

12 March 2019: Samsung Electronics' reply to the Guardian article (November 8th 2018) on Malaysia

Summary:

Samsung Electronics has 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 and we are constantly working towards addressing those issues.

As stated in our initial response to the allegations in the Guardian article of November 8, 2018, we have investigated the information that was reported in the article. Through this letter to the Business and Human Rights Resource Centre, we would like to give an update on the investigation, findings and actions taken.

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. Training for our suppliers and sub-contractors on our Migrant Worker Guidelines was most recently conducted in February 2018.

The Samsung Electronics Malaysia (SEMA) plant in Selangor produces 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.

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.

As a result of the November 2018 audits, CAPs were put in place, or amended in cases where there were additional findings to the July 2018 on-site audits. These measures are to ensure that the sub-contractors are adhering to national laws and regulations as well as to Samsung Supplier Code of Conduct and Migrant Worker Guidelines. Improvements to date include:

- 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.
- All 6 sub-contractors revised their policies to include prohibition of unlawful deduction of recruitment fees and levies starting January 2019.
- The 2 sub-contractors mentioned in the article stopped deducting levies from worker salaries as of January 1, 2019
- Meanwhile other issues such as housing conditions and repayment of recruitment fees and levies paid by workers are progressing towards improvement. Two sub-contractor are developing their reimbursement plan. And all 4 sub-contractors who provide accommodations are improving hostel conditions and facilities.

SEMA will not hesitate to stop doing business with any of the sub-contractor(s) who are unable to or refuse to follow the CAP requirements by the agreed deadline. In fact, one contractor was replaced by SEMA in January 2019 for that reason.

The Malaysian government is drafting a legislative amendment to establish minimum standards for migrant workers living quarters and, more generally, is looking into proposals to improve the laws related to migrant workers to ensure safe, orderly and regular migration. In the meantime, we have improved working conditions in our supply chain in accordance with Samsung's Supplier Code of Conduct and Samsung's Migrant Worker Guidelines.

Samsung recognizes its responsibility to further improve its due diligence processes in Malaysia. As of January 2019, we have taken the following actions at SEMA:

- The implementation of CAPs for on-site subcontractors will be monitored on a monthly basis;
- We will enhance our on-site audits to cover 100% of our sub-contractors; and
- We will annually train our sub-contractors on our Supplier Code of Conduct and Migrant Workers Guidelines and will continue to conduct audits as per RBA methodology.

Samsung has solid due diligence process in place as evidenced by the procedures described above. When issues arise, Samsung will do its utmost to remedy the situation and enhance our processes and policies as needed.

As always, I remain at your disposal for further exchange in case of questions.



Caleb Lee
Vice President European Corporate Affairs
Samsung Electronics