

Samsung Electronics Co. Ltd.

TICKER
KRX:5930

MARKET CAPITALIZATION
US\$310 billion

HEADQUARTERS
South Korea

DISCLOSURES

UK Modern Slavery Act: Yes (Disclosure of Subsidiary)

California Transparency in Supply Chains Act: Not applicable

TARGETS

None

OVERALL RANKING

2 out of 49

([2018 Rank](#): 6 out of 40)

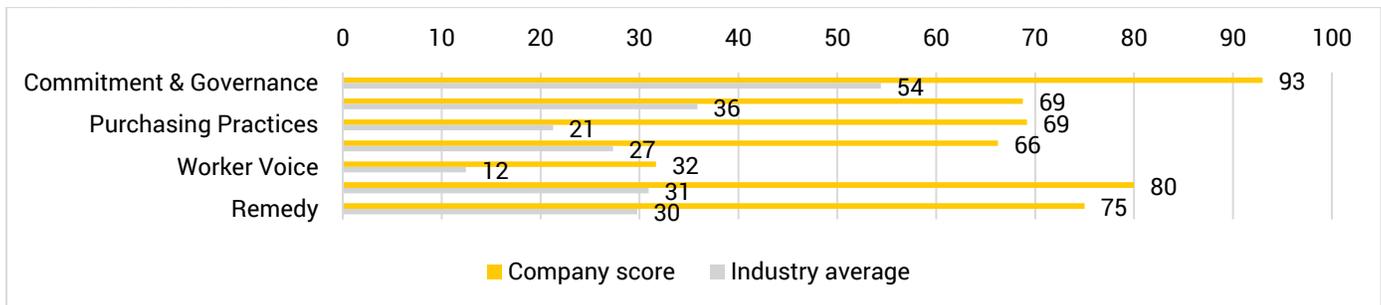
OVERALL SCORE

69 out of 100

SUMMARY

Samsung Electronics Co. Ltd. (Samsung), the largest global electronics manufacturer,¹ ranks second out of 49 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. Compared to 2018, the company's rank increased from sixth to second as the company disclosed, for example, a supplier list, data points on its supply chain workforce, and board oversight of supply chain policies. Notably, the company has the highest score on the theme of Purchasing Practices. KnowTheChain identified two allegations of forced labor in the company's supply chains. While the company discloses remedy outcomes for workers in both cases, it only discloses engagement with affected stakeholders in one of the cases and does not disclose whether remediation has been satisfactory to the victims. The company is encouraged to improve its performance and disclosure on the themes of Traceability & Risk Assessment, Recruitment, and Worker Voice, including on freedom of association, the only indicator for which it scores zero.

THEME-LEVEL SCORES



Research conducted through October 2019 or through January 2020, where companies provided additional disclosure or links. For more information, see the full dataset [here](#). For information on a company's positive and negative human rights impact, see the Business & Human Rights Resource Centre [website](#). It includes an [allegation in the company's supply chains regarding forced labor of ethnic minorities transferred from Xinjiang to factories across other provinces in China](#), which falls outside of the research timeframe.

KEY DATA POINTS**SUPPLIER LIST**

Yes

AVERAGE SUPPLIER SCORE

28/100

HIGH-RISK SOURCING COUNTRIESChina, Malaysia²**NO-FEE POLICY**

Yes (Employer Pays Principle)

REMEDY FOR SUPPLY CHAINS WORKERS

Yes

LEADING PRACTICES

Supplier Selection: Samsung discloses that it evaluates potential suppliers on several criteria, including labor and human rights, and that these evaluations include on-site visits. It is one of only three companies that reports on outcomes of its supplier selection processes, noting that in 2019, 18% of potential suppliers did not meet its standards.

Monitoring Disclosure: Samsung discloses the percentage of suppliers audited in 2018, and it is the only company to disclose the percentage of unannounced audits undertaken.

NOTABLE FINDINGS

Purchasing Practices: Samsung reports that it analyzes data on its suppliers' production capacity and volume to understand overtime and "preemptively manage work hours." The company discloses a supplier evaluation scheme that includes several criteria, one of which covers labor and human rights. Samsung states that high performers in the evaluations are granted incentives, "including the preferential transaction allocations for the following year and an opportunity to join capability building initiatives." The company discloses that it includes forced labor provisions in 100% of its supplier contracts and is one of only a few companies that requires suppliers to have the same contractual requirements for their own suppliers.

Recruitment: The company's migrant worker guidelines include a list of fees that are payable by the supplier. Suppliers must state in their contracts with recruitment agents that recruitment fees cannot be charged to workers. Samsung further discloses that, in several cases, its suppliers reimbursed recruitment fees to workers in its supply chains. It also states that it collaborated with the International Organization for Migration to provide training on responsible recruitment for its staff and suppliers in Malaysia.

Worker Voice: Samsung's migrant worker guidelines require its suppliers to put in place grievance mechanisms for migrant workers in their native language. The company states that posters displaying grievance channels in local languages are placed in offices, corridors, manufacturing sites, dining facilities, dormitories, and other high-visibility locations. The company further discloses that it operates a hotline for grievances, including labor rights violations in its supply chains, and that in 2018, it set up a

“global communication address” to improve stakeholder accessibility. It discloses evidence that the mechanism is used; specifically, it discloses the number of reports received in 2018 and which labor rights topics were addressed in the reports.

OPPORTUNITIES FOR IMPROVEMENT

Traceability and Risk Assessment: The company undertook an investigation of its direct suppliers in Malaysia, where it identified risks of forced labor related to migrant workers. The company is encouraged to further assess forced labor risks (both potential and actual) across different tiers of its supply chains and to disclose the risks identified in order to understand and prevent potential and actual labor rights violations.

Recruitment: While the company discloses some information on how it ensured that its suppliers remediated worker-paid recruitment fees, it is encouraged to take steps to prevent worker-paid fees (e.g., by mapping recruitment channels to understand the journeys undertaken by workers and the agents involved, analyzing fees paid by workers to ascertain amounts paid, and undertaking specialized audits to detect such fees). The company may further consider disclosing information on the recruitment agencies used by its suppliers and providing evidence that its suppliers implement its guidance and monitor employment and/or recruitment agencies that they use for forced labor risks. Additionally, it may consider disclosing the outcomes of the steps it has taken to ensure respect of the [ILO core labor standards](#) of supply chain workers in vulnerable conditions (such as migrant workers and women workers).

Worker Voice: To prevent and address forced labor and human trafficking risks in its supply chains, the company is encouraged to take steps to ensure that workers in its supply chains are educated on their rights and are able to exercise their right to freedom of association. To support collective worker empowerment, the company may consider working with local or global trade unions to support freedom of association in its supply chains. Where there are regulatory constraints on freedom of association, the company is encouraged to ensure workplace environments in which workers in its supply chains are able to pursue alternative forms of organizing.

ENGAGED WITH KNOWTHECHAIN

Yes ([Provided Additional Disclosure](#)).

¹ The company ranks first in the Global 500 in the electronics and electrical equipment industry. Fortune, “[Global 500 2019](#).” Accessed 30 March 2020.

² The US Department of Labor lists China and Malaysia as countries where electronics may be produced using forced labor. US Department of Labor (20 September 2018), “[List of Goods Produced by Child Labor or Forced Labor](#).”