describe this process and the elements of a corrective action plan.

Yes. The areas requiring improvement based on the audit results are shared with the manager of production site. The manager then set up short and long-term improvement plans within one week from receiving the audit results, and reports them to the relevant business division and headquarters. Each business division and headquarters assign people in charge of the follow-up management who overlook the process on a monthly basis with the aim to address the improvement tasks within six months. Audit results and improvement performance are brought together via the in-house system, and worksites with poor performance are provided with intensive consulting. Our suppliers are to manage an improvement timeline, which they establish based on their analysis of the areas for improvement in the third party audit. Samsung will impose penalties on the overall transactions, including restriction on product development participation for suppliers that fail to achieve the improvement goal. Further, we plan to consider various measures such as intensifying the selection method of suppliers that are subject to third-party audits, as well as changing the verification process. Please refer to Sustainability report page 48, 54, 55 for more details.

Remedy

24. Does your company have a process to provide remedy to workers in its supply chain, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes of this program.

Samsung Electronics asks suppliers to treat their workers respectfully and immediately asks those suppliers found with instances of forced labor to make and follow corrective actions. Moreover, we confirm until suppliers execute and observe corrective actions.