

Kathy Belyeu

From: 박혜원 <hyewon0328.park@samsung.com>
Sent: Wednesday, October 16, 2019 3:41 AM
To: Policy
Subject: Feedback on voting policy changes (Korea)

Dear ISS,

This is Hyewon Park from the Samsung Electronics IR team, and I would like to submit my personal feedback on the voting policy changes.

Please note that this is not an official statement of the Company, but I still hope it can deepen your understanding of the context of the situation.

ISS policy suggests that members of a board of directors are obligated to try to remove a board member who is indicted or convicted by a regulatory body; and that any director who fails to act in this regard should not sit on the board of any corporation in Korea.

Although I understand this articulation of responsibilities aims to strengthen board accountability, I believe ISS should consider several factors before blacklisting our directors.

If the director in question admits to his or her wrongdoings, I think it would provide automatic grounds for dismissal, and the director would likely step down voluntarily. However, the situation is much more complex if a director strongly insists on his/her innocence in a very complex and controversial case; and we feel the board should assume innocence until the courts produce a final ruling, which may take several years. Should we require directors to take action prior to a final decision? That is, should they convene a general shareholders meeting with an agenda to remove the said director, as required by the Commercial Code? Such actions may cause a situation that is viewed as a serious leadership void, which may affect shareholder interests and could be viewed as asking shareholders to make judgement of guilt in an ongoing trial. Allowing for self-resignation at the end of a director's term is a much more practical course of action for the non-affected directors to follow.

In dialogues with shareholders, most institutions, when asked, agreed with the Company's perspective that removing a director in question is not a core responsibility for non-affected directors, and a permanent black mark for them failing to do so is excessive. On the other hand, some investors seem to be more vocal on this issue than are others, but I do not think they accurately represent the voice of all our investors. We hope you can conduct an in-depth survey on this issue.

Therefore, we recommend considering a more comprehensive evaluation or putting more emphasis on factors such as how non-affected directors fulfilled their supervisory responsibilities at the time of the incident, and what steps they took to establish a system that prevents the occurrence of similar situations.

If the directors are indeed blacklisted, we believe that it should not be permanent, but rather for a specified period of time. We also believe that it would be physically difficult for ISS to track affected individuals, and that

cases of mistaken identity are bound to happen - considering numerous people in Korea have the same name - which can lead to serious consequences.

Lastly, we are concerned that the revised policy may discourage members of the founding family from sitting on the board. Scholars who have pushed for chaebol reform have long argued that founding families should participate as board members rather than operate the company directly. By encouraging founding families to sit on the board, we expected the improved corporate governance to enhance transparency of decision making and better align shareholder interests with those of the founding families. Over the years, Korean companies have been warming up to this argument.

Now, however, it is unclear whether the policy revision will lead to a more independent and competent board or a revival of shadow management, which enables the founding family to exert more power than they are entitled to without being held accountable.

In sum, I believe investors hope that ISS considers the comprehensive situation and provides recommendations that benefit shareholders rather than just creating a blacklist and tracking candidates.

Thank you for the feedback period, and I hope we can continue our constructive dialogue.

Sincerely,

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