

Investment Assessment of Samsung Electronics

Note: This report presents a statement by fictitious ethical investment company **XYZ Holdings**

Issue: The Cost of Achieving Environmental Sustainability of IT

Background

Samsung Group is a massive conglomerate that is involved in many sectors, inclusive of urban development, apparel, insurance and financial trading. They are most known for their technology and electronics subsidiary, Samsung Electronics. Originally based in South Korea, they have since expanded their offices and facilities to 74 different countries. Consequently, Samsung has become a large consumer - and producer - of materials and waste.

Crucial to XYZ Holdings is our upkeep of ethical behaviour in our company and investment partners. This report investigates Samsung Electronics' ethical decisions involved in their information technology products.

Issue: The Cost of Achieving Environmental Sustainability of IT

Companies in the technology sector face several important business decisions contending to the environmental sustainability of its products. Environmental sustainability (of an electronic good) can be defined as *the responsible interaction with the environment during the manufacture and usage lifecycle of a product*. Such decisions (both software and hardware) all pertain to the issue of whether or not a company should spend time and resources towards product sustainability guidelines and protocols if it will incur a non-trivial cost.

The stakeholders involved in the outcomes of these decisions are the company itself and its customers.

From a utilitarian/consequential perspective it would be unwise to implement environmentally sustainable measures, as it will increase manufacturing and development costs. A commitment towards environmental sustainability is not a whimsical decision, and would be costly to both the company and its customers. During the developmental stage, extra time and resources will be required for engineers to develop energy-efficient technologies, and to implement measures to allow for extended product lifetime (i.e software update functionality). During the manufacturing stage, costs will arise from the sourcing and selection of sustainable resources that are often dearer in price, as well as costs involved from opting into environmentally friendly manufacturing methods. In addition, the responsible management of manufacturing waste - such as the safe disposal of SVHC (Substances of Very High Concern) will furthermore increase the manufacturing and product cost.

If these environmental sustainability guidelines were to be implemented with the product sell price being maintained - a company would lose profit per unit sold. However if they increase the price, customers may not purchase the product as it is unaffordable. As a result, the company will in fact lose revenue from that customer who might purchase a similar technology product from another company. *Conversely*, if the decision *against* environmental sustainability is made, the costs of the final product would be minimised, allowing a larger

number of customers to purchase the product, hence increasing sales and profits to the company and overall customer satisfaction. It can be viewed as ethical to not pursue environmental sustainability, such that more people will be able to afford the products.

However in light of **Kantian/duty ethics**, the decision not to pursue environmental sustainability is morally unethical, as it forgoes the company's responsibility as a social and global citizen (that is, community involvement for the betterment of the world). A company's countenance towards the aforementioned utilitarian perspective can be attributed towards a result of corporate greed, where resources are consumed without consideration of any potential environmental impacts. It is to be noted that this behaviour is not solely the onus of the company, but also of consumer greed - where customers are always demanding for the cheapest prices, regardless of any environmental ramifications that may be associated. Consequently, according to duty-based ethics, it is unethical for companies and customers to consider environmental sustainability as an 'option' rather than an obligation/duty.

As all companies acquire their materials from the same **finite** pool of resources (i.e. the world), a company who consumes a large portion of resources must hold some responsibility towards the depletion of future resources. Duty-based ethics therefore posits that it is more important to fulfil the environmental sustainability duties as a global citizen than to prioritise profit, even if the product price may rise.

Samsung's Response to its Environmental Sustainability of IT

Samsung has invested heavily into working towards being an environmentally sustainable global citizen, agreeing with the view of duty-based ethics. Samsung's Sustainability Statement announces their stance to **"pursue corporate social responsibility and social management through business activities that put Earth first"**. (*Eco-Management | Our Commitment. Samsung Australia, 2020*)

This statement has not just been spoken for public relations, rather it is fundamentally ingrained into the entire lifecycle of their products (i.e. mobile phones). In agreement, Samsung has made business and design decisions to increase the lifespans of their products and internal components that demonstrate a meaningful impact that puts "Earth first".

As a company, Samsung has dedicated resources into technical research and development of energy-efficient components that produce a lower carbon footprint. Samsung has also been proactive in pursuing high recycle rates for their manufacturing waste, reaching their recycling ratio goal of 95% earlier than projected. (*Samsung Electronics Sustainability Report 2017, 2020*)

By providing free firmware upgrades, customers are able to continue using their current device whilst gaining the latest features. Furthermore, extended warranty durations and repair service offerings consequently mean that Samsung can manufacture less units, hence consuming less of the Earth's resources. Samsung also endorses the purchase/resell of refurbished products, such that an old device can be repurposed, rather than appearing in landfill. (*Resource Efficiency | Environment. Samsung Australia, 2020*)

A consequential ethical perspective of the tradeoff between achieving environmental sustainability, and the costs involved suggest that it is better to not pursue environmental sustainability so that products will be affordable and within purchase reach of all customers. A duty-based ethical perspective suggests that it is of utmost importance for both the company and its customers to advocate for environmental sustainability. Samsung Electronics' pursuit of environmental sustainability is of sufficient ethical behaviour, and having demonstrated sufficient ethical awareness and responsibility in the manufacture and business of their products, XYZ Holdings is happy to invest in Samsung Electronics.

References

1. Samsung Australia. Eco-Management | Our Commitment. [online] Available at: <https://www.samsung.com/au/aboutsamsung/sustainability/environment/our-commitment> [Accessed 3 November 2020].
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