

Dear Bobbie Sta. Maria & Phil Bloomer,

Hope this email finds you well and thank you for giving us a chance to respond to your article.

SAMSUNG Electronics (SAMSUNG) deeply cares about the health and safety of our suppliers and we are committed to strengthening support for our suppliers in this respect. We feel very unfortunate regarding the incidents of acute methanol poisoning that occurred at our third-tier suppliers in Korea in early 2016. However, we would like to explain several aspects to properly contextualize this issue. Importantly, SAMSUNG is not a participating party to any contract between its third-tier suppliers (who also supplied to other customers) and to the affected employees. As such, SAMSUNG is not responsible under the applicable Korean laws that govern these types of business arrangements. Nonetheless, as SAMSUNG takes work safety as one of its key priorities and is dedicated to making positive changes in our supply chain ecosystem, we have taken various measures to improve our existing practices and to prevent recurrence of such incidents in our supply chain going forward. These measures are explained below.

Inspection

Promptly after the methanol incidents, SAMSUNG immediately conducted on-site inspections at all of the 47 suppliers handling similar work (i.e., cutting and molding small aluminum parts for mobile phones). From these inspections, we discovered that 19 out of 47 suppliers (4 first-tier; 7 second-tier; and 8 third-tier) were using methanol. Our progress on mitigation and prevention is as follows:

Support for Swift Transition to Safer Material

In relation to the suppliers which were using methanol, we have immediately implemented a complete transition from methanol to ethanol, a chemical that is much safer. We covered the cost for our suppliers in making this transition to ethanol.

Further, we have developed an alternative coolant which is comprised of 95% water and 5% additives and is toxic-free and environmentally-friendly. Our suppliers in Korea have started using this alternative coolant since October 2016 and in Vietnam since December 2016, respectively.

Robust Supplier Training

For the purpose of capacity-building for our suppliers, we have revamped our support for suppliers' EHS management in order to help them be better informed of legal compliance and other practical requirements. All of our first-tier suppliers based in Korea must appoint a dedicated EHS professional. In addition, between April and June 2016, we offered a 16-hour training course for all of our first-tier suppliers' senior management and their EHS professionals to educate them about SAMSUNG Electronics Supplier Code of Conduct (the "Supplier Code") and the associated implementation Guide (the "Guide"), as well as to train them on relevant EHS regulations.

We will continue to improve the quality of the training and plan to expand it to cover second- and third-tier suppliers. To facilitate knowledge-sharing, we provide our suppliers with bi-weekly updates summarizing latest legal and regulatory developments, news on EHS-related incidents, and best practices developed by SAMSUNG or its suppliers.

Overseas Manufacturing Sites

After the methanol incident in Korea, we promptly took the same preventative measures to our overseas suppliers handling aluminum (i.e., by replacing methanol with ethanol and subsequently with a safer alternative). As we mentioned earlier, our suppliers in Vietnam have started using the safer alternative coolant since December 2016.

As a dedicated member of the Electronics Industry Citizenship Coalition (EICC), SAMSUNG fully complies with EICC's Code of Conduct, a core requirement that takes into account various international principles and standards. We regularly monitor and support the EHS management of our suppliers both in Korea and overseas. Both the Supplier Code and the Guide were drafted to ensure that our suppliers are fully aligned with expectations from the relevant international human rights treaties and standards. The Supplier Code sets out an over-arching policy direction and the Guide elaborates practical and detailed guidance on how to comply with the Supplier Code for capacity-building purposes.

Towards a Better Supply Chain

We recognize that one of the reasons for the occurrence of such incidents was the complex supply chain in our sector. This is a challenging issue for mobile phone manufacturing. We strive to simplify and streamline the sub-contracting structure (e.g., gradually shifting volumes which would previously be assigned to a third-tier supplier now to first- or second-tier ones). Of course, we will continue to find effective ways to support our key business partners and stakeholders within our ecosystem.

We hope that you find the above helpful in understanding a broad picture of the matter.

Best regards,

Dohyon Kim, Vice President
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SAMSUNG Electronics