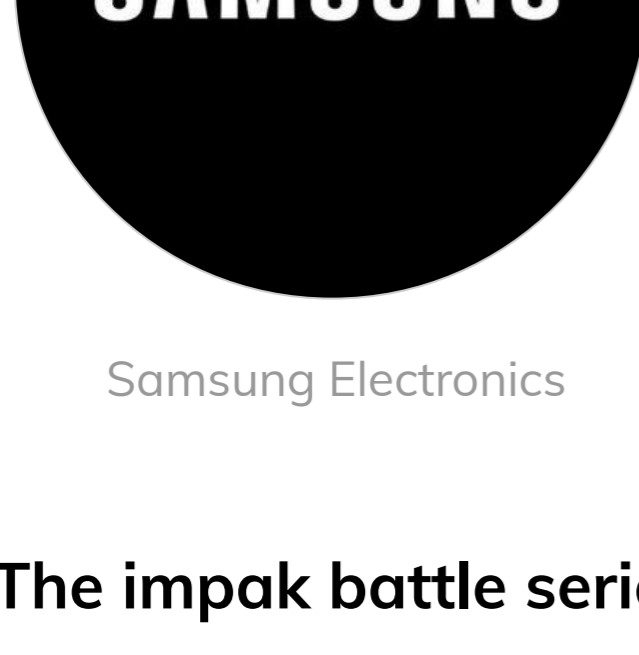


impak Battles

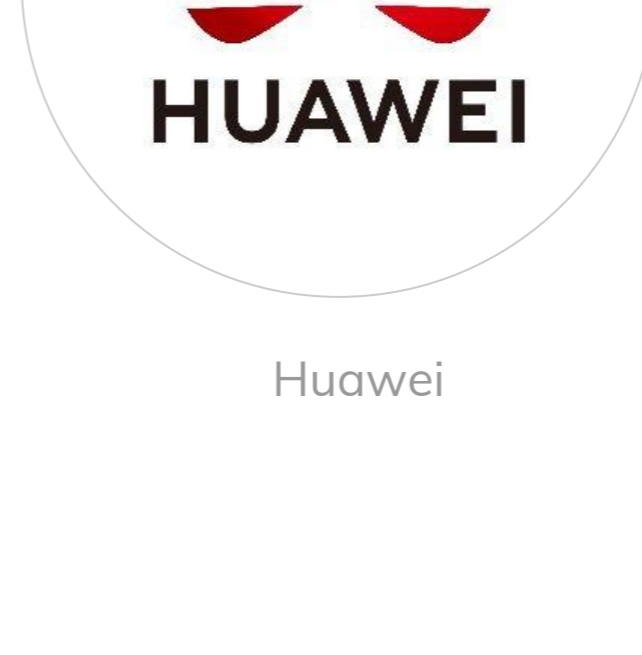


About the author *impak*, the independent impact rating agency, regularly publishes content providing transparent data on the social and environmental impact of companies. By doing so, it aims to accelerate the transformation towards a stakeholder economy generating an overall more positive contribution to society.



Samsung Electronics

VS.



Huawei

The impak battle series

"I have a smartphone too. These devices contain minerals extracted in inhumane conditions. What is the human cost of these objects?" - Dr. Denis Mukwege, Nobel Peace Prize, Oslo, Norway, 2018 (free translation from [Le Monde YouTube video](#)).

In the global awakening about the role of double materiality in finance—as stated in [BlackRocks' report](#)—and the role of regulations and money managers in the matter, no sector can continue to ignore the impact they have on society and the environment. Because of the intrinsic risks associated with its manufacturing activities, the electronics sector generates important negative impacts in regards to social issues, such as poor labour and working conditions, and workers' health and safety. Today, the Battle is between two Asian electronics powerhouses: the South Korean Samsung Electronics and the Chinese Huawei, based on their 2019 public data. Which one of them better takes into consideration its social and environmental impacts?

Key figures 2019 Data	SAMSUNG	HUAWEI
	Samsung Electronics	Huawei
impak Score™ 1000pts max	144	113
Positive impact 500pts max	0	0
Negative impact 300pts max	58	27
Governance 200pts max	86	86
Total % of activities positively linked to SDGs	0.35%	0%
Number of Z-rated negative impacts	5	3
Overall ABC classification <small>See Methodology commentary</small>	Z	Z
Turnover EUR	168,363 bn	112,215 bn
Revenue progression <small>2020 vs. 2019</small>	-2,7%	3,2%

Source: public data © impak Finance 2021



Positive impacts

Samsung Electronics 0/500 **Ex-Æquo**

As with a number of our impak Battle contestants, Samsung lost all its Positive impacts points because of negative impacts which are harmful, and thus rated Z (read more in the section below). This loss of points notwithstanding, the South Korean giant does generate 2 positive impacts. Although both are philanthropic activities, they are rated B - Benefit stakeholders, as per the ZABC (from worst to best) IMP classification. The most significant one, addressing SDG 4: Quality education, represents 0.28% of the group's activities and relates to the several educational programs developed by Samsung that aim at developing skills within vulnerable populations and youths. The second impact relates to an investment in a Research Funding for Future Technology Program which helps advance SDG 9: Industry, innovation and infrastructure. This impact represents a total of 0.094% of the group's activities.

Huawei 0/500 **Ex-Æquo**

Unlike Samsung, Huawei scores zero points in terms of positive impacts, simply because there is no supporting evidence of positive impact generation in its reports. Notwithstanding the lack of evidence, the group has the potential of contributing to positive impacts in relation to at least 3 SDGs. These alleged impacts have to do with its aid in providing affordable, inclusive and accessible healthcare services in China, its educational inclusion programs for vulnerable groups such as unemployed young people and women in Kenya, and its RuralStar solutions that provide effective coverage of mobile Internet services in rural villages around the globe. Note that because of the lack of public quantitative data provided by the Group, these activities were not considered for the purpose of this analysis.

Negative impact mitigation

Samsung Electronics 58/300 **Winner**

Despite being the winner of this section, there is little to celebrate here since 5 of Samsung's 12 material negative impacts are rated Z (Does or may cause harm, see Methodological notes below). This is the worst Z case in the (short) history of our impak Battles. To sum up, Samsung has 3 Z-rated impacts that contribute negatively to SDG 16: Peace, justice and strong institutions. They include a 2.8 \$M USD settlement in 2019 for allegedly cheating on benchmarks tests; a 100 \$M KRW fine to chairman Kun-hee Lee regarding a fair trade violation scandal, a 29 \$M USD fine for price fixing; and finally, a 2.5 year sentence to Samsung's heir Jay Y. Lee in 2021 for a corruption and bribery scandal involving ex-South Korean president Park Geun-hye. It is also worth mentioning, out of the three, only the event for which Jay Y. Lee has been sentenced was acknowledged by Samsung.

The 4th Z-rated impact concerns Samsung's chairman conviction in 2019 for sabotaging labour union activities, among other union-related violations, and allegations in 2021 of poor labor conditions and human rights violation such as the involvement of child labor and forced labour of Uyghurs through its supply chain. This impact contributes negatively to the SDG 8: Decent work and economic growth.

Last but certainly not least, Samsung's 5th Z-rated impact rated Z is about worker's health and safety (SDG 3: Good health and well-being). The group was fined twice in 2019 for violating the Occupational Safety and Health Act. Note that apart from the negative impact involving alleged cheating on benchmarks tests, Samsung put several mitigation measures in place for each of its negative impacts rated Z.

Huawei 27/300

Relatively more lightweighted than its opponent, we found only 3 Z-rated negative impacts out of 12 for the Chinese powerhouse. The 1st Z-rated negative impact concerns SDG 15: Life on land, because of the impact of the group's activities on ecosystems and biodiversity, namely the provision and installation of telecommunications equipment and network infrastructure, for which no mitigation measures have been reported on the matter.

The 2nd Z-rated impact concerns Huawei's contribution to inequalities through discriminatory business practices based on age, the group having fired middle-aged employees. For this negative impact linked to SDG 10: Reduced inequalities, Huawei was convicted in 2020 by a Spanish labour court. Regarding this SDG, it is noteworthy that Huawei contributes to the under-representation of women, potential gender pay gap and lack of C-level women, issues which are common to the tech industry. Furthermore, note that as part of its mitigation measures, the group offers mentorship for new female employees in the UK.

The 3rd Z-rated impact, linked to SDG 16: Peace, justice and strong institutions, concerns Huawei's history of misleading the public regarding some of its smartphone campaigns (2016, 2018 and 2019) which the group acknowledged on its social media.

Apart from these three, Huawei has several major ongoing controversies such as its alleged involvement in developing surveillance products in China capable of identifying a person's ethnicity—thereby activating a Uyghur alarm as reported by the [Washing-ton Post](#), and its alleged work on facial recognition technology with [Myanmar](#) and the [United Arab Emirates](#) authorities to intrude on people's private lives.

Governance

Samsung Electronics 86/200 **Ex-Æquo** Huawei 86/200 **Ex-Æquo**

Both groups have an average score of 86 out of 200 points and continue to be on par with each other even in the details of the Governance score. The only difference relates to the score of their indicators, where Huawei scores slightly higher because its annual and sustainability report include what we consider impact indicators. However there's no evidence that these indicators are used to improve internal processes or actively engage employees. Finally, both Huawei and Samsung have a good score regarding the analysis of their value chain in order to identify opportunities to increase their positive impacts and reduce their negative ones.



Samsung wins 🎉

Interestingly, our two opponents have been natural competitors for years. However, since its products have been banned in several countries such as the U.S., Australia and Japan due to concerns over security risks, Huawei, as a global smartphone maker, dropped globally from #2 to #7 in 2020. It has since begun shifting its main business line from smartphones to smart automobile components and software. The fact that Huawei has two of its negative impacts unmitigated and that it generates no significant positive impact, is no sign that the shift will bring a new prospect to the group, no matter the unveiled importance of double materiality and the growing demand for environmental and social considerations.

So, with an impak Score of 144 out of 1000, Samsung is the winner of this battle. What may seem as a sad win is in fact quite interesting to analyze. The South Korean powerhouse generates two significant positive impacts, but its score is weighted down by its many fines and Jay Y. Lee's jail sentence. However, each of its 12 material negative impacts have numerous associated mitigation activities. One can believe that if some Zs are lifted and no others appear in the following years, it would help better reflect the group's efforts in taking into account social and environmental issues. To be continued.

🎯 Specificity of the sector

What is especially relevant in the impact methodology is the importance given to the supply chain, whose impacts are considered as part of an organization's impact as a whole. This is the main challenge of the electronics sector as it has been for years. To this day, groups like Samsung and Huawei can't seem to be able to guarantee that there is no child labor involved in their supply chain or to ensure a minimum level of working conditions across suppliers. With the attention that double materiality and social and environmental considerations are getting, this sector, central to our everyday lives, will have to do a deep introspection of their practices to still prove themselves attractive to investors and customers. In the face of a rapidly deteriorating environment and urgent need for more social justice, there will soon be a need for new ways of doing things.

Methodological notes

Data are based on both companies' 2019 public financial and extra-financial statements, compiled using impak's rating methodology available on www.impactfinance.com, and aligned with the [Impact Management Project](#) (IMP) framework.

The methodology follows the IMP classification: A (Act to avoid Harm), B (Benefit stakeholders), C (Contribute to solutions), and Z (Does or may cause harm).

Note that according to our methodology, the level of penalties in case of a Z is based on 3 different factors: the type of Z (does cause harm or may cause harm), the repetition of the Z through time and, only in the case of a Z "does cause harm", whether or not corrective actions have been implemented.

Two positive impacts can overlap—for example, if the same product is certified Fair Trade AND Organic. The percentages of activities linked to these impacts are therefore not cumulative.

Duration is the timeframe for which the stakeholder experiences the outcome, and Depth is what is defined as the degree of change for the beneficiaries. Both relate to the How Much dimension, one of the 5 dimensions defined by the IMP.

