

## **Samsung Electronics (UK) Ltd Modern Slavery Act Statement 2018**

### **Introduction**

Modern slavery is the second largest criminal industry in the world. The UK Modern Slavery Act 2015 has helped to protect more victims of modern slavery, increased offender prosecutions, and led to the publication of thousands of corporate statements. The Act has also done much to raise public awareness of this important social issue, provided the framework for other countries to consider comparable national legislation, and has mobilised civil society group action. Samsung is dedicated to respecting and protecting human rights and we firmly support the UK Modern Slavery Act and its efforts to combat slavery and human trafficking in global supply chains.

This Samsung Electronics (UK) Ltd modern slavery statement is for the financial year ending 31 December 2018. It is our third slavery statement, and continues to demonstrate how we are effectively improving our management processes and stakeholder partnerships to ensure that slavery and human trafficking is not present in our organisation or our supply chain. Samsung Electronics (UK) Ltd is a subsidiary of Samsung Electronics Co., Ltd. which is headquartered in South Korea. References in this Statement to “Samsung”, “our”, “us”, “we” refer to Samsung Electronics Co., Ltd. and its subsidiaries.

### **Key activities - 2018**

- Conducted a human rights impact assessment of Samsung Electronics in Vietnam.
- Investigated migrant worker processes of suppliers at Samsung Electronics Malaysia.
- Created [civilsociety@samsung.com](mailto:civilsociety@samsung.com) to improve stakeholder accessibility and dialogue.
- Updated its Supplier Code of Conduct and Supplier Guidance.
- Membership of the European Partnership for Responsible Minerals.
- Appointed a Global Director for Labour and Human Rights.

### **Organisational structure - business and supply chain**

2019 celebrates 50 years of Samsung Electronics Co., Ltd. (SEC). SEC first began trading televisions but quickly expanded its product range to include home appliances, IT and telecommunications, and consumer electronics. Over the last twenty years Samsung has transformed itself from a low-cost original equipment manufacturer to a world leader in research and development, marketing and design. In 2018, Samsung was the market leader for products across each of its independent business divisions: Consumer Electronics (CE), IT & Mobile Communications (IM), and Device Solutions (DS), and invested KRW 19 Trillion in research and development. The company employed 309,630 members of staff across 206

worldwide operation hubs in 74 countries during 2018 and reported a turnover of KRW 243.8 Trillion. Reflecting this success, Samsung has seen its brand value rise in successive years to \$59,890m, ranking sixth on Interbrand's Best Global Brands in 2018.

Samsung is unlike many of its competitors which have limited or no direct manufacturing capability. Instead, it is responsible for the manufacture of approximately 90% of the products it sells to consumers every year. These facilities are predominantly located in Korea, China and Southeast Asia, but Samsung has a global network of production facilities, including factories in the US and Europe. In 2018, Samsung opened a new manufacturing facility in India to support its mobile phone production operations. The 129,000sq. metre facility, the largest mobile phone manufacturing plant in the world, has the capacity to produce 120 million units annually. As the world's largest electronics manufacturer Samsung is supported by an extensive network of approximately 2,400 first-tier suppliers.

Samsung Electronics (UK) Ltd (SEUK) is responsible for UK and European head offices, an Irish branch office, and a European quality test laboratory, design centre, and research facility. Its principal activities are marketing and sales operations to support the importation and distribution of Samsung branded electronic and electrical goods, which are purchased from Samsung Electronics Co., Ltd. or its subsidiaries. These products are sold via business and consumer distributor channels or directly to consumers via SEUK's own online retail platform. SEUK continues to expand its product and service proposition in the UK and Ireland, and in 2019 plans to launch an experience store in King's Cross in London. SEUK employs approximately 1100 members of staff. Its reported turnover for 2018 was £3.2bn

## Human rights governance and management

Samsung has always placed a high importance on its people and has sought to develop strong systems of corporate governance to ensure its integrity as a responsible business. We have invested significant resource to ensure that our systems provide robust oversight of our operations and interventions to mitigate issues related to labour and human rights. We have implemented policies to ensure that when issues arise they can be managed competently and sensitively at local level. Where an issue requires a more global approach it is raised, in the first instance, to the Global Labour Issue Committee, which consists of Vice Presidents from five key departments. The Global Labour Issue (GLI) Committee meets every 2 weeks, and, if necessary, more frequently to discuss labour and human rights issues. If an issue is deemed to require further scrutiny it is escalated to the Sustainability Council. The Council is led by Samsung's Chief Financial Officer with support from Executive Vice Presidents from across the business

Knowing that our advancements in corporate governance also contribute to securing sustainable growth, we continue to seek ways to improve our management of human rights and labour processes. In 2018, Samsung appointed a Global Director for Labour and Human Rights. This new role was created to strengthen the company's relationships with key international policymakers and opinion formers, and to support Human Resources and other business departments in driving corporate and supply chain improvements.

## Policies and partnerships

At Samsung we publish a range of documents to demonstrate our commitment to responsible work practices, which encompass issues relating slavery and forced labour. These human rights policies are heavily influenced by the international human rights principles and standards set forth in the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the Organization for Economic Co-operation and Development's Guidelines for Multinational Enterprises, the UN Convention on the Rights of the Child, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and the laws of the countries in which we operate.

### SAMSUNG HUMAN RIGHTS AND LABOUR POLICIES

[Global Code of Conduct](#) - Introduced in 2005, the Code of Conduct describes standards of integrity that Samsung requires of all employees, suppliers, and subsidiaries.

[Business Conduct Guidelines](#) - Updated and revised in 2016, the Guidelines were written based on our Global Code of Conduct, and provide specific direction to employees in upholding Samsung's standards of corporate social responsibility, integrity and accountability.

[Supplier Code of Conduct](#) - The Code requires suppliers to operate in accordance with local laws and regulations as well as international standards while helping advance the responsible management of their work environment.

[Supplier Code of Conduct Guide](#) - The Guide supports understanding and implementation of the 'Supplier Code of Conduct', including labour and human rights, H&S, environment, ethics and management systems. Samsung encourages 1st-tier suppliers to support their supply chain and subcontractors (including labour dispatch agencies) to comply with the Guide.

[Responsible Sourcing of Minerals Policy](#) - This Policy requires that minerals used in our products meet the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

[Child Labour Prohibition Policy in China](#) - This 2014 Policy applies to all business operations of Samsung in China and establishes a policy against the employment of a worker under the age of 16, as prohibited by international standards and relevant national laws.

[Juvenile Worker Policy in China](#) - The Policy provides additional protections for 16-18 year olds employed in Samsung's business operations in China. The Policy includes restricting worker's hours and prohibits the offer of overtime.

[Student Worker Policy in China](#) - The Policy provides specific worker protections for students employed at Samsung in China who are undertaking an internship to support their vocational study. The Policy restricts worker's hours and prohibits the use of recruitment agencies.

[Guidelines for Apprenticeship Training in India](#) - The Guidelines explain procedures and processes to be observed for the development of apprenticeship standards, and for protecting apprentices' rights at Samsung operations in India and its suppliers.

[Migrant Worker Guidelines](#) - The Guidelines set out minimum requirements for the ethical and transparent recruitment of migrant workers in Samsung's worksites and its suppliers. The Guidelines prohibit any recruitment or placement fees being imposed on migrant workers by recruitment agencies, sub-agents, or third parties during the recruitment process.

Despite our significant size and resource, we realise that acting independently has its limitations and that by working collaboratively with like-minded international partners the possibility to drive higher industry standards can be achieved. As a result, these policies were developed in collaboration with several strategic partners. We also invest our time and resources to support several important industry initiatives to raise social sustainability standards.

The [Responsible Business Alliance's](#) (RBA's) [Code of Conduct](#) underpins our own Business Conduct Guidelines and Supplier Code of Conduct. We also participate in the RBA's [Responsible Labour Initiative](#) and [Responsible Minerals Initiative](#) which further informs our understanding and activity relating to human rights issues and establishes industry standards. Supporting this activity, Samsung has worked with civil society and non for profit organisations to strengthen its regional policies. In 2018 Samsung worked with a global non-profit organisation to conduct its first human rights impact assessment of its Vietnamese factories. Samsung has a longstanding relationship with this organisation, having worked with it previously to develop its guidelines for migrant workers.

Samsung also has an established and active role in the Global e-Sustainability Initiative ([GeSI](#)), which supports efforts to integrate social and environmental sustainability through ICT. In 2018, Samsung announced its membership of the European Partnership for Responsible Minerals ([EPRM](#)). This important multi-stakeholder partnership aims to increase the proportion of responsibly produced minerals from conflict-affected and high-risk areas (CAHRAs) and to support socially responsible extraction of minerals that contributes to local development. Furthermore, we engage bilaterally and at events with external stakeholders including representatives from civil society and NGOs that have an interest in our industry. We frequently attend conferences where the human rights aspects of our industry are discussed, such as the annual UN Forum on Business and Human Rights and the OECD Forum on Responsible Mineral Supply Chains

At a domestic level Samsung plays an active role in [techUK's](#) work on human rights and modern slavery, informing and influencing UK government officials and civil society groups through the [Sustainable Supply Chain Group](#).

## Due diligence processes

The respect and protection of human rights is the fundamental and inalienable right and freedom to which all people are entitled. As such, we seek to ensure that this principle is embedded at the core of our business practices with effective human rights policies and management systems. These systems identify, evaluate, and manage the actual and potential impacts that our business activities have directly and indirectly on human rights, and are supported by educational awareness, engagement and reinforcement programmes to ensure the appropriate standards of compliance and due diligence are met. Samsung applies the same level of scrutiny in assessing labour and human rights risks at its own operations to those of its first-tier suppliers. Our dedicated corporate management team constantly reviews our

policies and management systems to identify and improve system performance. And, where necessary, we conduct separate assessments for identified risk situations.

A challenge we and many other businesses face is identifying and assessing the labour and human rights standards of lower-tier suppliers – due to a lack of visibility and leverage. Previously we have reported how we require first-tier suppliers to manage the working conditions of second-tier suppliers, and how we influence them to engage in responsible corporate activities described in the Supplier Code of Conduct and to fulfil these duties for their subcontractors. In 2018, we extended our Fair-Trade Policy to include agreements between our second-tier and third-tier suppliers to promote a culture of fair trade and mutual growth, and we continue to explore opportunities to better identify and mitigate harmful impacts upstream in our supply chain. We are also committed to improving the transparency of our supply chain by disclosing the list of our key suppliers with their consent.

## Risk management systems

In 2013, Samsung established an independent compliance team to monitor and manage the work environment of our global manufacturing operations. The team introduced a worksite monitoring system to conduct assessments of compliance management and improvement activities. The worksite monitoring system includes 55 assessment items in 7 areas and is available in 12 languages. In 2014, a human rights risk assessment and analysis system was developed to evaluate the factors that could directly and indirectly affect the management of human rights at these factories, and to identify high-risk sites. This system includes a mix of internal (working environment, working conditions) and external (local regulations, regional issues) indicators. Together, these monthly risk reporting systems form an integral component of our human rights due diligence processes.

Where data registered in our worksite monitoring and risk analysis systems identifies issues of non-compliance with our labour and human rights management standards an in-depth audit is conducted. In 2018, seven global manufacturing sites were identified as requiring such an audit and a total of 154 corrective actions were identified. The compliance team works closely with the sites to establish future improvement plans and measures to prevent reoccurrence, with monthly progress of improvement reported via the worksite monitoring system. Following these audits 75% of the corrective actions identified were completed.

To further support these risk management systems, each business division conducts a quarterly expert assessment of specific risk factors (working hours, protection of vulnerable employees, etc.) to improve management capacity. At the request of customers, Samsung also conducts third party reviews to objectively assess our compliance with local labour laws and global standards. In 2018, we worked with RBA certified agencies to conduct Validated Assessment Program (VAP) Audits. The on-site audits were conducted at eleven global manufacturing sites in eight countries. Four worksites achieved the RBA's highest standard of recognition (Platinum), which requires that all priority, major and minor findings are closed. To increase stakeholder confidence that our operations and business relationships are not

infringing on human rights, Samsung also conducted its first human rights impact assessment (HRIA) in 2018.

#### VIETNAM: HUMAN RIGHTS IMPACT ASSESSMENT

Samsung Electronics in Vietnam includes large mobile phone manufacturing sites that employ close to 100,000 workers. In 2018, we conducted a HRIA in order to seek objective information about our business impacts, and as part of a wider global effort to align our internal practices with the United Nations Guiding Principles on Business and Human Rights (UNGPs). The objectives of the HIRA were to: identify actual and potential factors that affect human rights; provide recommendations to mitigate risks and maximise opportunities; and improve management measures through constructive engagement with key stakeholders. To achieve these objectives, the HRIA methodology reflected the three major principles of the UNGP's (Protect, Respect, and Remedy), and consisted of document reviews, on-site audits and worker and other stakeholder interviews. To support this activity, Samsung hosted a forum in Vietnam for 300 local and international stakeholders to demonstrate a willingness to engage and to gather meaningful feedback on how to further improve human rights and labour practices. We also hosted a visit from UK Government's International Trade Committee who were keen, amongst other issues, to better understand our labour and human rights practices.

Samsung requires suppliers to meet worksite standards with regard to labour and human rights as stipulated in its Supplier Code of Conduct. In 2018, the Supplier Code of Conduct and Supplier Code of Conduct Guide were updated to reflect version 6.0 of the RBA Code of Conduct that was ratified in 2017 and published in January 2018.

To ensure these supply chain standards are met, Samsung employs a three-stage work environment management process of self-assessment, on-site auditing and third-party verification. The annual self-assessment of first-tier suppliers evaluates performance against established RBA criteria, and performance against this criteria, as well as location, transaction volumes and historic compliance, influences the need for an on-site audit led by internal RBA auditors. In 2018, 407 on-site audits were conducted and a compliance rate of 91% was achieved. All audit improvement plans are registered on our Global Supplier Management System (G-SRM) to enable performance of outstanding tasks to be monitored. Typically, tasks are completed within 30 days; however, we recognise that additional time may be required where facility investments and certifications are necessary. In 2018, a compliance rate of 96% was achieved for our third-party auditing programme, despite significantly increasing the total number of third-party audits. Samsung may impose penalties on the overall transactions, including restriction on product development participation, for suppliers that fail to achieve improvement goals. And, where necessary, will conduct special inspection assessments for identified risk situations.

#### MALAYSIA: MIGRANT WORKER SUPPLIER RISKS

Migrant workers in Malaysia have been identified as being vulnerable to the risk of forced, bonded or indentured labour as well as human trafficking. Samsung's Migrant Worker Guidelines strictly prohibits forced labour (the collection of recruitment fees, collecting identity cards, etc.) and human trafficking. In 2018, Following concerns raised to us about the labour practices of several sub-contractors at our Malaysian manufacturing facility, we conducted a special inspection of supplier operations to assess compliance with our Supplier Code of Conduct and Migrant Worker Guidelines. Where we identified non-conformances (passport retention, recruitment fee payments, worker accommodation conditions) Corrective Actions Plans (CAPs) were agreed upon with the sub-contractors. Actions included repayment of recruitment fees by our sub-contractors, replacing contractors who could not meet the CAP requirements by the agreed deadline, ensuring migrant worker passports were not kept by the employer without consent, and improving hostel conditions and facilities. We have also sought to strengthen our education of suppliers and sub-contractors on Samsung's Migrant Workers Guidelines and Supplier Code of Conduct, and will continue to monitor CAP performance and conduct audits into 2019. Our formal response to this issue is publically available on the Business and Human Rights Resource Centre's [website](#).

#### Measurement and performance standards

In accordance with the UN Guiding Principles on Business and Human Rights, we have developed systems to protect the substantive and procedural rights of our executives and employees. This includes providing accurate information on the process and results of grievance management, prohibiting disadvantaging those who submit grievances, and banning discrimination when dealing with grievances. Samsung's Global Grievance Resolution Guidelines promotes four grievance handling channels – hotline, offline channels, online channels and employee committees - to identify potential violations of any work environment standards or the infringement of human rights at our worksites. To ensure the effectiveness of these grievance mechanisms we have produced information on these handling channels in the mother language of employees to improve accessibility. In 2018 we received a total of 12,814 grievance reports, of which 67% were concerned with labour conditions and work environment issues. We successfully resolved 99% of these grievances through our established handling channels. Since April 2019 we have been operating 308 grievance channels across 30 worksites. Samsung also operates the ethics management website ([www.sec-audit.com](http://www.sec-audit.com)).

In 2018, we sought to further enhance opportunities to report grievances to us. Recognising that constructive dialogue with civil society plays a critical role to promoting sustainable living we created the global communication address [civilsociety@Samsung.com](mailto:civilsociety@Samsung.com) to improve wider stakeholder accessibility. We will review the effectiveness of this new reporting channel as well as opportunities to promote its use amongst stakeholders.

Samsung also operates grievance handling channels for suppliers' worksites to ensure worker environment standards and human rights are not infringed. Despite actively promoting these grievance handling channels to worksite employees, there has been a significant reduction in

the number of grievances raised since the system was first introduced in 2013. This decline in grievance reports is the result of suppliers' own efforts to improve their management and compliance capabilities. As a result, the Samsung system will be modified to encourage workers to suggest process/system improvements, rather than simply monitoring complaints. It is hoped that this new approach will create a collaborative platform to further improve our supply chain working environment.

As mentioned previously in this statement, Samsung increased the number of third-party supplier audits it conducted in 2018, particularly in Southeast Asia where working environment issues were reported. The audits monitor performance against five established indicators: labour and human rights, health & safety, environment, ethics, and management systems. Overall compliance in 2018 remained consistent with performance in 2017 (96%). Despite a small reduction in compliance performance in four categories, labour and human rights compliance continued to improve at supplier worksites with an increase in performance of 92% in 2017 to 95% in 2018. Identified non-compliances were mainly related to differences between national legal working hour standards and those prescribed by the RBA and included in our Supplier Code of Conduct. We will continue to monitor working hour performance at supplier worksites and further support action to meet applicable standards.

## Training and capacity building

To promote understanding and awareness amongst employees of the labour and human rights standards outlined in our code of conduct we have developed training programmes to support worksite performance. These capacity-building training courses are designed to reflect regional and cultural characteristics at our global manufacturing worksites. In 2018, 331 in-house trainers undertook capacity building and approximately 155,505 employees received an average of three hours training on these issues. The number of in-house trainers who undertook capacity training increased significantly from 2017 to 2018 (63%); however, overall employee training fell slightly. To strengthen the proportion of employees receiving training on our policy to respect human rights and in-house grievance-handling channels a 95% participation target has been established for 2019.

Samsung also supports efforts to improve understanding and awareness of labour and human rights standards provided to support supplier operations. Responding to concerns about infringements to our Migrant Workers Guidelines in Malaysia we provided additional capacity building for suppliers and subcontractors to ensure migrant worker rights were protected.

## Further action

This is the third modern slavery statement issued by Samsung Electronics (UK) Ltd. It demonstrates successive improvement in our human rights and labour management practices to mitigate the risk of modern slavery and human trafficking in our operations and global supply chain. The statement presents a number of achievements in 2018 and indicates further ambitions to be achieved in 2019. Samsung recognises its ability to leverage change within the electronics sector and will continue to work with key influencers.



This Statement was approved by the Board of Samsung Electronics (UK) Ltd in June 2019. It complies with the requirements set out in section 54 of the UK Modern Slavery Act 2015.

A handwritten signature in black ink, appearing to be 'SK', located below the text.

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