

Responsible Minerals Report of POSCO

2021.2.1

POSCO

■ The policy of Responsible Minerals

As a global company, POSCO is committed to actively participating in international efforts to purchase minerals responsibly and fulfill its social responsibility to protect human right such as violations, child labor, funding the conflict groups and environment in Conflicted Affected and High Risk Area.

To ensure the management of Responsible Minerals, POSCO has established the systematic policy and operated the standard operating procedures in accordance with the Due Diligence Guidance suggested by the OECD in 2020.

In addition, POSCO has joined the Responsible Minerals Initiative (*RMI) to focus on ethically responsible minerals procurement and strengthen supply chain management.

* RMI is a global consultative body that tracks the country of origin of 'responsible minerals' and monitors and certifies producers.

Regarding these procedures, POSCO is providing education for executives, employees and the suppliers to raise awareness of Responsible Minerals policy and assist them.

POSCO uses the Conflicting Minerals Reporting Template (CMRT), Cobalt Reporting Template (CRT) form provided by the RMI Association, and conduct the 'Supplier Questionnaire Survey', developed by POSCO, to identify and mitigate the risk in Supply chain for tin, tungsten, tantalum, gold and cobalt.

Based on the collected information and the risk, we are trying to identify and mitigate the risk by selecting Red Flag and operating Response Mechanism. POSCO also operates a grievance procedure to hear various opinions from stakeholders.

When signing a contract or registering a new supplier, we encourage a supplier to conduct Due Diligence by third-party organizations under the Responsible Minerals Assessment Program (RMAP) for smelters in the supply chain. To establish a strong internal management system for POSCO itself, POSCO selected the Key Performance Indicator (KPI) for each department to check performance and improvement progress. As a result of the efforts, the smelters of the POSCO are 100% certified by the RMI for minerals of origin in CAHRA (Conflict Affected and High Risk Area) in 2020.

Also, in order to expand our responsible minerals sourcing policy to every level of supply chain, we require all suppliers following our Responsible Minerals Policy and to perform the following tasks as the Supplier Code of Conduct

Supplier should establish a responsible minerals management policy and report on improvements to ensure that raw materials delivered to POSCO do not include minerals from the uncertified smelters or ASM(Artisanal Small-Scale) mining in Conflict Affected and High Risk Area.

Supplier has to identify and collect the mining/smelter information, origin, location and comply with our responsible minerals policy when signing a contract with POSCO.

Supplier should prepare and submit a report on the use of conflict minerals and responsible minerals at POSCO's request in a timely manner, and participate in disseminating the responsible minerals policy to the top suppliers so that all of our supply chains can take the lead in resolving social issues.

POSCO restrict transactions with suppliers who have been engaged in socially condemnable behaviors or do not take appropriate action for Responsible Minerals. For those suppliers stringent disciplinary measures are taken including bidding restrictions and banning from doing business with POSCO. POSCO also undertake the process of evaluation to all the suppliers in SRM(Supplier Relationship Management) system.

Since 1995 when POSCO published Korea's first-ever 'Environmental Report', the Company has presented annual reports to outline its corporate outcomes on the sustainability front. The announcement of our new management philosophy 'Corporate Citizenship: Building a Better Future Together' in 2018 served to renew our commitment to communicate and relate to each and every stakeholder group, including customers, employees, and shareholders. Moreover, it helped us pursue ceaseless transformation and innovation so as to create even greater corporate value. Our 'Corporate Citizenship Reports' provide at-a-glance views of our wide-ranging activities and endeavors made on Environment, Social and Governance (ESG) aspects. Going forward, we vow to publish such reports in accordance with the principle of transparent disclosure and the standards endorsed by the international community.

■ Responsible Minerals Coverage

○ Applicable Minerals

Responsible Minerals are currently defined as tin, tantalum, tungsten, gold and cobalt. POSCO is purchasing tin (300 tons per year), tungsten (20 tons per year) and cobalt (5 tons per year) to adjust the ingredients for steel product and prevent corrosion. (gold and tantalum are not used)

The policy will apply to nickel, manganese and graphite beyond 3TG and cobalt after 2021.

○ Conflict Affected and High Risk Area

POSCO has made CAHRA (Conflict Affected and High Risk Area) designation methodology in refer to OECD and European Conflict Minerals regulation. Conflict Affected and High Risk Area are identified by the presence of armed conflict, widespread violence or other risks of harm to people. (Child Labor, Human Right Violation)

- Africa: 111 regions in 14 countries including DR Congo, Central Africa and Burkina Faso
- Asia: 11 regions in 4 countries including India and Pakistan
- Middle East: 77 regions in 3 countries including Afghanistan and Libya
- South America: 11 regions in 3 countries including Colombia and Mexico
- Other: 1 region in Ukraine

■ The process of Responsible Minerals (5steps)

○ Step1. Establishment of Responsible Minerals Policy

[KPI Operation] In 2021, The Key indicators related to responsible minerals have been set as KPIs for executives, group leaders, and departments of the Purchasing Investment Headquarters.

(Internal/External KPI : RMAP certification rate of responsible minerals, employee training

performance of responsible minerals, 25 improvement tasks completed)

[Employee Training] In order to raise awareness of related employees, POSCO has trained its employees using e-learning /e-card contents on ESG supply chain management in 2020. In addition, the buyer regularly visits suppliers in-site at least once a year to provide direct training on the company's responsible mineral issues, international trends, and policy implementation directions.

*Supplier training Performance(2019-2021)

	2019	2020	2021(F)
POSCO	18	2,000	4,000

(persons)

[Organization of Responsible Minerals]

The POSCO's Responsible Minerals Management system is managed by the Raw Material Division of the Purchasing and Investment Headquarters under the Company's Steel Division and the "Group Responsible Mineral TF" is operated with ESG Group, the legal office, investment, finance office, and family companies such as POSCO International and POSCO Chemical.

[Reinforcement of new supplier registration standards] We have strengthened the registration standards for new suppliers. When registering as a supplier, we submit a signature that complies with our responsible minerals policy so that suppliers can participate in responsible minerals in CAHRA, and add a clause that requires third-party inspections and RMAP-certified smelters.

○ **Step2. Supply Chain Information Collection/Evaluation**

[Information on Supply Chain] We collect information by utilizing the Questionnaire Survey Template for suppliers and smelters developed on our own. Additionally, we use RMRT and CRT, which are provided by the RMI Association (origin, mine/smelter

location, logistics flow, risk presence in Supply Chain, supplier's responsible mineral policy, etc.) to verify compliance with self-collected information. After conducting a survey of tier 1 suppliers, tier 1 suppliers require additional delivery to tier 2 suppliers at the previous stage, and tier 2 suppliers continue to expand to smelters and mines at the previous stage to collect information.

Some of tier 2 suppliers have low Survey response rates, but POSCO tries to increase their response rates through training activities and due diligence. (100% response rate achieved in second half of 2020)

*Smelters of conflict Minerals

	2019	2020	2021
Tin	12	2	2
Tungsten	1	2	1
Cobalt	-	1	1
Total	13	5	5

*Certified Smelters of Responsible Minerals

	2019	2020	2021
Certified	12	4	4
Conformant	12	3	3
Active	-	1	1
Uncertified	-	-	-

*The List of Certified Smelters (100% RMAP Certification rate as of 20Years)

No	Metal	ID	Smelter Name	Country	level
1	Tin	CID001477	PT Timah Tbk Kundur	Indonesia Kundur	Conformant
2	Tin	CID001482	PT Timah Tbk Mentok	Indonesia Mentok	Conformant
3	Cobalt	CID003261	Kamoto Copper Company	D.R Congo Kolwezi	Active

4	Tungsten	CID002843	Woltech Korea	Korean Ulsan	Conformant
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[The Grievance Mechanism] The grievance process has been newly established to hear the opinions of suppliers at all times. We have established a procedure to receive and officially resolve the contents of grievances directly to all stakeholders in the supply chain.

[Risk Assessment] Based on our Conflict Affected-High Risk Area (CAHRA) criteria, we are using the collected information to determine whether the minerals origin or transportation route is associated with CAHRA. In addition, we evaluate various factors such as supplier Survey response rate, intentionally unverified information sharing, and lack of awareness of responsible minerals, and manage Red Flag separately, which requires risk management by supplier.

(Level of Supplier status : high-risk group suppliers, risk group suppliers, and general suppliers)

○ Step3-4. Risk Identification and Mitigation / Due Diligence

[Risk Mechanism]

Based on the identified risk level of Red Flag, we are implementing response mechanisms such as strengthening training, direct visit in-site, and conducting Due Diligence on buyers. We are continuously updating and utilizing the checklist for Due Diligence.

If repeated problems are occurred and improvements are not made by high-risk suppliers, POSCO implements the Due Diligence of independent third-party institutions To obtain RMAP Certification.


POSCO may stop the business with the supplier intentionally providing untrue information or having no improvement effort.

Step5. Transparent Report (Communication)

POSCO has published a 'Responsible Minerals Special Report' to strengthen communication with stakeholder from 2020. In addition, POSCO discloses various ESG activities through The 'Corporate Citizenship Report' and Website. Going forward, POSCO vow to publish various reports in accordance with the principle of transparent disclosure and the standards endorsed by the international community.


*For downloading the 'Corporate Citizenship Report,

<http://corporatecitizenship.posco.com/citizen/eng/report/s919e30003071.jsp>



As POSCO's 17th sustainability report, the "Corporate Citizenship Report 2019" illustrates the Company's sustainability management philosophy known as 'corporate citizenship' and its performance in the fields of Business, Society, and People. In preparing this Report, we have raised the bar on performing the materiality test on major issues that we face as a company, and significantly broadened the scope of gathering feedback through benchmarking on relevant industries and stakeholders at home and abroad.

Furthermore, we fully described our issue-specific response strategies in compliance with global standards. While our performance as a corporate citizen was presented in the three distinctive sections of Business, Society, and people, this was also aligned with our ESG performance to help stakeholders better understand the content of this Report.

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Thank you.