

Investment Stewardship

Vote Bulletin: Samsung Electronics Co., Ltd.

Company	Samsung Electronics Co., Ltd. (005930-KR)
Market and Sector	South Korea, Information Technology
Meeting Date	16 March 2022
Key Resolutions ¹	Item 2: Election of Directors
Key Topics	Climate risk
Board Recommendation	The board recommends shareholders to vote FOR item 2
BlackRock Vote	BlackRock voted FOR item 2

Overview

Samsung Electronics Co., Ltd. (Samsung) is South Korea’s largest company in market capitalization and one of the world’s largest manufacturer of electronics and computer peripherals. Headquartered in Suwon, South Korea, Samsung delivers products and services through three main business divisions: consumer electronics, information technology and mobile communications, and device solutions.² The company employs more than 260,000 people and has a presence in 74 countries.³

BlackRock Investment Stewardship (BIS) has conducted multi-year engagements with the company to discuss a range of topics that can help drive long-term shareholder value. As one of the 1,000+ companies included in the BIS [climate focus universe](#),⁴ our engagements with Samsung often involve discussions about climate and energy transition risks. As we are long-term investors on behalf of our clients, how well companies navigate and adapt through the transition will have a direct impact on our clients’ investment outcomes and financial well-being.

In October 2020, the South Korean government announced its commitment to achieve carbon neutrality by 2050.⁵ A year later, the country enhanced its 2030 Nationally Determined Contribution (NDC) target.⁶

¹ Samsung Electronics Co., Ltd. “2022 Annual General Meeting of Shareholders: Reference Material.”

² Samsung Electronics Co. Ltd. “Samsung Electronics’ Sustainability Report 2021.” Page 3.

³ Samsung Electronics Co. Ltd. “Samsung Electronics’ Sustainability Report 2021.” Page 4.

⁴ The BIS climate focus universe covers over 1,000 carbon-intensive public companies that represent 90% of the global scope 1 and scope 2 greenhouse gas (GHG) emissions of our clients’ public equity holdings with BlackRock

⁵ Reuters. “South Korea’s Moon targets carbon neutrality by 2050.” 28 October 2020.

⁶ South Korea first submitted its Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat in June 2015. Upon its ratification of the Paris Agreement on November 3, 2016, the submitted INDC was registered as the country’s NDC. In November 2021, South Korea announced its updated and enhanced target of reducing its total national GHG emissions by 40% from the 2018 level, which is 727.6 MtCO₂eq, by 2030.

Since then, many South Korean companies have publicly released their respective carbon neutrality targets and climate-related strategies to align with the government's ambitions.

Based on Samsung's current sustainability reporting and disclosures, the company has yet to state any carbon neutrality goals. Furthermore, its greenhouse gas (GHG) emissions target of 70% reduction from 5.17 tonnes of CO₂e/KRW 100 million in 2008 expired in 2020 and has not been refreshed.

As part of our on-going engagements with Samsung on behalf of our clients, we sought to better understand and assess the company's plans to publish an update to its climate strategy, progress in defining GHG emissions reduction targets, as well as overall approach to navigating the energy transition. Carbon-intensive companies that act early to anticipate and mitigate climate and sustainability risks can be better positioned to capture growth opportunities through a period of significant industry transition.

Rationale for BlackRock's vote

Item 2: Election of Directors

BIS voted FOR the proposed director elections based on the company's indication that it is in its final review stage of a revised climate strategy, and on our expectation that it will be announced in the months to come.

As described in our [Global Principles](#) and commentary on [Climate Risk and the Global Energy Transition](#), climate risk is an increasingly important factor in companies' long-term profitability. Shareholders benefit from greater transparency and understanding when companies disclose how climate risks and opportunities might have an impact on their business, and stress test how their business model performs through different scenarios of a global economy that limits temperature rise to well below 2°C, moving toward net zero emissions by 2050.

Based on Samsung's current disclosures, the company has taken steps to strengthen its management of climate-related risks and opportunities. Samsung has aligned their climate-related disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) framework and has achieved its 2020 target of powering all its worksites in the United States, Europe, and China with 100% renewable energy sources.⁷ In 2021, the company established a board-level Sustainability Committee that provides direct board-level oversight over material environmental, social, and governance (ESG) issues. Samsung also added sustainability key performance indicators (KPIs) to the performance evaluation and compensation of executives, signalling to investors that the company is placing greater priority on these issues.

However, investors are deeply limited in their ability to assess the company's capacity to adapt the business models and operations to navigate the energy transition due to an absence of meaningful short-, medium-, and long-term GHG emissions reduction targets. Investors also lack disclosures of how these targets might affect their long-term economic interests. Furthermore, the absence of public communication on climate strategy and potential net zero pathways prior to the 2022 Annual General Meeting of Shareholders (AGM) signals a lack of urgency on these issues from Samsung's board.

Long-term investors recognize the complexities of integrating climate risks and opportunities into a company's business strategy, particularly for companies like Samsung with expansive business divisions and worldwide affiliates. As one of the world's largest manufacturers of electronics, careful deliberation and coordination between the various businesses is essential to define and pursue meaningful GHG emissions reduction targets.

⁷ Samsung Electronics Co. Ltd. "[Samsung Electronics' Sustainability Report 2021](#)." Page 16.

Another challenge South Korean companies face is the fact that fossil fuels account for 85% of total primary energy supply⁸ and reliable procurement options for renewable sources remain limited.⁹

Despite these challenges, the board has shown their intent to strengthening and enhancing the diversity of skillsets amongst directors to improve expertise on climate and environmental-related issues at the 2022 AGM. The nomination of Dr. Wha-Jin Han – the former Secretary for the Environment to the President of South Korea and founding member of the Korea Environment Institute – brings to the board deep expertise to better assess and provide oversight to ensure adequate management of climate-related risks and opportunities. In regular engagements, the board has also signalled an awareness of shareholder concern regarding the lack of disclosures around the management of climate transition risks and indicated investors will have better visibility into the company's updated environmental strategy and targets in the coming months.

As a long-term investor on behalf of our clients, it is important that Samsung – South Korea's largest company and a global leader in its industry – takes the initiative to lead on this critical, multi-decade business transition. Our understanding is that the company is in the final review stage of its renewed strategy, which would replace the strategy and commitments that expired in 2020. Based on our anticipation that this revised strategy will be announced in the coming months, preferably by mid-year, we have decided to support all director elections at this shareholder meeting.

Long-term investors and the company itself will benefit from greater transparency and clear disclosure of the company's environmental strategy and targets. Consistent with helping clients achieve positive investment outcomes, we aim to be supportive of and provide constructive feedback to companies. To that end, we will continue to engage with the company on this issue on behalf of our clients, seeking timely disclosures and to understand the company's progress and action plan on these risks and opportunities.

⁸ As of 2018. International Energy Agency. "[Korea 2020 – Energy Policy Review](#)."

⁹ RE100, Climate Group, CDP. "[Stepping up: R100 gathers speed in challenging markets](#)." Re100 annual disclosure report 2021. January 2022.

About BlackRock Investment Stewardship (BIS)

BlackRock's purpose is to help more and more people experience financial well-being. We manage assets on behalf of clients, –ultimately people around the world investing for their long-term financial goals. . As part of our fiduciary duty to our clients, we have determined that it is generally in their best long-term financial interests that we promote sound corporate governance as an informed, engaged shareholder. At BlackRock, this is the responsibility of the Investment Stewardship team.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.¹⁰

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship
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¹⁰ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.