

POSCO's
Responsible Minerals
Report 2022

March 23, 2023

POSCO

■ Responsible Minerals Policy

As a global company, POSCO is committed to actively participating in the responsible sourcing of minerals and fulfilling its social responsibility to protect human rights including violations, child labor, funding the conflict groups and environment in Conflict Affected and High Risk Area.

To ensure the management of Responsible Minerals, POSCO has established the policy and implemented 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 sourcing responsible minerals ethically and strengthen supply chain management. In relation to these procedures, POSCO provides training for employees to raise awareness of and to support Responsible Minerals Policy and follows a five-step process when purchasing responsible minerals.

POSCO uses the Conflict Minerals Reporting Template(CMRT) and the Extended Minerals Reporting Template(EMRT) provided by the RMI Association, and conducts the 'Supplier Survey', developed by POSCO, to identify and mitigate the risk in supply chain for tin, tungsten, tantalum, gold, cobalt and mica.

When signing a contract or registering a new supplier, POSCO encourages a supplier to conduct due diligence by third-party organizations under the Responsible Minerals Assessment Program (RMAP) for smelters in the supply chain. As a result of these efforts, POSCO's smelters are 100% certified by the RMI for minerals sourced in CAHRA(Conflict Affected and High Risk Area).

In addition, POSCO has strengthened the Supplier Code of Conduct in order to expand POSCO's responsible minerals sourcing policy to every level of the supply chain.

Suppliers should establish a Responsible Minerals Management Policy and report on their progress in improving to ensure that raw materials delivered to POSCO do not include minerals from uncertified smelters or ASM(Artisanal Small-Scale) mining in Conflict Affected and High Risk Area. Suppliers have to identify and collect mining/smelter information, origin, location and comply with POSCO's responsible minerals policy when signing a contract with POSCO.

Suppliers should prepare and submit a report on the use of conflict minerals and responsible minerals in a timely manner upon POSCO's request and disseminate the responsible minerals policy to key suppliers so that all of POSCO's supply chains can take the lead in resolving social

issues.

POSCO restricts transactions with suppliers who have been engaged in socially condemnable behaviors or fail to take appropriate action on responsible minerals. Strict disciplinary measures are taken against these suppliers, including bidding restrictions and banning them from doing business with POSCO. POSCO also evaluates all suppliers in the SRM(Supplier Relationship Management) system.

POSCO will continue to actively participate in the responsible sourcing of minerals, thereby fulfilling its social responsibility to protect human rights and the environment in areas where conflict and ethical risks occur.

■ Responsible Minerals/Organization

○ POSCO's Responsible Minerals

POSCO currently purchases tin(230 tons per year), tungsten(10 tons per year) and cobalt(5 tons per year) to adjust the ingredients for steel product and to prevent corrosion.

Gold, tantalum and mica are not used. In addition to 3TG and cobalt, POSCO is considering expanding the scope to include nickel and/or zinc as needed.

○ Conflict Affected and High Risk Area

POSCO has adopted the CAHRA(Conflict Affected and High Risk Area) designation methodology in reference to the OECD and the 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 rights violations).

[List of CAHRAS, Last updated in March 2023]

- Africa: 145 regions in 17 countries including DR Congo, Central Africa and Burkina Faso
- Asia: 23 regions in 4 countries including Myanmar, India and Pakistan
- Middle East: 77 regions in 3 countries including Afghanistan and Yemen
- South America: 32 regions in 2 countries including Colombia and Venezuela
- Other: 14 regions in 2 countries including Turkiye and Ukraine

○ Organization of Responsible Minerals

POSCO has been operating the "Responsible Minerals Council" managed by the Raw Materials Department of the Purchasing and Investment Division with the group companies including POSCO

International and POSCO Chemical since 2020. This council will be replaced and integrated into the "Group Supply Chain ESG Task Force" from 2023.

■ **Responsible Minerals Management Process**

In accordance with the OECD due diligence five step guidance, POSCO conducts five steps of activities as follows.

○ **Step1. Establishment of Responsible Minerals Policy**

[Organization] From 2023, POSCO plans to operate the "Group Supply Chain ESG Task Force" and will continue to work on issues related to responsible minerals through the TF activities.

[Employee Training] In order to raise awareness of employees, POSCO has trained its employees on ESG through e-learning content.

*Employee Training Performance(2020-2022) (persons)

2020	2021	2022
14,728	15,402	16,464

- Number of employees who have completed "Corporate Citizenship Training Program"

[Reinforcement of new supplier registration standards] POSCO has strengthened its registration standards for new suppliers by requiring a signature that complies with our responsible minerals policy. This allows suppliers to 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**

[Supply Chain Information] POSCO collects information from suppliers and smelters using our own Survey Template. We also use CMRT and EMRT, provided by the RMI association, to verify compliance. This includes checking the origin, mine/smelter location, logistic flow, risk presence in the supply chain, and the supplier's responsible mineral policy.

*Smelters of Responsible Minerals

	2020	2021	2022
Tin	2	2	3
Tungsten	2	3	1

Cobalt	1	1	1
Total	5	6	5

*Certified Smelters of Responsible Minerals

	2020	2021	2022
Certified	5	6	4
Conformant	4	5	4
Active	1	1	0
Uncertified	-	-	1

*The List of Certified Smelters

No	Metal	ID	Smelter Name	Country	Level
1	Tin	CID001477	PT Timah Tbk Kundur	Indonesia	Conformant
2	Tin	CID001482	PT Timah Tbk Mentok	Indonesia	Conformant
3	Tin	CID002180	Tin Smelting Branch of Yunnan Tin Company Ltd	China	Conformant
4	Cobalt	CID003403	Glencore Nikkelverk Refinery	Norway	-
5	Tungsten	CID002315	Ganzhou Jiangwu Ferrotungsten Co., Ltd.	China	Conformant

※ Nikkelverk Refinery is based in Norway and not included in the CAHRA region.

(POSCO is encouraging the supplier to be RMAP certified)

[Supplier Survey]

	2020	2021	2022
Number of suppliers/smelters conducted survey	12	-	3
Number of response	11	-	3

※ A survey was first conducted in 2020. In 2021, the survey was not conducted as it targets the same group(suppliers/smelters) as the survey conducted at the end of 2020.

※ A targeted supplier is a supplier who has a direct contract with POSCO, but excludes some manufacturers starting from 2022.

[Grievance Process] The grievance process has been established to ensure that supplier's opinions are heard at all times. POSCO has established a procedure to receive and formally resolve complaints directly to all stakeholders in the supply chain.

[Risk Assessment] Based on our Conflict Affected-High Risk Area(CAHRA) criteria, POSCO uses the information collected to determine whether the origin or transport route of the minerals is associated with CAHRA. In addition, POSCO evaluates various factors such as supplier survey response rate, intentional non-verified information sharing, and lack of awareness of responsible minerals, and manage Red Flag separately, which requires risk management by the 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] POSCO has established risk mechanisms, such as revising supplier code of conduct, providing educational support, conducting due diligence, and independent third-party audits based on the identified risk level of Red Flag targets. If high-risk suppliers repeatedly encounter problems and fail to make improvements, POSCO encourages and requests that these suppliers conduct due diligence by independent third parties. When dealing with raw materials suppliers from countries in high-risk areas such as CAHRA, POSCO limits contracts to those who have received RMAP certification. If a refinery in a high-risk country has not been certified, POSCO provides various forms of support to obtain RMAP certification. POSCO has strengthened its own regulations to suspend contract agreements with us if there is no willingness to improve identified issues despite POSCO's support on education and internal/external audit activities.

○ **Step5. Enhancing Stakeholders Communication**

POSCO has published a 'Responsible Minerals Report' to strengthen communication with stakeholders from 2021. In addition, POSCO discloses various ESG activities through United States Securities and Exchange Commission's Specialized Disclosure Report and its own Corporate Citizenship Report.

Since 1995 when POSCO published Korea's first 'Environmental Report', the Company has issued annual reports to outline its sustainability performance. The announcement of the management philosophy, 'Corporate Citizenship: Building a Better Future Together' in 2018 served to renew our commitment to communicate and engage with every stakeholders, including customers, employees and shareholders. It also helped POSCO to pursue continuous transformation and innovation to create greater corporate value. Our 'Corporate Citizenship Report' provides an at-a-glance overview of our wide-range activities and efforts on environment, social and

governance(ESG) issues. POSCO will continue to publish such reports with respect to the standards required by the international community for transparent information disclosure.

* Click the link below to view 「Corporate Citizenship Report」

<https://www.posco.co.kr/homepage/docs/eng6/jsp/irinfo/irdata/s91b60000301.jsp>

Thank you.