The 2019 POSCO Corporate Citizenship Report illustrates POSCO’s ‘Corporate Citizenship’ management philosophy for sustainable management and its achievements in the areas of Business, Society and People. This Report places a stronger focus on the materiality analysis performed on major issues that POSCO is faced with, and significantly broadened the scope of its feedback collection through the benchmarking of related industries in Korea and abroad as well as stakeholders. Furthermore, the Report transparently discloses POSCO’s response strategies to respective issues in accordance with global standards. While POSCO’s accomplishments as a corporate citizen are presented in the three focus areas of Business, Society, and People, they are also aligned with its Environmental, Social, and Governance (ESG) performance to improve stakeholders’ understanding. POSCO plans to leverage its Corporate Citizenship Reports to fully disclose and systematically manage its mid/long-term strategies and goals as well as challenges and opportunities.

Integrated Reporting
This ‘POSCO Corporate Citizenship Report’ is an integrated description of POSCO’s ESG performance for the year 2019. POSCO’s Corporate Citizenship Report is published each year in Korean and English.

Reporting Scope
The data contained in this Report is based on POSCO’s performance generated at its Korean worksites (Pohang Works, Gwangyang Works, Pohang Head Office, and Seoul Office). Business performance includes financial achievements on a consolidated basis. To help with readers’ understanding this Report, a portion of the data covers POSCO, POSCO Group affiliates in Korea and abroad, overseas subsidiaries, and partner companies. POSCO Group-wide ESG performance indicators are based on the performance of POSCO and seven primary group affiliates. While the scope of financial information is confined to POSCO based on non-consolidated K-IFRS financial statements, data presented on a consolidated basis was marked with separate annotations to assist stakeholders in better understanding such data.

Assurance
To ensure the credibility of the report preparation process and the information contained herein on the part of stakeholders, POSCO requested Ernst & Young Han Young, an independent assurance provider, to perform a third-party assurance engagement on this Report. The engagement was conducted in such a way to meet the ISAE3000 and AIC0004 Type II requirements.

Global Initiatives and Partnerships
POSCO has been a member of the UN Global Compact since 2012, and complies with ISO 26000 which sets forth management system guidelines on social responsibility. Furthermore, POSCO has received S&P Dow Jones Sustainability Index assessments and has joined the Carbon Disclosure Project (CDP) since 2003 to make progress on its climate change and sustainability performance. In 2019, POSCO was listed in the steel sector of the Dow Jones Sustainability Index World and was named on the CDP Leadership Group.

Report Distribution and Feedback
This Report is downloadable on the official POSCO website. Stakeholders who wish to offer their feedback on the Report may choose from a wide array of communication channels. Please refer to the contact information listed on the left.
POSCO CHARTER OF CORPORATE CITIZENSHIP

Companies achieve lasting growth and sustainability by pursuing harmony within the society where businesses operate.

As a member of the social community, companies who have benefited from resources provided by the society should look beyond profit, engage in addressing social issues and contribute to the prosperity of mankind and to making the world a better place.

We believe that this is the right way to move forward.

POSCO, under its management philosophy of ‘Corporate Citizenship: Building a Better Future Together’, will engage and communicate with all stakeholders including customers, employees and shareholders, and continually seek change and innovation in pursuit of sustainability by ultimately creating greater value for the company.

Accordingly, POSCO that embraces Corporate Citizenship complies with the following principles when conducting business.

We practice the values of fairness, transparency and ethics across all business activities
We pursue collaboration and mutual growth with partners and suppliers based on a culture of consideration and respect
We support customer success by providing the finest products and services

We are at the forefront in addressing social issues and making society better.
We take a leading role in confronting social challenges at the corporate level with a sense of empathy
We carry out activities for the common good for the development of local communities and environmental protection
We actively participate in philanthropy as part of our commitment to sharing with our neighbors and the society

We foster a happy and fulfilling workplace by creating a corporate culture based on trust and creativity.
We create a safe and pleasant working environment to promote the health and well-being of our employees
We pioneer a corporate culture of trust and harmony through fair HR management practices and stable labor relations
We create a great workplace where diversity is respected and a healthy work-life balance can be realized

July 25, 2019  POSCO

As we open a new chapter in the history of POSCO in pursuit of mutually-beneficial growth and the value of consideration, co-existence and co-prosperity, we lay the foundation to become a centennial company in line with our ‘Corporate Citizenship’ management philosophy.

Jeong-Woo Choi
Chief Executive Officer
OVERVIEW  About POSCO

POSCO was established as a general steelmaker on April 1, 1968. As Korea’s first integrated steelworks operator, POSCO was listed on the Korea Stock Exchange on June 10, 1988, and has grown into a global steel company with more than 43 million tons in annual steel production capacity.

POSCO at a Glance

Company name  POSCO

Head office  6261, Donghaean-ro (Goedong-dong), Nam-gu, Pohang-si, Gyeongsangbuk-do, Korea

Business areas  Iron making, steel making, and production & sale of rolled steel products

Major products  Hot rolled steel, steel plates, wire rod, cold rolled steel, galvanized steel, electrical galvanized steel, electrical steel, stainless steel, titanium, etc.

Company representatives  CEO Jeong-Woo Choi, President In-hwa Chang

Date of establishment  April 1, 1968

No. of employees  17,574

Website  www.posco.com

Credit Ratings

Domestic  S&P  AA+ (Positive)

International  Moody’s  Baa1 (Stable)
OVERVIEW About POSCO

GLOBAL BUSINESS

Our global business presence spans a wide array of industries, including steel, construction, and trade with nine regional representative subsidiaries, 21 manufacturing subsidiaries, 26 processing centers, 10 other subsidiaries, and five overseas offices.

POS-Co's Global Presence

Revenue by business area (unit: KRW million)

<table>
<thead>
<tr>
<th>Business</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>32,078,453</td>
</tr>
<tr>
<td>Trade</td>
<td>22,157,131</td>
</tr>
<tr>
<td>Construction</td>
<td>6,944,629</td>
</tr>
<tr>
<td>Others</td>
<td>3,186,635</td>
</tr>
<tr>
<td>Total</td>
<td>64,366,848</td>
</tr>
</tbody>
</table>

Revenue by geographic area (unit: KRW million)

<table>
<thead>
<tr>
<th>Region</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>40,898,972</td>
</tr>
<tr>
<td>Overseas</td>
<td>23,475,876</td>
</tr>
<tr>
<td>Japan</td>
<td>2,202,075</td>
</tr>
<tr>
<td>China</td>
<td>7,165,271</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,704,493</td>
</tr>
<tr>
<td>Asia (others)</td>
<td>7,272,100</td>
</tr>
<tr>
<td>North America</td>
<td>1,711,859</td>
</tr>
<tr>
<td>Europe</td>
<td>1,937,829</td>
</tr>
<tr>
<td>Other regions</td>
<td>1,482,249</td>
</tr>
<tr>
<td>Total</td>
<td>64,366,848</td>
</tr>
</tbody>
</table>

Global Sales

<table>
<thead>
<tr>
<th>Domestic</th>
<th>63.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas</td>
<td>36.50%</td>
</tr>
</tbody>
</table>
## ECONOMIC DATA

### Consolidated Statements of Financial Position

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>34,842,374</td>
<td>33,651,002</td>
<td>31,127,418</td>
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<tr>
<td>Non-current assets</td>
<td>44,216,287</td>
<td>44,597,263</td>
<td>47,897,541</td>
</tr>
<tr>
<td>Total assets</td>
<td>79,058,661</td>
<td>78,248,265</td>
<td>79,024,959</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>16,323,690</td>
<td>18,937,085</td>
<td>18,946,016</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>14,940,264</td>
<td>12,550,729</td>
<td>12,614,935</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>31,263,954</td>
<td>31,488,714</td>
<td>31,560,951</td>
</tr>
<tr>
<td>Share capital</td>
<td>482,403</td>
<td>482,403</td>
<td>482,403</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,376,251</td>
<td>1,410,551</td>
<td>1,412,565</td>
</tr>
<tr>
<td>Hybrid bonds</td>
<td>199,384</td>
<td>199,384</td>
<td>996,919</td>
</tr>
<tr>
<td>Reserves</td>
<td>-1,157,980</td>
<td>-1,484,368</td>
<td>-682,556</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>-1,508,303</td>
<td>-1,532,728</td>
<td>-1,533,054</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>45,080,117</td>
<td>44,216,018</td>
<td>43,056,600</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3,322,835</td>
<td>3,388,291</td>
<td>3,731,131</td>
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<tr>
<td>Total equity</td>
<td>47,794,707</td>
<td>46,759,551</td>
<td>47,464,008</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>79,058,661</td>
<td>78,248,265</td>
<td>79,024,959</td>
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</tbody>
</table>

### Separate Statements of Financial Position

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>18,216,066</td>
<td>16,796,480</td>
<td>14,840,421</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>37,494,700</td>
<td>37,329,580</td>
<td>38,851,837</td>
</tr>
<tr>
<td>Total assets</td>
<td>55,710,766</td>
<td>54,125,980</td>
<td>53,692,258</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,331,446</td>
<td>3,895,973</td>
<td>3,570,148</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>6,765,135</td>
<td>4,957,905</td>
<td>4,180,655</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>10,096,581</td>
<td>8,853,878</td>
<td>7,750,803</td>
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<tr>
<td>Share capital</td>
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<td>482,403</td>
<td>482,403</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,252,220</td>
<td>1,154,775</td>
<td>1,156,429</td>
</tr>
<tr>
<td>Hybrid bonds</td>
<td>199,384</td>
<td>199,384</td>
<td>996,919</td>
</tr>
<tr>
<td>Reserves</td>
<td>-183,930</td>
<td>-207,191</td>
<td>233,390</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>-1,508,303</td>
<td>-1,532,728</td>
<td>-1,533,054</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>45,372,411</td>
<td>45,272,102</td>
<td>45,941,455</td>
</tr>
<tr>
<td>Total equity</td>
<td>45,614,185</td>
<td>45,272,102</td>
<td>45,941,455</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>55,710,766</td>
<td>54,125,980</td>
<td>53,692,258</td>
</tr>
</tbody>
</table>

### Revenue
- **Non-consolidated**: KRW 30,373,511 million
- **Consolidated**: KRW 64,366,848 million

### Operating Profit
- **Non-consolidated**: KRW 2,586,359 million
- **Consolidated**: KRW 3,868,855 million

### Crude Steel Production
- **Non-consolidated**: 38.01 million tons
- **Consolidated**: 42.95 million tons
OVERVIEW  To our stakeholders

LETTER TO STAKEHOLDERS

As we witness the path of destruction of COVID-19 across the globe – its claiming of numerous lives, the threats on our communities, and the ensuing economic crisis, we realize yet again the fundamental fact that “Businesses can grow in harmony with society at large.” Guided by our management philosophy of ‘Corporate Citizenship: Building a Better Future Together’, we step up to the plate to fully assume our role as a global top-tier steelmaker and contribute to overcoming this global challenge and creating a better future.

Dear Stakeholders,

First of all, I extend my heartfelt gratitude to our stakeholders – shareholders, customers, suppliers, partner companies, local communities, and our employees – for their unwavering interest in and affection for POSCO. This year marks our 3rd year in announcing our new management philosophy of ‘Corporate Citizenship: Building a Better Future Together’ to forge our way forward in evolving into a sustainable centennial company. According to our definition of corporate citizenship, ‘businesses fulfill their role and responsibility as a member of society just as any citizen of modern society does while playing a role as a main agent of economic activity’.

At POSCO, we firmly believe that our business is made possible by the society that surrounds us, and our growth and continuity depend on our ability to sync with communities. As a corporate member of society, we at POSCO vow to look beyond the mere generation of profits to communicate with diverse stakeholders, contribute to the betterment of the world, and create even greater value.

Recently, our shareholders and customers are presenting increasing demand on Environmental, Social, and Governance (ESG) issues. The magnitude of such needs awakens us to the rapidly-shifting business landscape. As ‘Corporate Citizenship’ has already served as the basis for decision-making at POSCO throughout its entire business operations, we can confidently say that we are ahead of the competition in paving the way for establishing an ESG-focused management system.

POSCO will take a multi-faceted approach in closely communicating with its stakeholders and championing social issues to create real and lasting economic value. This year, we prepared our Corporate Citizenship Report from the stakeholder perspective with a focus on ESG, illustrating the specific efforts and achievements we’ve made. We also arranged this report in such a way to help better understand our future path and assess our performance. We will communicate in various channels to cater to stakeholder needs and forge even closer relationships this way.

Our goal at POSCO is to translate our Corporate Citizenship philosophy into action both professionally and privately. Our philosophy is the thread that holds us all together and what ultimately creates a distinctive corporate DNA, and we will truly take POSCO to the next level as a sustainable centennial company. We look forward to your continued interest in and encouragement for our upcoming endeavors and innovative outcomes that will follow.

Yours sincerely,

Jeong-Woo Choi, Chief Executive Officer

April 22, 2020

The Charter of Corporate Citizenship announced last July embodies the vision and goal that we aim to attain as a corporate citizen and clear principles for our employees to follow with ESG issues fully integrated into these principles. The genuine practice of these principles - both in our work and personal life, will undoubtedly enable us to generate exceptional ESG performance.
OVERVIEW

To our stakeholders

MANAGEMENT SPEAK

Even in the face of fighting on two fronts – both the sluggish global steel economy and tightening regulations, POSCO reached KRW 2.6 trillion in operating income and 8.5% in its operating profit margin. Meanwhile, we broadened our eco-friendly premium products while expanding our platform to cooperate with global clients, and we are making substantial progress in preparing for new business opportunities. All the while, we continue to create a great workplace and fulfill our responsibility towards ESG issues.

Jung-Son Chon, Head of Global & Infra Business Unit/CFO

In 2019, global economic growth plummeted into the mid-2% range from the previous year due to a drop in international trade spurred on by the full-fledged U.S.-China trade conflicts and the sluggish growth of China and other emerging countries. In Korea, the economy witnessed the ripples of reduced international trade and the slowing of the IT economy as exports dwindled, and low investment and consumer confidence led to decreased facility investments and delays in the recovery of private sector consumption. As a result, the Korean economy grew by a mere 2%.

Meanwhile, the global steel market experienced a sharp decline both in demand and prices in the latter half of the year as the automobile and other manufacturing sectors came to an abrupt slow down due to the shrinking global economy. The dam collapse in Brazil and the cyclone that affected Australia resulted in a surge in iron ore and coal prices, and this aggravating instability in raw material prices dealt a heavy blow to the profitability of steel companies. The Korean steel market witnessed a worsening stagnation in the manufacturing and construction industries (e.g. reduction in automobile production and downturn in construction business) while competition intensified in line with a significant increase in low-priced Chinese imports.

The downswing in the global steel economy deteriorated the profitability of steel exports, further pressuring Korean steel businesses both internally and externally. Amid such challenging business conditions, however, POSCO remained focused on reinforcing the group-wide business portfolio, systemizing win-win growth programs, and establishing a corporate culture of trust and creativity under its management philosophy of ‘Corporate Citizenship: Building a Better Future Together’. The sum of these endeavors allowed us to post KRW 2.6 trillion in operating income and 8.5% in operating profit margins on a non-consolidated basis, and KRW 3.9 trillion in operating income and 6.0% in operating profit margin on a consolidated basis.

Consolidated Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>Revenue (unit: KRW billion)</th>
<th>Operating Profit (unit: KRW billion)</th>
<th>Profit (unit: KRW billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>60,655</td>
<td>4,622</td>
<td>2,973</td>
</tr>
<tr>
<td>2018</td>
<td>64,978</td>
<td>5,543</td>
<td>1,892</td>
</tr>
<tr>
<td>2017</td>
<td>64,367</td>
<td>3,869</td>
<td>1,983</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Assets (unit: KRW billion)</th>
<th>Liabilities (unit: KRW billion)</th>
<th>Equity (unit: KRW billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>79,025</td>
<td>31,561</td>
<td>47,464</td>
</tr>
<tr>
<td>2018</td>
<td>78,248</td>
<td>31,489</td>
<td>46,760</td>
</tr>
<tr>
<td>2017</td>
<td>79,059</td>
<td>31,264</td>
<td>47,795</td>
</tr>
</tbody>
</table>
The following outlines some of the major business activities undertaken by POSCO in the three areas of Business, Society, and People in 2019.

First, we reinforced our group-wide business portfolio in the Business domain.

In the steel business, we strengthened our premium steel product sales system and improved our cost competitiveness. Our World Top Premium (WTP) sales posted a nearly 5% y-o-y growth to 10 million tons. This is attributable to our efforts to launch the ‘POSCO Auto Steel Strategy (PASS) 2025’ to cooperate with global automakers and develop eco-friendly automobile materials and to increase the sale of such premium products as steel plates for wind power generation. Furthermore, we promoted cooperation with existing construction steel customers and unveiled the premium construction steel brand INNOVILT* to pioneer the paradigm shift in the domestic construction steel market and strengthen the basis of sales for these high-end products. We have fully undertaken the company-wide ‘Cost Innovation (CI) 2020’ initiative to execute improvement tasks in five areas including raw materials, processing, and equipment to further elevate our cost competitive edge. We also expanded our smart production system enabled by artificial intelligence and big data from individual tasks to smart furnace and other plant-level projects to make substantial contributions to our business performance.

On the group-wide business front, we realigned our business and established profit models with a focus on distinctive core capabilities and restructured our non-core business. The LNG import and trading business was transferred to POSCO INTERNATIONAL to strengthen the competitive edge of the LNG business with a high growth potential as a green energy source. The operation of the Gwangyang LNG Terminal was handed over to POSCO ENERGY and the off-gas combined cycle power plant within POSCO ENERGY’s steelworks was relocated at the group level to increase O&M orders granted in alignment with EPC to elevate our competitiveness. In the agro business with high growth potential, POSCO INTERNATIONAL became Korea’s first to complete a grain terminal in Ukraine. Furthermore, POSCO ENERGY’s fuel cell business minimized its losses through the adjustment of contract structure of the Long term Service Agreement (LTSA), and POSCO ICT pulled out of business that was heavily dependent on low-profit project financing.

Second, we disseminated our Corporate Citizenship management philosophy and created distinctive brands for our philanthropic programs.

In exploring new growth drivers, we reinforced the growth base for our secondary battery materials business and established a new business execution system. POSCO CHEMTECH and POSCO ESM, responsible for our anode and cathode business, were merged to launch POSCO CHEMICAL, and we opened the secondary battery materials research center to conduct advanced research on next-generation materials. The first phase of the 20,000-ton-capacity No. 2 cathode plant construction project was completed in Sejong City to secure 44,000 tons in annual production capacity, and 5,000-ton-capacity anode plants were completed in Gwangyang and China respectively to increase our annual production capacity to 20,000 tons, laying the foundation for our rechargeable battery materials business as one of the group’s new growth engines. To identify new business drivers, we selected new growth domains and facilitated the industry-academia-research collaboration system at the group level: we created ‘POSCO Venture Platform’ with the two main pillars of ‘Venture Valley’ and ‘Venture Fund’ to respond to the ever-changing business environment and create future growth engines. This will help us support startups and venture firms with research, investment inducement and technology exchanges, and discover promising high-tech venture businesses in Korea and abroad to fuel our growth in the upcoming years.

Most of all, we focused on practicing our Corporate Citizenship management philosophy in every aspect of our business conduct and on the ways we could systemize and internalize it. We created the ‘Corporate Citizenship Office’ under the direct leadership of the CEO, and set up the ‘Corporate Citizenship Committee’ to systematize and disseminate the philosophy. Last July, we announced the ‘Charter of Corporate Citizenship’ as the cognitive and behavioral foundation for our employees in acting on this philosophy. With a significant increase in employees’ voluntary participation in the POSCO 1% Foundation and talent donation groups that are operated on donations and volunteering, our Corporate Citizenship philosophy is taking firm root as our distinctive philanthropic brand. Another top priority was to create a shared growth ecosystem on the basis of fairness, transparency, and ethics. As part of our efforts to systemize the seven major shared growth programs, POSCO became the first large business in Korea to introduce a win-win payment system and expand support for SMEs in building smart factories to improve their productivity. We created Mutually Beneficial Daycare Centers to care for the children of both POSCO Group and partner company employees, and we newly launched the POSCO Youth Dream program that consists of the youth AI and big data academy and the startup incubation school to nurture young talent and create jobs for such talent. In so doing, POSCO has been fully committed to addressing social challenges in its capacity as a business.

*INNOVILT: INNOVILT, POSCO's distinctive construction steel brand, combines the merits of Innovation, Value, and Build and refers to its premium construction steel products that bring life into innovative technology and the eco-friendly feature of steel.
Third, we did our utmost through innovation in the way we work to improve the competitive edge of our workforce and create a corporate culture of trust and win-win partnerships in the People area.

We ensured fairness in our personnel operations to promote talented individuals capable of exercising leadership, consideration and communication with the innovative mindset of substance, execution and practicality on the basis of performance and accountability. As part of our win-win partnership initiative, we helped our partner companies improve both their employee welfare & benefits and the work environment: safety equipment on the shop floor was improved and living facilities and amenities were renovated to provide safer and more pleasant working conditions. The integrated operation of welfare facilities allowed our partner companies to use company resort facilities, and annual cultural events hosted by POSCO in the Pohang, Gwangyang, and Seoul regions had invites from partner companies, suppliers, and local residents to broaden the emotional consensus among these stakeholders.

As our labor relations were driven by innovative work methods and by management that leads by example, there has been a dramatic improvement in the work satisfaction of our employees. We streamlined our reporting system from the viewpoint of substance, execution and practicality to establish an execution-oriented corporate culture. In doing so, the focus of shop-floor improvements shifted from such simple measures as reviews and clean-ups to the more practical hands-on improvement of defects and failures.

Due largely to our accomplishments in the Business, Society, and People area, POSCO, unlike other major global steel companies, maintained the same Moody’s credit rating it received back in 2018. We were given the title ‘World’s Most Competitive Steelmaker’ by World Steel Dynamics (WSD) for 10 consecutive years, and became the first-ever Korean business to join the league of Lighthouse Factories published by the World Economic Forum to lead the future of the global manufacturing industry.

Our continued interest in eco-friendly business led us to place Environmental, Social and Governance (ESG) bonds for the first time in the global steel industry, and our innovative steel sheet manufacturing technology was recognized with the Innovation of the Year Award presented by the World Steel Association, solidifying our position as a leading global steel company.

Strategic Directions for 2020

In 2020, the global economy is forecast to suffer what is known as “Peak Shock” as the continued political and economic tensions from the U.S.-China conflict are aggravated by the COVID-19 pandemic, which will consequently slow global industrial growth and demand. The situation is expected to only get worse in line with mounting concerns over the global economic recession and the simultaneous contraction in domestic consumption and exports that are just now hitting the Korean economy. This further increases the possibility of the prolonged low growth as all these conditions interlink with such social issues as low birth rates and an aging society. The steel industry is not an exception here as steel prices remain low due to continued overcapacity and the delayed recovery in automobile, shipbuilding, and other steel-consuming industries. To make matters worse, raw steel materials are continuously exposed to price volatility affected by the dam collapse last year in Brazil and the increasingly frequent abnormal weather conditions in Australia. It is also highly probable that such business conditions could place enormous pressure on manufacturing and other conventional industries. Meanwhile, they could usher in new demands for new mobility, AI, and green businesses to create new growth opportunities in secondary battery materials, smart factories, and eco-friendly energy that POSCO considers high on its list of priorities. Therefore, we set the following business strategies to lay the basis for future growth while weathering the challenging business conditions of the year to attain our 2020 business goal ultimately.

In the steel business, we will adopt stringent cost controls in preparation for the global economic downturn while maintaining global top-level profitability through market-oriented technology innovation, company-wide quality innovation, new product development for future growth, and proactive advancement into new markets.

The Cost Innovation (CI) 2020 project launched last year to dramatically increase our cost competitiveness will extend its scope from domestic worksites to overseas subsidiaries, and we will identify new sources of low-cost raw materials in such nearby countries as Russia and Indonesia to reduce our raw material cost that accounts for the largest share of our costs. Specifically, we will swiftly disseminate smart technologies powered by AI and big data that prove their cost reduction across the board, and will adopt more responsible cost management at the plant level to promote substantial cost management in the field. We will establish a scenario-based emergency response approach to flexibly operate our production and sales according to shifting business conditions, and if we believe that business conditions continue to aggravate, we will take highly stringent countermeasures from the extreme reduction of indirect costs less relevant to production to the adjustment of investment priorities, to maintain our profitability to the fullest. On the technology front, we will be committed to developing market-driven innovative products and staying ahead of the competition in order to cater to customer needs more swiftly than any other steelmakers. Furthermore, we will innovate our quality assurance system at the Head Office and at our overseas subsidiaries to take a step closer to the Global One POSCO, One Quality production quality system.
As for sales, we will actively engaged in untapped and new markets such as the Middle East and Africa expected to increase their demand for urbanization and social infrastructure development. As a proactive move to prepare for the transition to new mobility and other changes in steel-consuming industries, we will create an integrated marketing system for eco-friendly automobiles, and our premium eco-friendly construction steel products will expand their sales base through market differentiation. Our World Top Premium (WTP) products, capable of flexibly responding to market conditions with their technology and marketability, will also increase their sales to maximize profitability. In addition, we will ensure that more of our customers recognize that low-quality low-price imported goods cannot strengthen the competitiveness of domestic manufacturing industries. To this end, we will work on swiftly delivering solution marketing and import substitutes to assist customers in elevating their overall competitive edge, reinforcing the domestic steel ecosystem and further solidifying our market leadership in Korea.

Second, our group business will relentlessly pursue evolution and focus on core areas.

In line with the mid/long-term growth strategy newly established in 2019, we will focus our investments on competitive and high-growth areas such as the LNG value chain and agro businesses. Meanwhile, we plan to expand the investment-linked business model in trading business, reorganize the business structure with a focus on core capabilities in construction business, and increase direct LNG imports in the power generation business in order to improve our profitability. We will integrate and specialize our logistics operations, currently distributed across the group, to support our ongoing business operations more efficiently, and will upgrade them with green smart technology to advance into new business areas. The secondary battery materials business that will serve as a key growth driver for POSCO Group will increase its anode/cathode production capability, workforce, and marketing capacity and strengthen R&D on next-generation products. Leveraging our Australian lithium mine and Argentinian salt lake resources, we plan to make commercial equipment investments as planned to become the first Korean company to successfully run demo plants for commercial lithium production within this year. Mainly in those new growth domains chosen in 2019, we also aim to swiftly discover and commercialize promising items that will drive our growth in the future, and use our Venture Platform to explore long-term business opportunities.

Third, we will endeavor to create the value of co-prosperity which lies at the core of our Corporate Citizenship management philosophy.

For the first time as a Korean company, POSCO announced its 'Corporate Citizenship' management philosophy to highlight its social role as a business and to keep pace with the needs of the time that a company's growth and continued existence should be based on its harmonious partnership with society at large. Moving into the third year since declaring the management philosophy, we will pursue shared growth with our customers, suppliers, and partner companies, build a robust industrial ecosystem that creates co-prosperity in order to move beyond the prolonged low growth that has been further aggravated by COVID-19 and evolve into a centennial company. Through such adverse times, we deliver the best products and solutions to our customers based on mutual trust. We will actively resolve even the smallest difficulties of our customers so that we can trust each other more and help to overcome the recession's wave more easily. We will ensure fair and transparent trade and expand the Benefit Sharing system to set the right conditions for competent suppliers to grow. We will share our innovation capacity and our smart factory experience with SMEs and support them to move ahead competitively, so that we improve the entire industrial ecosystem as well as our own position. We will also work with partner companies on quality improvements and help them build capacity through patent grants that will support their technology development, which, in turn, will lead to the strengthened operational competitiveness of POSCO Group.

Fourth, we will create a safe and pleasant workplace and maintain a sound labor-management culture to move ahead of the competition in labor productivity.

We will thoroughly comply with work standards as the very first step to ensuring workplace safety and continue to identify and improve on potential high-risk areas. We will equip safety blind spots within our steelworks with more intelligent CCTVs, robots, and other smart safety devices to make doubly sure that we protect the lives and health of our employees. In response to global climate change, not only do we make mid/long-term environmental investments as planned but also go the extra mile to improve eco-friendly production processes and develop technology to turn-by-products into eco-friendly resources. The 8-5 workday system launched last year will be firmly established to help POSCO employees strike the right work-life balance. We will nurture creative digital talent desired by the 4th Industrial Revolution era, and build on our tradition of labor-management culture based on co-existence and cooperation.

The spread of COVID-19 has undoubtedly taken its toll on the entire landscape of the global supply and demand chain this year. In the face of such uncertainties, however, each and every one of us at POSCO will do our utmost to live up to the unwavering support and interest granted by our shareholders and customers so that we continue to evolve into a centennial company.
Extraordinary Measures to Cope with COVID-19

POSCO developed policy initiatives to objectively analyze and systematically address the economic disruption and impact caused by COVID-19 in 2020. These initiatives will guide our endeavors to overcome this crisis wisely with business partners to render our industrial ecosystem even stronger and to fulfill our role as a corporate citizen. Ultimately, the sum of such efforts will help us turn this crisis into an opportunity to create greater corporate value and lay the basis for sustainable growth.

Minimizing Impact on Our Business

POSCO put in place highly stringent strategies to stay firm and cold-headed in coping with COVID-19 in the face of unprecedented uncertainties across the business landscape. Most of all, cost-saving will be our top priority to secure margins in the shrinking market. We will focus on pursuing market-oriented technology innovation, company-wide quality innovation, and the development of new products with future growth potential to solidify our position as a market leader even amid the on-going crisis. To flexibly respond to market contraction, we are taking an emergency response approach to outline scenario-based production and sales plans: we will consistently analyze how external conditions unfold while modifying the set investment priorities to defend our profitability and ensure financial soundness. POSCO Group executives have voluntarily bought back company shares to address the market uncertainties brought on by COVID-19 and elevate POSCO’s corporate credibility, setting an example in advancing management accountability. Undoubtedly, such an initiative taken at the executive level will play a vital role in gaining trust from our stakeholders.

Taking Proactive Measures to Keep Our Employees Healthy

We conducted special inspections on construction and large-scale repair sites to raise the bar on field-level safety at our steelworks. Health check-ups are made on all employees and on-site inspections are performed regularly to doubly ensure that our worksites remain free from the COVID-19 virus. We recommend all employees not to take business trips, including China and our overseas subsidiaries. Employees who return from overseas must take self-quarantine measures first before accessing our worksites and we expanded our work-from-home policy for employees in the Seoul region. Furthermore, all our employees can check their health status through the mobile COVID-19 self-diagnosis app accessing our worksites and we expanded our work-from-home policy for employees in the Seoul region. Furthermore, all our employees can check their health status through the mobile COVID-19 self-diagnosis app before coming to work, and we installed thermal imaging cameras across workplace traffic routes to take their temperature at least twice a day. As such, POSCO is making necessary institutional improvements as the need arises to protect all its employees from COVID-19 infection at its worksite operations.

Investing in COVID-19 Relief Fund and Developing Diagnostic Methods

POSCO and five other group affiliates – POSCO INTERNATIONAL, POSCO E&C, POSCO CHEMICAL, POSCO ENERGY, and POSCO ICT – have jointly donated KRW 5 billion to help curb the spread of COVID-19 and promote early recovery in Korea. Our employees working at regional unit worksites are voluntarily lending a helping hand as responsible corporate citizens to reach out to the underprivileged in local communities. Meanwhile, a research team at POSTECH, a private research-driven university in Pohang, South Korea, that was established by POSCO has successfully developed a diagnostic technique to shorten the time taken to test COVID-19 infection from six hours to a mere 15 minutes. The team plans to establish a system to swiftly develop diagnostic and therapeutic agents for novel viruses such as SARS or MERS as well as the coronavirus.
POSCO Corporate Citizenship Report 2019

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POSCO CORPORATE CITIZENSHIP
REPORT 2019

MANAGEMENT PERFORMANCE

● BUSINESS
Marketing
Quality Management
Technology Development
New Growth Business
Venture Platform
Environmental Management
Climate Change
Shared Growth
Supply Chain Management

● PEOPLE
Occupational Health and Safety
Talent Development
Corporate Culture
Respect for Diversity

● SOCIETY
Occupational Health and Safety
Corporate Citizenship Committee
Investor Relations
Tax Policy
Risk Management
Business Ethics
Fair Trade
Information Security

DELIVERED

Donating Video Call Devices to a Medical Center in the U.S.

POSCO America donated video call devices to a Veterans Affairs (VA) medical center in Augusta, Georgia, in the U.S. to help patients in the facility connect with their loved ones amid the ongoing COVID-19 outbreak. As the hospital implemented the ‘no visitors’ policy to protect its patients from the coronavirus, some of the elderly patients died alone, with none of their family members at their deathbed. This prompted POSCO America to collect 1% of its employee wages and use the raised funds to donate video call devices to the hospital. This serves to offer a tremendous relief as patients are now able to communicate with their friends and family and able to see the faces of their loved ones every day.

Offering Scholarships to Children of Righteous People

The POSCO TJ Park Foundation has chosen two public officials, who died while sincerely fulfilling their duty to protect the health and lives of the general public amid the nation-wide emergency of the COVID-19 outbreak, as POSCO Heroes*, and has offered scholarships to the children of these POSCO Heroes. These two heroes, Chang-Seob Shin from the General Affairs Department of the Jeonju City Hall and Jae-Ho Pee from the Construction Safety Department of the Seongju County Office, died from overwork while doing their utmost to curb the spread of this novel virus. By providing scholarship support to the children who suffered the tragic and unexpected death of their parents, the POSCO TJ Park Foundation pays tribute to those who made the ultimate sacrifice for the greater social good of society in such a dire emergency.

*POSCO Heroes Fellowship: This scholarship program intends to help those who righteously sacrificed themselves for the nation and for social justice as well as their children in continuing their education.

Delivering 2,000 Care Packages to Health Care Providers

POSCO’s Head Office and several worksites are situated in the North Gyeongsang Province, one of the most heavily affected areas amid the COVID-19 outbreak in South Korea. As such, we donated special care packages to express our gratitude to health care professionals fully devoted to containing the coronavirus in the Daegu and North Gyeongsang areas. These packages come in eco-friendly leather backpacks made by a Korean social enterprise through the recycling of automobile seats, and are the product of POSCO’s custom-made order designed to revitalize the domestic economy that has been dealt a severe blow since the onset of COVID-19.

Our care packages include health supplements such as multivitamins to boost immunity, facial masks, hand sanitizers, toiletries, razors, women’s specialty items, and other sanitary items, and two separate versions were manufactured for men and women respectively. Starting with the Daegu Medical Center and the Keimyung University Dongsan Medical Center, we consecutively donated these packages through the Hope Bridge Korea Disaster Relief Association. With the help of the association, we also delivered self-quarantine kits and personal hygiene kits to local governments in Daegu and the North Gyeongsang areas to prevent the further spread of COVID-19. In addition, we assisted with disease prevention activities in places that are often left behind in such trying circumstances, such as schools in remote island areas, senior community centers and local children’s centers.

Donating to health care professionals at the Daegu Medical Center and the Keimyung University Dongsan Medical Center - Care packages placed within the eco-friendly leather backpacks made of recycled automotive sheets by a social enterprise

POSCO Corporate Citizenship Report 2019

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OVERVIEW  Contribution to the SDGs Based on Corporate Citizenship

CORPORATE CITIZENSHIP, ESG, AND SDGs

POSCO is developing strategic responses to overall ESG issues under the overarching framework of its Corporate Citizenship management philosophy. Establishing a management system to place utmost priority on ESG and other sustainability issues will surely fuel our growth to become a sustainable centennial company. In particular, our focus areas will include climate change response, supply chain management, and employee safety.

Q1. How is POSCO’s Corporate Citizenship management philosophy aligned with its ESG activities?

Since the announcement of our Corporate Citizenship management philosophy, we have taken a second look at our existing work methods for their compliance with the value of Corporate Citizenship, changed the course of our businesses and activities in need of adjustment, and fundamentally reflected upon how to translate this philosophy into action. In short, Corporate Citizenship has come to serve as the absolute basis for making decisions at POSCO.

Our employees are committed to comply with the Charter of Corporate Citizenship in their work and private life. Executives have come up with ideas to act on this philosophy in respective work areas and are already taking actions accordingly while employees have joined the One Person One Action program to take the initiative and make small yet impactful changes professionally and privately.

The Charter of Corporate Citizenship functions as the standard and compass that guide our employees in their behaviors so that they can practice the value of Corporate Citizenship both at work and in their private life to create the value of co-prosperity. The charter stipulates the vision and goal of Corporate Citizen POSCO as well as practice principles for employees to follow.

These practice principles concern the key details highlighted by ESG and the UN SDGs, from harmony with society, participation in resolving social issues and fairness & transparency to shared growth, environmental protection, safety, and diversity. As such, compliance with the Charter of Corporate Citizenship will naturally lead to the attainment of ESG goals and the UN SDGs.

POSCO believes that acting on the principles in its Charter of Corporate Citizenship will help reduce ESG risks in business conduct and generate outcomes in each of the ESG domains to ultimately contribute to achieving the UN SDGs.
OVERVIEW  Contribution to the SDGs Based on Corporate Citizenship

CORPORATE CITIZENSHIP, ESG, AND SDGs

Q2. How is POSCO responding to the ESG issues that are rapidly emerging as the key global agenda these days?

Our plan is to establish a strategic response mechanism for overall ESG issues, and focus on climate change response, supply chain management, and employee health & safety.

Even before ESG started to emerge as a key agenda, POSCO has been consistently making environmental and social investments. Our steelworks are located along the shore in the vicinity of urban areas, so we could not possibly lose sight of the importance of environmental investments from the early days of their operation, and have launched a range of locally-calibrated philanthropic activities in the Pohang and Gwangyang regions since our establishment. Furthermore, we have a long tradition of proactively developing corporate governance led by a transparent and independent Board of Directors, paired with the advancement of management accountability on the part of our senior management.

Last year, we launched the Corporate Citizenship Committee composed of ESG experts to discuss our Corporate Citizenship management philosophy and ESG guidelines. The significantly increased interest in and importance of ESG recently urged us to systematically address ESG issues at the company-wide level and create a dedicated ESG organization for the first time in the Korean manufacturing industry. This organization is closely interacting with the National Pension Service, asset managers, evaluators, and other stakeholders while taking a multi-layered approach to improve the management for our employees. For instance, card news, videos, and other diverse media are deployed to brief our employees on the need for ESG, the implications and contents of the UN SDGs, and the relationship between the Task Force on Climate-related Financial Disclosures (TCFD) and our corporate value. In so doing, we help our employees improve their understanding of ESG and practice change management to guide their response. Through this process, our ESG organization ensures that members of Corporate Citizen Love Letters’ to communicate with our stakeholders.

POSCO plans to actively address the global challenge of climate change and strengthen its cooperation. In a move to swiftly respond to the increasingly stringent environmental policies, we are developing mid/long-term energy efficiency innovation technology and establishing long-term strategies to realize CO₂-free steelworks. This year, we will follow TCFD recommendations to set and widely disclose our 2030 CO₂ emissions mitigation goal and do everything we can through available means and methods to attain this set goal. We will also expand our supply chain management to ensure that our raw material suppliers and partner companies can take ESG-driven actions on par with POSCO.

Q3. What are POSCO’s policies for stakeholder communication?

We will establish a management system that places top priority on ESG and other sustainability issues that reflects the interests of our stakeholders so that we can evolve into a sustainable centennial company.

POSCO has lent an attentive ear to the candid feedback from its stakeholders and proactively responded to shifting global business trends. As such, we have published annual sustainability reports since 2003, announced the Corporate Citizenship management philosophy, and are operating communication channels, including our ‘Corporate Citizen Love Letters’ to communicate with our stakeholders.

This year, we prepared the report in accordance with the TCFD and SASB global standards to promote the continued and systemic communication with our stakeholders and help build mutual trust. Our ESG-related targets and achievements are fully disclosed in our Corporate Citizenship Reports and on the official corporate website.

Going forward, POSCO will transparently communicate and collaborate on issues that impact our stakeholders - which also includes our shareholders, investors, and customers. We will then take a step further to maintain our position as a globally competitive materials business and to become a sustainable company that contributes to a better tomorrow.
## Contribution to the SDGs Based on Corporate Citizenship

### Economic and environmental performance

- Develop premium products
- New eco-friendly products
- Operate and manage quality certification systems
- Create smart factories
- Conduct secondary battery materials business
- Respond to climate change
- Improve the atmospheric environment
- Manage water/by-products/chemicals
- Respect biodiversity and create marine forests
- Raise venture funds and establish a venture platform
- Become and make good corporate citizens
- Strengthen employee health & safety management
- Nurture talent and build employee capacity
- Build a corporate culture and win-win labor relations
- Respect diversity

### Social performance

- Advance shared growth and supply chain management
- Corporate philanthropy
- Role Model: Present a role model to enhance fertility
- Support youth employment and startups
- Create marine forests

### Governance

- Operate the Board of Directors and the Corporate Citizenship Committee
- Investor relations and tax policy
- Risk management
- Business ethics
- Fair trade
- Information security
OVERVIEW  Materiality Analysis

ESG MATERIALITY ANALYSIS

‘Material issues’ refer to the most important issues and areas for POSCO’s business and its stakeholders from the ESG standpoint. To identify material issues, we perform annual materiality analyses based on stakeholder interest and business significance. This represents a process to identify the economic, environmental, and social issues that concern POSCO as a company and its stakeholders the most, and enables us to gain insights on future trends and business risks & opportunities.

Characteristics of Materiality Analysis

- Create a pool of issues by integrating external keywords in consideration of global sustainability guidelines and sustainability trends among industry peers as well as internal keywords related to POSCO’s sustainability activities over the past three years.
- Finalize a total of 25 sustainability management issues in consideration of priorities in the economic, environmental, and social areas from the issue pool.
- Stakeholder interest analysis
  Analyze the ESG issues that are interests of our stakeholders (customers, employees, partner companies/suppliers, local communities, shareholders/investors)
  - Domestic/overseas media analysis
  - Industry peer status analysis
  - Global guideline analysis
  - In-depth stakeholder interview
- Business significance analysis
  Analyze impact on POSCO’s business concerning sales, costs and risks
  - POSCO executive meeting agenda
  - Relevant issues within the CEO Letter
  - Employee survey
- Select eight key issues as a result of comprehensive assessments on stakeholder interest and business significance
- Determine the format to report POSCO’s detailed ESG activities and achievements on key issues and low-priority issues
- Review issues by POSCO top management and the Corporate Citizenship Office
- Collect stakeholder feedback on key issues to identify their impact on the overall value chain and POSCO’s global network
- Use materiality analysis outcomes to review Corporate Citizenship activities and identify improvement measures
- Organize the publication process for following year’s Corporate Citizenship Report through third-party verifications performed on this current year’s report publication process and contents

Compile cases on major issues

We compile cases on those issues that interest our stakeholders to provide further details to meet stakeholders’ information needs. A Case Report was prepared to respond to key inquiries and issues raised by our stakeholders in 2019.

Reflect stakeholder feedback in materiality analysis

The stakeholder feedback collected through interviews was included in the materiality analysis process. We conducted interviews on ESG experts from academia, investors, evaluators and other diverse fields to reflect balanced opinions.

2019 Materiality Analysis Process

01. Create a pool of issues

02. Verify the materiality of issues

03. Identify key issues

04. Establish a reporting format
OVERVIEW  Materiality Analysis

ESG MATERIALITY ANALYSIS

Key Considerations of the 2019 Materiality Analysis

In creating a pool of issues as the first step to perform the materiality analysis, we considered the key ESG issues of global steel makers who are sustainability management leaders while reflecting the issues presented by global guidelines. Our 2019 materiality analysis newly included the overarching principles and detailed items of the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).

By analyzing domestic/international media articles over the past two years, we reflected upon our achievements on respective issues and gathered stakeholder feedback. In identifying 25 material issues, ‘energy efficiency improvement’ which refers to our activities to increase energy efficiency through POSCO’s innovative environmental technology, was included in the issue of ‘climate change response’. The issue of ‘environmental investment and management’, chosen as one of the top 10 material issues in 2018, was divided into air, water, and by-products sections.

2019 Materiality Analysis Outcomes

As a result of the materiality analysis performed in 2019, ‘workplace health & safety’ was identified as the key ESG issue. Health and safety issues are considered as the top priority across the steel industry, and they have a direct impact on POSCO’s business operations as well as on the human rights of its employees and partner companies. In July 2019, POSCO declared the Charter of Corporate Citizenship that highlights the safe-first message, and set the goal of reducing total injury rates and the number of employees sustaining major injuries to zero to announce its robust commitment to workplace safety management.

Application of the Materiality Analysis Outcomes

The materiality analysis allowed POSCO to strengthen the alignment between key ESG issues and such global frameworks as global reporting guidelines, the UN SDGs, and steel industry standards. The key issues identified served as the basis for POSCO to set the course of its Corporate Citizenship activities as well as short/long-term targets to create value for stakeholders. In addition, we intend to better communicate with stakeholders by providing detailed descriptions of our awareness on the materiality of key issues and response directions across the breadth of this report.

Key ESG Issues

<table>
<thead>
<tr>
<th>GRI</th>
<th>SASB</th>
<th>TCFD</th>
<th>UN SDGs</th>
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<tbody>
<tr>
<td>1. Workplace health &amp; safety</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>2. Competitive and sustainable manufacturing</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>3. Response to climate change</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>4. New business/growth</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td>5. By-product recycling</td>
<td>●</td>
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<td>●</td>
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<tr>
<td>6. Stakeholder engagement</td>
<td>●</td>
<td>●</td>
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<tr>
<td>7. Local community contribution</td>
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<tr>
<td>8. Atmospheric environment improvement</td>
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OVERVIEW  Materiality Analysis
KEY ESG ISSUES AND OUR RESPONSE

We gather stakeholder feedback and proactively respond to the eight key ESG issues identified as a result of the materiality analysis. We objectively assess the ESG risks that we face as a company and their current status through close communication with stakeholders and develop appropriate countermeasures to ensure the sustainability of POSCO in the upcoming years.

Key ESG Issue

<table>
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<tr>
<th>Why is it important?</th>
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<tr>
<td>Social interest is growing in the safety of community members in the vicinity of worksites as well as employees at the workplace. Furthermore, the amended Occupational Safety Act, which took effect in January 2020, imposes a more stringent responsibility on domestic companies to ensure safety management and prevent occupational injuries. As the manufacturing industry faces a higher risk of occupational injuries due to its inherent characteristics, this adds to the utmost importance of workplace safety and led to the identification of workplace safety management as one of our top priorities.</td>
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Rapid technology transformation and the advancement of IT and social networks have changed the way we communicate with our customers and have also intensified the competition in the global business landscape. Such external factors may prove to work against us, in that they may actually help us to generate profits as a company in the short term, yet interrupt sustainability management in the long term. This is precisely what prompts businesses to ceaselessly pursue innovation to flexibly respond to these externalities. As an industry heavily influenced by the business cycle, the steel industry is specifically sensitive to external variables as it is sandwiched between the downstream raw material sector and the upstream consumer sector. For instance, disruptions in the raw material supply that occurred in Brazil and Australia in early 2019 resulted in a surge in raw material prices to aggravate profitability. This emphasizes the need to minimize the impact of external factors and pursue competitive and sustainable manufacturing through the development of exceptional technology, the management of raw material inventory, and the stable sourcing of raw materials.

How we responded to the issues

In 2019, POSCO declared the Charter of Corporate Citizenship that considers safety as its core value and made various efforts to deliver workplace safety. Our steelworks are equipped with intelligent CCTVs, robots, and smart safety applications to eliminate safety blind spots and prevent safety hazards. In particular, we developed four major safety strategies and KPIs to identify and address potential risks and strengthen field-focused safety management in so doing. Building on these endeavors, we set the goal of reducing injury ratios and the number of major injuries to zero and will do our utmost to uphold effective safety management.

POSCO Charter of Corporate Citizenship

- Mid/long-term goal(2025) : Post zero in the No. of employees sustain major injuries (Incorporate into the evaluation of Head of Steel Business Unit)

We are undertaking the company-wide Cost Innovation 2020 initiative in preparation for the global economic downturn. We also strive to maintain our cost competitiveness while satisfying social needs for the fulfillment of corporate social responsibility. We use artificial intelligence and big data for the more accurate prediction of raw material prices. We constantly analyze fluctuations in our economy, steel industry, and raw materials while reflecting forecasts in our short/mid-term business plans to conduct our business in response to plausible scenarios. POSCO and respective group affiliates are analyzing the sensitivity of oil prices, iron ores, and other major risk factors and reflect the results in making investment decisions. In particular, the dam collapse that hit the Brazilian miner Vale in early 2019 prompted us to further tighten monitoring on the risk of iron ore supply.

POSCO, building a sustainable future with raw material suppliers

- Mid/long-term goal(2025) : Reach 75% in smart furnace conversion rate for advanced cost innovation (Incorporate into the evaluation of Head of Steel Production & Technology Division)
OVERVIEW

Materiality Analysis

KEY ESG ISSUES AND OUR RESPONSE

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**Key ESG Issue**

- **Response to Climate Change**

**Why is it important?**

The international community emphasizes climate change response as an essential component of sustainable growth, and is doubling up its joint efforts to reduce GHG emissions through the Paris Agreement. Not only does climate change pose a threat to the ecosystem triggering frequent natural disasters, but it also causes risks to business operations. The OECD and IMF reiterated the possible adverse impact of climate change on the global economy in the absence of our prompt response. As the steel industry is responsible for 4%-7% of the global GHG emissions, it needs to fully join the international community’s endeavors to shift to a low-carbon economy. This in return requires the transparent disclosure of GHG data and innovative low-carbon operational technology. Meanwhile, tightening GHG regulations may increase carbon expenses to eventually deteriorate financial performance and hence are considered a critical risk factor.

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**How we responded to the issue**

POSCO Group affiliates consider the three areas of Green Process, Green Product, and Green Partnership as their focus areas in responding to climate change. They deliver Green Processes through energy saving and efficiency improvements, smart factory demonstrations, and the development of CO2 mitigation steel making processes and innovative low-carbon technology. Meanwhile, they are laying the basis for Green Products through the development and dissemination of high-energy efficient steel products, and promoting Green Partnerships through domestic/international carbon policy cooperation and more robust corporate initiatives for a low-carbon society. We have also established an internal system to identify climate change risks and opportunities and integrate them in our mid/long-term strategy. Meanwhile, we made it a goal to reduce the GHG emissions per ton of steel produced by 9% from 2.2 tons on average between 2007 and 2019 to 2.0 tons by 2020. To reach this goal, we invested KRW 93.3 billion in 2019 to research on CO2-separation from the steelmaking process as a way to reduce GHG emissions. In addition, we invested a total of KRW 47.9 billion in energy saving: this increased the efficiency of our Gangyang LNO plant, and we installed dust collection inverters at our Pohang FINEX plant to improve our energy recovery equipment and process.

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**Mid/long-term goal (2010-2020): Reduce GHG emissions per ton of steel produced to 2.00 tCO2/t-S
(Incorporate into the evaluation of Head of Steel Business Unit)**

* A new 2050 goal is under development

To secure sustainable growth engines, we continue to increase the share of high-value-added steel products such as high-strength steel sheets while applying our accumulated expertise from existing core businesses to the rechargeable battery materials business to keep pace with the advent of a new mobility era with EV taking the lead. In 2019, we initiated the construction of a plant in Argentina to use our local salt lake while merging our anode and cathode business operations to generate synergy and opened an integrated cathode/anode research center. This will surely place POSCO Group on the right track to attain the set goal of reaching 20% in global market share and KRW 17 trillion in sales by 2030. Furthermore, we realized our established group business with a focus on our distinctive capabilities and established their profit model. In the LNO business, we set a ‘Gas to Power’ framework spanning from LNG production to power generation.

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**Mid/long-term goal (2030): Reach 20% in global market share, KRW 17 trillion in sales
(Incorporate into the evaluation of Head of New Growth Business Unit)**

For us, waste is not merely trash to be disposed of, but rather it is a ‘by-product’ resource that can be recycled into raw materials for a variety of industry applications. It is with this renewed awareness that we include and manage ‘by-product recycling’ as one of the KPIs to recycle by-products from steelworks and minimize the generation of waste. In 2019, our recycling of by-products amounted to 98.3%, and slag, which accounts for nearly 80% of the solid by-products generated, was recycled into raw materials for cement, road/civil engineering, fertilizer, and steel making. Building on these achievements, we plan to increase the recycling of by-products to 98.9% by 2024.

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**Mid/long-term goal (2024): Reach 98.9% by byproduct recycling (by-products recycled/by-products generated) X 100
(Incorporate into the evaluation of Head of Safety & Environmental Planning Office)**

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**By-product recycling**

One of the key advantages of steel lies in its ease in selective recovery and unlimited recyclability. One ton of recycled scrap iron saves 1.2 tons of CO2 emissions, 1.4 tons of pig iron, and 740kg of coal, and the use of such scrap as raw materials for steel making results in more than a 70% reduction in energy consumption compared to the use of iron ore. Meanwhile, the growing interest in eco-friendliness is shedding new light on the product lifecycle, and the steel industry is no exception here. Consumers who were mainly concerned about the manufacturing process are now turning their attention to the entire cycle of production, use, and disposal. Capitalizing on the ease of recyclability, the steel industry needs to advance its product design to elevate the sustainability of steel products while minimizing the generation of waste from the steel manufacturing process and maximizing the recycling of by-products. This will naturally lead to the strengthened competitiveness of steel in the circular economy era and contribute to the sustainability of our planet and society.

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The general public is increasingly aware of the importance of the atmospheric environment in their daily life due to the particulate matter (PM) generated from China that affects Korea’s air quality. This urged the Korean government to take stringent regulatory measures to mitigate PM emissions in Korea by creating penalties for atmospheric NOx emissions, expanding the total atmospheric emissions management system, and launching the seasonal PM management system. In line with these regulatory changes, steelmakers are developing and investing in technology to minimize PM generation and fully disclose their emissions data to fulfill their corporate social responsibility.

### Mid/long-term goal (2022): Establish global-level stakeholder communication channels and host an ‘ESG performance briefing’

To reduce the emission of such air pollutants as SOx, NOx, and dust generated from the steel manufacturing process, we develop innovative technology and cooperate with major institutions in the vicinity of our steelworks to make necessary improvements. We signed an MOU to mitigate PM generation with the Ministry of Environment in January 2019, and signed another agreement for joint response to reduce PM generation with North Gyeongsang Province and Daejeon City in February 2019 to take the lead in improving the local environment. In May 2019, we created the Particulate Matter Research Center within the Research Institute of Industrial Science and Technology (RIST), our group-level environmental energy research organization, to improve the efficiency of air pollutant elimination and reduce energy consumption and other environmental expenses. In addition, we monitor atmospheric emission intensity as the sum of SOx, NOx, and dust emitted for every ton of steel produced as a key performance indicator. Under the goal of ‘reducing air pollutant emissions by 35% by 2024’, we will be making environmental investments valued at nearly KRW 1.08 trillion for three years from 2019.

- **Stakeholder engagement** -
  - Stakeholder engagement
- **Local community contribution** -
  - Social contribution: Venture Platform (POSCO, placing sustainability bonds for the first time as a steelmaker)
- **Environmental management** -
  - Mid/long-term goal (2024): Reduce air pollution emissions by 35% from 2016 (incorporated into the evaluation of Head of Environment and Infrastructure Planning Office)
OVERVIEW

STAKEHOLDER ENGAGEMENT

POSCO takes heed to the voice of wide-ranging stakeholders and reflects their feedback in business operations. We categorize our stakeholders into employees, customers, partners/suppliers, local communities, and shareholders/investors, and operate communication channels in consideration of unique features of these stakeholder groups. In 2019, we conducted in-depth interviews on major stakeholders to fully gather their opinions and reflect such feedback in formulating our 2020 key strategies.

### POSCO's Stakeholder Engagement Policy

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Shareholder/Investor</th>
<th>Customer</th>
<th>Partner / Supplier</th>
<th>Local Community</th>
<th>Employee</th>
</tr>
</thead>
</table>
| **Communication Channel** | - IR sessions (quarterly)  
- Disclosures  
- Face-to-face Meetings  
- Outside director IR events  
- Regular credit rating consultations | - Customer Relationship Management (CRM) system  
- Customer satisfaction surveys  
- Early Vendor Involvement (EVI) forums | - Information exchange seminars with suppliers  
- Roundtables with POSCO Honored Partners (PHP)  
- Information exchange meetings with partners | - Local presentations and discussions  
- Exchanges with NGOs  
- Environmental Improvement Council  
- Corporate Citizen Love Letters | - Labor unions/Labor-Management Council  
- Young Board  
- Employee satisfaction surveys  
- POSCO Today  
- Operational meetings |

#### 2019 In-depth Interview with POSCO Stakeholders

**Vendor Partners**

**Chosun Refractories**

Kim Dong-chan, Director

POSCO is assisting its suppliers through diverse systems in line with its supplier policy that POSCO is only as competitive as its suppliers. In particular, POSCO's cash payments are a substantial contributor in improving our business conditions, and suppliers are benefiting significantly from its shared growth programs including the purchasing program designed to protect SMEs and the growth support program. It would be great if POSCO diversified its support measures so that even more SMEs can join these shared growth programs as well as Chosun Refractories. It is our hope that as a Corporate Citizen Building a Better Future Together, POSCO closely communicates with its suppliers and establishes a solid supply chain in the steel industry. This, in return, will pave the way to deliver customer value and promote a win-win partnership.

**Investor**

Hi Investments & Securities

Taebong Koh, Head of Research

Governments, businesses, and NGOs across the globe are rapidly changing their awareness on climate change. While the use of clean energy, the recycling of by-product gas, and the development of combustion efficiency improvement technology that are currently under planning by POSCO certainly play an important role, it is also worthwhile to take a new perspective on this issue, such as the launching of green funds. As an investor, we are deeply interested in and look forward to POSCO's mid/long-term challenges and policies for the next 100 years to come. In this regard, its declaration and implementation of the Corporate Citizenship management philosophy have indeed come at the right time. My hope is that POSCO stays the course in line with this philosophy and becomes a company even more trusted by its stakeholders.
In line with a growing interest in sustainability among institutional investors and customers, LG Chem is also feeling an all-out pressure to manage ESG issues. LG Chem is periodically assessing supply chain issues, and even performs direct on-site audits on high-risk companies. From the value chain viewpoint, managing ESG issues along the supply chain is becoming a sizable determinant of business competitiveness and this could also have a grave impact on corporate value. For a company to stand the test of time, it must be able to deliver solutions that meet the needs of the times. It is recommended that POSCO work with its major customers to improve its entire supply chain. It is our expectation that POSCO understands global trends through close cooperation and that they take it a step further by strengthening its employee capacity and promoting collaboration with wide-ranging stakeholders.

As organizations that develop international financial systems have institutionalised ‘sustainable finance’ in recent days, it has become mandatory for businesses to disclose their climate change-related institutionalizations. As such, from the outsider point of view, it is highly notable that POSCO created a dedicated ESG unit. As such, from the outsider point of view, it is highly notable that POSCO created a dedicated ESG unit. It is our hope that this unit will serve to reflect the unique characteristics of the steel industry, analyze ESG issues, and identify long-term improvement goals to help POSCO truly become a corporate citizen.

POSCO has been rated highly excellent in ESG ratings over the past three years, and is considered one of the top-performing companies in Korea in terms of ESG management. While carefully managing evaluation indicators is important, it is also equally important that a company minimizes any social controversies by way of blunders or accidents. Recently, ESG rating agencies are increasingly reflecting controversy analysis outcomes in calculating ESG ratings. In Korea, the responsible investment plans announced by the National Pension Service at the end of 2019 spurred a huge interest in ESG ratings. As such, from the outsider point of view, it is highly notable that POSCO created a dedicated ESG unit. It is our hope that this ESG unit will serve to reflect the unique characteristics of the steel industry, analyze ESG issues, and identify long-term improvement goals to help POSCO truly become a corporate citizen.

For POSCO to become sustainable, we need to find partners who can grow and develop with us in tandem and create mutually-beneficial value together. From this viewpoint, employees at POSCO are living by the management philosophy of Corporate Citizenship across multiple areas as demonstrated by assisting SMEs in deploying a smart factory, implementing the benefit-sharing program, and building a venture platform. As POSCO’s achievements as a corporate citizen are recognized both internally and externally, this will naturally boost employees’ pride in the company. In addition, any sustainable company should have such essential components as workplace safety, technology investment, work & life balance, and human resources management in place. When we ensure shop floor safety, proactively improve environmental facilities, make technology investments for strengthened competitiveness, and promote inter-generational communication between managers and millennials, we will surely be paying the way to become a sustainable company.
OVERVIEW

LIFE CYCLE OF STEEL

In line with the growing importance of low carbon and resource circulation for sustainable development, the life cycle perspective is being adopted on business activities to consider the use and disposal of products as well as their manufacturing. Steel products used for automobile production, shipbuilding and construction are highly recyclable in the disposal process and are gaining attention for their eco-friendliness. During the course of 2019, POSCO created Youtube videos and launched the #SteelSaveEarth campaign to raise the general public’s awareness of the eco-friendliness of steel and made concerted efforts for environmental conservation.

Well-known by-products generated from the steel production process include slag and off-gas. They can be used as effective resources internally and externally for construction, agriculture, offshore applications, power generation, and battery manufacturing, contributing to the preservation of the environment and limited resources.

Video on the eco-friendliness of steel: Go to POSCO TV
OVERVIEW  Circular Economy and The Future Of Steel

STEEL PRODUCTION PROCESS AND PRODUCTS

We look to the future in delivering innovative products. This means that our commitment to minimizing the environmental impact of our products spans end users as well as our primary customers. We also do our utmost to develop highly functional new products that do not harm the human body while ensuring exceptional safety.

Basic process to produce molten iron

Cake, produced by baking coal, is mixed with iron ores to produce sintered ores of uniform size, which are then used to form molten iron. Iron ores (sintered ores), coke and limestone are charged into the top of the blast furnace and move downward gradually, and a hot air blast is injected into the base of the furnace to burn the coke and cause reduction reaction with iron ores to eventually produce molten iron. FINEX, which represents the iron making technology commercialized by POSCO for the first time in the world, uses iron ore fines to streamline the blast furnace process and reduce the generation of pollutants.

Process to remove impurities from the molten iron to produce steel

The molten iron formed in the blast furnace is refined to lower the carbon content and eliminate impurities. It is then injected into the mold to produce uniform forms and into the continuous caster for cooling and coagulation to produce slabs, blooms, and billets.

Process to transform steel into plates or wire rods

Slabs, blooms, and billets are fed into the rotating rollers to shape them into longer or thinner forms. Rolling is primarily classified into hot rolling and cold rolling.

Hot-Rolled Products

Steel that is roll-pressed at high temperatures

Automobile frames, wheels, containers, construction materials, steel pipes, machinery parts, high-pressure gas containers, etc.

Cold-Rolled Products

Hot-rolled steel that is re-rolled at near room temperatures

Interior/exterior automobile panels, LCD, washing machines and other home appliances, metal furniture, etc.

Plate Products

Steel that is produced into relatively thicker plates unlike coil-shaped cold/hot-rolled steel that resembles toilet paper

Ships, bridges, construction structures, shipbuilding plates, etc.

Wire Rod Products

Wire material that is shaped into wire-like long and thin forms, unlike plates or coils

Automobiles, ships, bridges, construction structures, etc.

Electrical Steel Products

Electromagnetic steel whose demand is increasing in line with greater needs for energy saving and the prevention of environmental pollution

Transformers, generators, eco-friendly automobile motors, etc.

Stainless Steel Products

Special steel that is highly glossy and corrosion resistant and adds high value for its versatile applications without additional processing

Automobile exhaust systems, kitchen appliances, electric/electronic devices, construction structures, etc.
OVERVIEW

FLAGSHIP CORPORATE CITIZENSHIP PROJECTS

1. Shared growth
   Create a robust industrial ecosystem through cooperation and win-win partnerships with stakeholders
   Expand support for SMEs in building smart factories and innovating their shop floor manufacturing to lay the basis for win-win growth

2. Venture Platform
   Develop a venture platform that contributes to creating future new growth drivers and revitalizing the local economy through a virtuous lifecycle
   Build on POSCO’s existing investment platforms (POSTECH, RIST) to add venture funds and venture valley infrastructure to create Korea’s venture platform

3. Role model to enhance fertility
   Company-level endeavors to create a society that fully supports child birth and rearing
   Open Mutually Beneficial Daycare Center that accommodate children of employees working at POSCO Group affiliates and partner companies as well as POSCO, and host symposiums to provide solutions to enhance fertility

4. Support for youth employment and startups
   ‘We encourage youth to go for it!’ POSCO Youth Dream to support youth’s employment and startups
   Provide free-of-charge training through practice-based employment training, the youth AI and big data academy, and the startup incubating school

5. Marine forest
   Deploy steel technology in the ocean, a territory of opportunity, to create marine forests to recover the marine ecosystem
   Cooperate with the Ministry of Oceans and Fisheries to install artificial reefs made of slag in the areas damaged by whitening

6. Good global citizen
   Become and encourage others to become good global citizens who engage in resolving pressing social challenges
   Assist POSCO employees in becoming corporate citizens who comply with global standards and nurture future generations to become good global citizens
   *POSCO Employee Global Volunteer Corps, undergraduate volunteer group Beyond, etc.
Leveraging Eco-friendly products to turn crisis into opportunity and prepare for tomorrow

Eco-friendliness is indeed emerging as one of the key global agendas. As a corporate citizen, POSCO is joining hands to create a low-carbon industrial ecosystem in order to make our environment cleaner and safer. Our green products and solutions assist customers in exploring new business opportunities and this in return enables us to increase our sales of eco-friendly steel products, creating a virtuous cycle of green industry development.

The Paris Climate Agreement in 2015 aims to limit the global temperature increase to 2°C above preindustrial levels, and this spurred governments across the globe to tighten their environmental regulations. For instance, the EU decided to reduce CO₂ emissions from passenger cars from the current 130g/km to 81g/km by 2025 and then to 59g/km by 2030. The International Maritime Organization (IMO) also reduced the upper limit on the sulfur content of ships’ fuel oil from 3.5%m/m to 0.5%m/m from 2020 onwards. Governments are also introducing policies to develop their green industries, and the Korean government announced such initiatives as ‘renewable energy 3020’, ‘future automobile industry development strategy’ and ‘energy efficiency innovation strategy’. In response to such stringent environmental regulations and governmental policies, businesses are increasing the production of eco-friendly vessels (LNG-fueled ships), eco-friendly vehicles (battery/fuel cell EVs), and eco-friendly energy (wind power, PV).

Meanwhile, global automakers are shifting the focus of their production system from internal combustion engines to electric vehicles. Work is underway to improve battery efficiency and reduce the weight of vehicles to increase the driving range of EVs, which is often cited as its weakness. In this process of transformation, steel serves as a key performance determinant of green vehicles.

Major EV components include the body, chassis, traction motors, and batteries: lightweight and safe body and chassis, high-efficiency high-performance traction motors, and battery packs that protect batteries from external shocks all play a role to support long distance driving. POSCO’s GIGA STEEL can be used for the production of the body, chassis, and battery packs, and low core loss steel (PNF), high-strength steel (PNT), and non-oriented electrical steel (Hyper NO) are required to manufacture traction motors.

Wind power generators are primarily composed of towers, turbine motors, turbine bearings, and blades. As the size of wind towers is increasing to improve generation capacity, this highlights the need for thick plates with exceptional fatigue resistance as well as non-oriented electrical steel (Hyper NO) and bearing wire rods for turbine motors and turbine bearings respectively.

The cost-effectiveness of products is critical in making it easier for end users to ultimately choose eco-friendly products. The price of steel is 40% of that of aluminum and 2% of that of titanium, which makes steel an ideal material in lowering the price of green products. As such, POSCO is turning the challenge of climate change into an opportunity and is focused on product development and mass-production to cater to the demand for diverse green products, preparing for a greener future.

**FOCUS 02**

Green Product Development

<table>
<thead>
<tr>
<th>Reduction of hazards</th>
<th>17 products</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Free from environmentally hazardous substances, reduction of electromagnetic waves/noise/vibration</td>
<td></td>
</tr>
<tr>
<td>- No consumption of fossil fuel</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy saving</th>
<th>81 products</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Lightweight automobiles, elimination of processes and thermal treatment</td>
<td></td>
</tr>
<tr>
<td>- Improvement in energy efficiency and processability</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Longer life cycle</th>
<th>33 products</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Improvement in corrosion resistance, fatigue resistance and durability for longer service life</td>
<td></td>
</tr>
</tbody>
</table>

*No. of steel products are on a cumulative basis between 2014 and 2019*
Full support for eco-friendly products to promote relevant industries

To assist customers in producing and selling eco-friendly products, POSCO proactively shifted the focus of its marketing operations from steel products to eco-friendly products. In 2019, we selected the eco-friendly automobile industry (hybrid EV, battery EV, and fuel cell vehicles) and the eco-friendly energy industry (wind power, PV, and LNG carriers) as our focus industries, and jointly developed product designs and process technology with customers while strengthening our promotional support and training for customers and employees. In addition, we created Green Vehicles Sales Group, and are now separately managing wind power and PV generation projects through inter-departmental consultation bodies to provide these projects with full support in their execution. The sum of all these endeavors allowed us to post a 51% y-o-y increase in sales in the eco-friendly automobile industry and a 31% y-o-y increase in the eco-friendly energy industry in 2019.

**Electric Vehicle Industry**

- **‘GIGA STEEL’ for lightweight yet powerful automobiles**: These ultra-high-tensile strength steel sheets can withstand more than 100kg per 1mm². The price and processing cost is 3.5 times and 2.5 times lower than that of aluminum. It is also capable of reducing an automobile’s cumulative CO₂ emissions by 10%.
- **Production of cathodes/ anodes as key battery components**: Work is underway for production line investment and commercialization at POSCO CHEMICAL.
- **Improvement in motor energy efficiency with the electrical steel sheet ‘Hyper NO’**: The amount of energy it loses is more than 30% lower compared to conventional electrical sheets.
- **Stainless steel with ultra-high corrosion resistance that allows the purpose of HCEVs to be realized**: Technology development on the metal separator located within the fuel cell that has been a stumbling block to the commercialization of fuel cell electric vehicles (FCEV).
- **Proactive development of optimal EV concepts**: Lightweight body concept for EVs (PBC-EV, POSCO Body Concept - Electric Vehicle), lightweight suspension concept for EVs (PSC-EV, POSCO Suspension Concept - Electric Vehicle), lightweight battery pack concept for EVs (PBP-EV, POSCO Battery Pack - Electric Vehicle), traction motor concept for EVs, etc.

- [Ultra-high-strength steel sheets for a lightweight automotive body](#)
- [Lightweight body concept for EVs (PBC-EV, POSCO Body Concept - Electric Vehicle)](#)
- [Low core loss electrical steel sheets for high-efficiency motors](#)
- [Traction motor concept for EVs](#)
- [Ultra-high-strength steel sheets for a lightweight automotive body](#)
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Eco-friendly Energy Industry

The Korean government’s 2030 implementation plan aims to raise the ratio of energy generated from renewable energy sources (RES) to 20% by 2030 (7% in 2017). This will strongly support the continued growth of the PV and wind power generation market, and serve as an opportunity for the steel industry in line with the expected increase in demand for premium steel products.

- Solution marketing undertaken over the years for customers placing orders as well as wind turbine makers: Increase in solution support cases by dozens on tower designs and the minimization of thermal deformation from welding in line with a growing number of wind power projects.
- Customer business support based on the development of diverse applications including PV parking lots and sculptures and exterior PV panels as well as the development of PosMAC, high corrosion resistance steel sheets for PV power generation structure, structural durability improvement designs, and performance enhancement support.

Support for green product makers in creating an eco-friendly industrial ecosystem

While increasingly tightening environmental regulations may spark growth in the eco-friendly product market, some domestic companies face limitations in growing their business due to lack of technology and resources.

This prompted our decision at POSCO to select primary Korean makers of wind towers, motor cores and other green products and offer them intensive support using our company-wide resources. In 2020, we will establish consultative bodies for respective eco-friendly products and set action plans while identifying best practices from the customer viewpoint and disseminating them across the board. Furthermore, we will periodically update market conditions, steel products, technology and other ‘green’-themed information on our website dedicated to promote POSCO’s steel products from the 2nd half of 2020. This will surely help build capacity for all members within the eco-friendly industry ecosystem and promote mutually-beneficial growth.

Eco-friendly Shipping

The International Maritime Organization (IMO)’s regulations on gas emissions from ships are accelerating change in the ship market. The shipping industry has come to choose among the three options of using fuel oil with ultra low sulfur content, installing SOx scrubbers, and building LNG-powered vessels. POSCO assists its customers in making the best choices with its optimal materials and application technology.

- Support through the development of S31254, high-alloy stainless steel appropriate for SOx scrubbers and the identification of welding conditions and materials optimized for steel products
- Support for LNG-fueled carriers through the development of steel products to replace the import of 9% nickel steel and high-manganese steel that had been dependent on imports due to a shortage of thick plate supply, the proposal of optimal designs using premium steel, and support for joint assessments on welding solutions and residual magnetism characteristics.

*SOx scrubber: SOx scrubbers are installed on vessels to reduce the atmospheric emission of SOx, as nearly 90% of the SOx generated in the transport sector occurs during the seaborne transportation.
Economic, Environmental & Social Performance

We will develop a new business portfolio for future growth to serve as an unwavering anchor for POSCO Group’s business, and contribute to creating new value and promoting the development of society at large.

POSCO, an eco-friendly steel maker that delivers world premium products and services
BUSINESS MARKETING Our endeavors and achievements in strengthening eco-friendly product line-ups

The mega trends expected to exert a heavy influence on the steel industry include the emergence of green mobility (such as electric vehicles and hydrogen-powered vehicles), a rapid increase in wind power, photovoltaics and other renewable energy sources, and the expansion of high-rise buildings and long span bridge construction. This has prompted us at POSCO to accelerate our development of World Top Premium (WTP) products in line with such demands, and this will surely provide our customers with new business opportunities. Our WTP products are also delivered with deployment technology and other product use-related solutions to broaden their market base in a mutually-beneficial manner.

World Top Premium (WTP) Products

Our World Premium (WP) concept was first introduced back in 2014 to refer to products known to be technologically advantageous and profitable, and our marketing strategy has since been driven by high value-added products. In 2019, our premium marketing approach was reinforced with a focus on World Top Premium (WTP) products that include World First (WF) products, POSCO’s distinctive products developed for the first time in the world, as well as World Best (WB) products recognized as one of the best in the world. Our WTP product sales rose from 7 million tons in 2014 to 10 million tons in 2019, and the share of WTP products in our total sales also increased from 22.3% to 29.7% during the same period. In 2020, our WTP marketing strategy will be further segmented to add WTP-Candidate (WTP-C) and WTP-Future (WTP-F) to incrementally reinforce products that have a high future potential.

Qualitative Advancement of Solution Marketing

Our Global Platform Business (GPB) and small yet strong business support systems are operated to effectively help domestic SME customers with competitiveness development and growth. Our GPB was designed to share POSCO’s overseas infrastructure and human network to assist domestic customers in establishing a solid overseas presence and offer varying follow-up solutions to ensure their continued growth in the global market. Under our small yet solid business support system, SME customers with proven technology and growth potential are selected and provided with tailor-made solutions to promote their shared growth with POSCO.

Meanwhile, we deliver eco-friendly products to match the growing interest in and need for eco-friendliness, and are conducting joint research with governmental and academic organizations to create greater value in this regard.
FUTURE-DRIVEN MARKETING STRATEGY

World Top Premium (WTP) Products

In response to the 'smart' mobility age of electric and autonomous vehicles, POSCO developed GIGA STEEL, the next-generation automotive steel sheet to significantly reduce the weight of automobiles. Each square millimeter of GIGA STEEL can withstand over 100 kg, and this means that just a small piece of this advanced material, the size of a tiny coin, is capable of supporting the weight of more than 10 tons. GIGA STEEL is stronger and lighter than such competing materials as aluminum and Carbon Fiber Reinforced Plastic (CFRP), and when compared to aluminum, it is 3.5 times and 2.1 times less expensive in price and processing cost respectively, which surely helps save on manufacturing costs. Furthermore, GIGA STEEL is eco-friendly as it helps reduce the accumulated CO₂ emissions of automobiles by nearly 10%. Currently, POSCO's GIGA STEEL line-up includes eXtra Formable (XF), TWinning Induced Plasticity (TWIP), Dual Phase (DP), Complex Phase (CP), and Hot Press Forming (HPF).

GIGA STEEL, the next-generation automotive steel sheet developed by POSCO

PosMAC, our highly corrosion-resistant alloy coated steel, contains a coating layer composed of the three elements of magnesium, zinc, and aluminum which improves its corrosion resistance by five to 10 times compared to general zinc-coated steel. This is why PosMAC is often referred to as 'iron that does not rust'. Once installed, photovoltaic (PV) structures are exposed to the outdoor environment for an extended period of time and thus require materials that can withstand corrosive conditions, which explains why PosMAC is gaining wide popularity in the PV market. In addition to PV structures, PosMAC is extending the scope of its applications to greenhouses, livestock yard pipes and other farming and livestock uses as well as for the interior and exterior finishing of high-end buildings, which improves the prospect for its growth for even broader industrial applications.

PosMAC, highly corrosion-resistant alloy coated steel developed with POSCO's distinctive technology

Mega Trend Leading Strategy

The future market will be driven by the mega trends of New Mobility (electric and hydrogen-powered vehicles), Eco Energy (wind and photovoltaic power), and the Mega City (high-rise buildings and long span bridges). As such, POSCO is shifting away from the business-as-usual approach of tech-driven product development into market-driven WTP product development to enable its customers to explore new business opportunities. Rather than simply meeting the product needs of the market, we take a step further to provide customers with a range of solutions including deployment technology and pre-marketing to expand the sales base of our WTP* products.

*WTP: WTP stands for World Top Premium and refers to POSCO’s world-class premium products. As of 2019, POSCO’s WTP portfolio included approximately 280 premium products.

- Electric vehicle body and chassis
- Electric vehicle traction motor and battery
- Hydrogen fuel cell
- Wind power generation
- Photovoltaic power generation
- LNG carrier/storage tank
- High-rise building, long span bridge
- Steel model house
- Hyperloop
CRM System to Meet Customer Needs

POSCO’s Customer Relationship Management (CRM) system processes information from nearly 20,000 domestic and overseas customers. Automatic updates are made for customer-specific transaction data on the ERP system, and the status of financial and general operations is also updated automatically in alignment with credit rating agencies. All customer contact departments upload customer needs, responses, and major issues in real time. Information from our CRM system is shared across nearly 50 worksites in Korea and abroad and is put to use in improving customer satisfaction and creating shared value. The CRM system is linked with the ‘Customer Promise Management System’, our company-wide collaboration system, to expediently cater to customer needs. The ‘Mobile CRM System’ is also available on the tablet PC and smartphone to better respond to customers at the field level.

Customer Satisfaction Survey

POSCO performs annual customer satisfaction surveys with the help of external professional survey firms to identify customer opinions and needed improvements for its products and services while gauging the current level of customer satisfaction. According to the survey conducted by Trus in POSCO’s 420 major customers in Korea and abroad (up by 126 companies from the previous year), we scored 90 points in Korea and 78 points overseas to reach 84 points overall, up by 2 points from the previous year. This is attributable to our endeavors to make improvements on the areas in which we underperformed from the 2018 customer satisfaction survey. In 2020, we will focus on improving 591 customer needs identified in 2019 to elevate customer satisfaction and boost our competitive edge.

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<th>Description</th>
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<tr>
<td>Overall</td>
<td>81</td>
<td>82</td>
<td>84</td>
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</tbody>
</table>

*Coverage (% of Revenue): FY 2017 45%, FY 2018 43%, FY 2019 44%.

Premium Construction Steel Brand ‘INNOVILT’

As safety and eco-friendliness emerge as major values to consider in creating spaces, the voice of end users increasingly serves just as much a critical determinant in making material choices as do the preferences of direct business stakeholders, builders and contractors. This urged us at POSCO to recognize the need to shift to Business + Business to Customer (B2B2C) communication to engage ‘ordinary users’ as well as ‘those working in the construction business’ and to finally launch the construction steel brand ‘INNOVILT’. We combined the merits of Innovation, Value, and Creativity, and built a new brand that embodies our ambition to leverage POSCO’s premium steel to bring innovative value to the construction world.

Manufacturers are granted rights to use our INNOVILT brand on the basis of comprehensive assessments of the 100% application of WTP and other POSCO steel products, the technological prowess and marketability of their products, and their stability and management competency. The businesses that use POSCO products to manufacture construction steel or need to establish strategic partnerships with POSCO are able to join the ‘INNOVILT Alliance’ for mutual exchange. Furthermore, the Brand Committee meets on a quarterly basis to manage the INNOVILT brand and discuss solutions, application technologies, and joint marketing programs made available by POSCO to ensure that INNOVILT products remain truly innovative. Driven by the INNOVILT slogan ‘Built the next, get the next,’ POSCO pioneers the transformation of the steel industry with the key values of Hi-Tech, Creativity, Sustainability, and Partnership in consideration of corporate customers and general end users.

Solution Marketing Case Study: World’s Longest Suspension Bridge ‘Çanakkale 1915 Bridge’ in Turkey

The ‘Çanakkale 1915 Bridge’ in Turkey is set for completion in 2023 as the world’s longest suspension bridge measuring at 2,023m in length. The year 1915 was added to the name of the bridge to pay tribute to the Turkish naval victory in the Gallipoli Campaign in 1915 during the first World War. Its construction will cost USD 2.97 billion (nearly KRW 3.5 trillion) and will require 128,000 tons of steel - 87,000 tons of thick plates and 41,000 tons of wire rods - all of which will be supplied by POSCO. The key to building the world’s longest suspension bridge lies in its strength to support the weight of vehicles. To ensure the safety of the bridge, towers, bridge decks and other numerous components are made from steel with improved strength, toughness, and weldability, and high-performance weathering steel and structural steel such as EN-S460M optimized for bridge construction are supplied by POSCO. This project also adopted POSCO’s bridge cable steel wire PosCable®. Multiple thin wires made from POSCO’s steel rods are twisted together to increase their strength, and a single cable thinner than a straw is capable of supporting a 4.5-ton truck. Another advantage of the PosCable is that it barely rusts, even in marine environments where bridges are constructed, to maintain the safety and durability of the bridge over extended periods of time. The ‘Çanakkale 1915 Bridge’ project granted through the strength of POSCO’s solution marketing is scheduled for completion in 2023.

Premium Construction Steel Brand ‘INNOVILT’

As safety and eco-friendliness emerge as major values to consider in creating spaces, the voice of end users increasingly serves just as much a critical determinant in making material choices as do the preferences of direct business stakeholders, builders and contractors. This urged us at POSCO to recognize the need to shift to Business + Business to Customer (B2B2C) communication to engage ‘ordinary users’ as well as ‘those working in the construction business’ and to finally launch the construction steel brand ‘INNOVILT’. We combined the merits of Innovation, Value, and Creativity, and built a new brand that embodies our ambition to leverage POSCO’s premium steel to bring innovative value to the construction world.

Manufacturers are granted rights to use our INNOVILT brand on the basis of comprehensive assessments of the 100% application of WTP and other POSCO steel products, the technological prowess and marketability of their products, and their stability and management competency. The businesses that use POSCO products to manufacture construction steel or need to establish strategic partnerships with POSCO are able to join the ‘INNOVILT Alliance’ for mutual exchange. Furthermore, the Brand Committee meets on a quarterly basis to manage the INNOVILT brand and discuss solutions, application technologies, and joint marketing programs made available by POSCO to ensure that INNOVILT products remain truly innovative. Driven by the INNOVILT slogan ‘Built the next, get the next,’ POSCO pioneers the transformation of the steel industry with the key values of Hi-Tech, Creativity, Sustainability, and Partnership in consideration of corporate customers and general end users.
BUSINESS
NEW ECO-FRIENDLY PRODUCTS

Automobile (GI 780DH Steel)  
High-strength, high-formability steel for automobile body

Demand is growing, primarily in the European automobile business, for high-formability DH steel that surpasses the formability limits of conventional DP steel. DH steel is more formable than DP steel and more weldable than TRIP steel, and this allows for the production of lightweight thinner components and the reduction of CO2 emissions along the entire lifecycle from material production and vehicle operation to post-disposal recycling. Notably, 780DH steel leverages residual austenite to improve its elongation rate by 4% from that of conventional 780DP steel at the tensile strength of 780MPa and above.

*DP : Dual Phase Steel, DH : Dual Phase Steel with High formability

### Cold-rolled Steel  
(High-strength abrasion-resistant steel with sulfur acid corrosion resistance)

Eco-friendly steel with strong resistance against sulfuric acid and hydrochloric acid

As the government recently adopted particulate matter reduction policies, environmental regulations on thermal power plants have tightened and driven the initiative to switch to new heat exchangers such as gas gas heaters (GGH) to improve dust collection performance. Our high-strength abrasion-resistant steel with sulfur acid corrosion resistance is adaptable to different kinds of environmental facilities, and its tensile strength and hardness improved by 26% and 17% respectively from conventional steel with sulfur acid corrosion resistance to ensure abrasion-resistance performance and maintain its corrosion resistance. When applied to new heat exchangers, this increases their service life and serves to reduce costs and preserve the environment.

STS  
(S31254 Steel for desulfurizer)

Exceptional corrosion resistance to sulfuric acid and sea water

The exhaust gas emanating from ships contains high levels of sulfur oxides (SOx), one of the three main air pollutants, and is extremely harmful for the atmospheric environment. The International Maritime Organization (IMO) initiated the environmental regulation dubbed IMO2020 to reduce the sulfur content in ship fuel oil from 3.5% to 0.5% in January 2020, which drastically upped the demand for steel to produce SOx scrubbers designed to desulfurize ship emissions. Since the interior of SOx scrubbers is exposed to sulfuric acid with dissolved SOx and to seawater, highly corrosion-resistant steel is especially vital. S31254, part of POSCO’s World Top Premium family, contains a large amount of chromium and molybdenum to demonstrate extremely high resistance to corrosion and serves as the optimal material for making SOx scrubbers.

### Wire Rod  
(Graphite Free-Cutting Steel)

Eco-friendly steel with exceptional cutability

Free-cutting steel improves the ease and efficiency of the cutting process and is thus used in manufacturing precision components. The most widely used free-cutting steel contains hazardous lead substances, generates fumes that are harmful for the human body during the cutting process, and may pollute the environment even in the recycling or disposal phases. This drove POSCO to develop eco-friendly graphite free-cutting steel to replace the conventional lead-based ones: graphite free-cutting steel spreads fine-grain graphite instead of lead which makes it easier to cut, with graphite serving as a lubricant to curb the abrasion of cutting tools and helping produce short cutting chips to maintain excellent cutting quality.

### Appendix

- **Types of new eco-friendly steel products**
  
<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco-friendly product ratio (%)</td>
<td>50</td>
<td>46</td>
<td>61</td>
</tr>
</tbody>
</table>

- **Eco-friendly steel product ratio (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of new eco-friendly steel products (No. of types)</td>
<td>21</td>
<td>17</td>
<td>19</td>
</tr>
</tbody>
</table>
POSCO introduced the ISO 9001 quality management system back in 1993 to deliver products that meet customer requirements and regulatory standards as a way to ensure customer satisfaction. We live by the Quality Charter based on the ‘POSCO Quality Policy’ that outlines our Corporate Citizenship management philosophy and quality principles to constantly improve our quality management system.

**POSCO Quality Policy**

**Quality Charter**

THE POSCO QUALITY*

Excellence in quality that moves the hearts of customers

**Vision**

**Core Value**
- Customer Inside
- Basic Inside
- Synergy Inside

**Code of Conduct**
- Create customer value by identifying the potential needs of customers
- Eliminate variation and waste focused on the basics and principles
- Pursue shared growth with supply chain based on trust and communication

*The POSCO Quality* means that POSCO delivers world’s top quality products that will impress its customers.

**System Diagram of POSCO’s Quality Management and Standards**

- **Risk assessment and planning**
  - Quality Planning
  - Major quality management activity planning

- **Do-Check-Act**
  - Incoming claim/VOC

- **Corrective measures**
  - Internal Audit
  - Work input
  - Production
  - Inspection
  - Delivery

- **Organization**
  - Sales
  - Quality
  - Process Management
  - Purchasing
  - Production Control
  - Production
  - Maintenance
  - Quality
  - Delivery

- **Level 0**
  - Company regulations
  - Standards

- **Level 1**
  - Company work guidelines
  - Standards

- **Level 2**
  - Steelworks work guidelines
  - Criteria

- **Level 3**
  - Department work guidelines
  - Work standards

**Company**

- Order
- Design
- Work input
- Production
- Inspection
- Delivery

**Process**

- Product development
- Raw materials purchase
- Production control
- Equipment maintenance
- Quality
- Delivery

**Standards**

- HQ
- Steelworks
### Customer Inside

#### Product standardization and Quality Certification

As trade protectionism has recently taken a stronger hold across the globe, there has been an ongoing and increased demand for regional quality certifications. This urged us at POSCO to develop and implement a global national standard certification management system across the board. In 2019, we achieved certification for two international standards, 135 national standards, and 102 collective standards including the ISO 9001 quality management system certification. This has enabled us to keep pace with market sales needs in a timely manner.

#### Valid Quality Certifications as of 2019

<table>
<thead>
<tr>
<th>Type of Standards</th>
<th>Name of Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>International standards (2 standards)</td>
<td>ISO9001, IATF16949</td>
</tr>
<tr>
<td>National standards in 7 countries (135 standards)</td>
<td>SGS(Korea), JSG(Japan), MS(Malaysia), SNI(Indonesia), BIS(India), TIS(Thailand), TCVN(Vietnam)</td>
</tr>
<tr>
<td>Collective standards in 8 organizations (102 standards)</td>
<td>ACRS(Australian Certification Authority for Reinforcing and Structural Steels), AD2000(Pressure Vessel Directive and Standard, Germany), APJ(American Petroleum Institute), BC1(Building and Construction Authority, Singapore), CEDB (Construction Industry Development Board, Malaysia), CPR (Construction Products Regulation, Europe), KEPCO(Korea Electric Power Industry Code), PEX(Pressure Equipment Directive, Europe)</td>
</tr>
</tbody>
</table>

### Basic Inside

#### Quality Management Training and Assessment

POSCO provides quality training to help its employees improve their quality mindset and capacity across group affiliates, overseas subsidiaries, partner companies and suppliers. In 2019, we offered collective training – basic-level training to help quality control staff improve their capacity and IATF16949 core training – along with seven e-learning courses related to quality management on a year-round basis. Meanwhile, we perform annual quality management assessments on all our production departments to consistently pursue quality improvement. Starting with P-Vietnam in 2014, all our overseas manufacturing subsidiaries established their quality management system as of 2018. In 2019, assessment and improvement consulting was conducted on P-Mexico, our CGL factory in Guangdong, and other overseas subsidiaries. In 2011, the POSCO Quality Awards were initiated to recognize the organizations that achieved excellent performance in quality management innovation with the CEO Award. The awardees are chosen on the basis of fair and impartial criteria such as quality management assessments, quality KPI evaluations, and PosQC examinations. In 2019, POSCO quality impact assessment items were added as a factor in the selection process to help identify truly deserving reward recipients.

#### POSCO Quality Awards 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Awardee</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSCO</td>
<td>Pohang Hot Rolling Dept.</td>
<td>Excellent performance in improving quality failure rates</td>
</tr>
<tr>
<td>Overseas Subsidary</td>
<td>POSCO-VST</td>
<td>Excellent performance in improving quality defects through statistics-based quality management</td>
</tr>
<tr>
<td>Materials Supplier</td>
<td>Kwangwoo</td>
<td>Improvement in quality defect rates through an innovative quality data management system</td>
</tr>
<tr>
<td>Daedong Heavy Industry</td>
<td>0% defect rates posted for products supplied to POSCO through the adoption of a quality assurance measurement device management system</td>
<td></td>
</tr>
<tr>
<td>Partner Company</td>
<td>FOROLL Tech</td>
<td>Excellent performance in reducing roll quality variations</td>
</tr>
<tr>
<td>Toll Processing Company</td>
<td>POSCO INTERNATIONAL's Thick Plate Processing Division</td>
<td>Excellent performance in improving quality assurance capabilities through the adoption of a quality assurance item automation system</td>
</tr>
</tbody>
</table>

### Synergy Inside

#### Supplier Quality Certification System

POSCO operates the POSCO Supplier Quality Certification (PosQC) system with an aim to increase the level of quality management at partner companies and material suppliers in order to secure quality raw materials and achieve the world’s highest quality competitive edge. According to evaluation results, partner companies and material suppliers are rated on a scale of Q1 to Q5, and those rated Q3 or higher are awarded separate quality certificates. In 2019, a total of 80 partner companies and material suppliers who play a key role in quality management received PosQC evaluations, and 76 of them were graded Q3 or higher and received their certificates accordingly.

#### PosQC Evaluation Results

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies evaluated</td>
<td>58</td>
<td>66</td>
<td>62</td>
<td>77</td>
<td>99</td>
<td>80</td>
</tr>
<tr>
<td>Companies rated Q3 or higher</td>
<td>31</td>
<td>56</td>
<td>56</td>
<td>67</td>
<td>91</td>
<td>76</td>
</tr>
</tbody>
</table>
POSCO Corporate Citizenship Report 2019

BUSINESS

TECHNOLOGY DEVELOPMENT

Differentiated technology for a strengthened competitive edge

In 2019, we were fully committed to developing high-end differentiated technology to strengthen our competitive edge. We were specifically focused on establishing an eco-friendly, low-cost and high-efficiency smart steel production system, including but not limited to AI-powered smart furnace operations. In the automotive steel sheet segment, we develop new products and solution technology and improve our quality to respond to market needs and increase sales. We are also focused on developing tailor-made technology for residential, commercial and other purposes to broaden our presence in the construction steel market which represents the biggest share of steel consumption.

Accelerating Digital Transformation with the Smart Factory Initiative

In July 2019, the World Economic Forum named POSCO a Lighthouse Factory, which makes it the first-ever Korean business to earn this title. Joining this global Lighthouse Factory Network is truly an honor granted to those factories who fully leverage IoT, AI, big data and other 4th Industrial Revolution technologies to pioneer the innovative future of the global manufacturing industry. POSCO uses its in-house smart factory platform ‘PosFrame’ to establish smart steelworks capable of collecting, structuring and controlling factory data, and performed 321 tasks between 2016 and 2019 to create solutions to challenging issues that were barely addressable with the existing technology, saving costs valued at KRW 252 billion in total. POSCO plans to disseminate its accumulated knowledge in smart factory development to Korean companies in order to contribute to Korea's advancement into becoming a manufacturing powerhouse.

In a smart factory, data from the field is collected through IoT technology, and processes are analyzed, optimized and automatically controlled through big data and artificial intelligence. Our Gwangyang Works adopted this smart factory initiative for its think plate facility in 2017, and extended its application to the automotive steel sheet production facility in 2018. At our Pohang Works, smart factory infrastructure was first deployed at its energy and power generation facility in 2017 and this was expanded to blast furnaces, steel making, casting, hot rolling, cold rolling, and STS cold rolling operations to undertake smart tasks on numerous unit processes. Building on such achievements, we plan to perform smart tasks with proven success in other similar processes as well as multiple process integration tasks to combine two or more unit processes in 2020.

How POSCO’s AI-enabled Blast Furnace Works

- Learn from countless cases based on real-time measurement data
- Independently check the components of fuel and raw materials and the condition of the blast furnace
- Predict operational outcomes
- Automatically and proactively control operational conditions
- Generate the 'best output (molten iron)' with less quality variations as the result value
Key Achievements in Technology Development

IRON MAKING

► Smart BF for Increased Production Output
A Smart BF leverages artificial intelligence to autonomous control the condition of the furnace. POSCO's Smart BF research was initiated in 2016: we completed digitalization to structure tens of thousands of non-structured datasets on the condition of the furnace in the first phase, and then moving into 2017 for the second phase, we used AI to predict and autonomous control the condition of the furnace. This Smart BF initiative enabled the No. 2 blast furnace at our Pohang Works to increase its molten iron production capacity by nearly 85,000 tons per year, and this will be undertaken at No. 3 and No. 4 BF in the upcoming years.

► Smart Sintering Technology for Improved Productivity and Quality
Our smart technology was also adopted for the sintering process to develop an automatic sintering machine control system. The automation of the sintering process, which had been manually controlled on the intuition and discretion of the operators, was made possible through the application of big data and deep learning based on IoT sensors and AI. This resulted in improved quality of sintered ore and productivity gains.

► Eco-friendly Complex Combustion technology for Coke Oven Operation
POSCO's independently-developed Complex Combustion technology was applied to the combustion process, which serves to provide high-temperature thermal energy within the coke oven. This technology optimizes the location of flames within the combustion chamber and prevents the local escalation of flame temperatures through the recirculation of waste gas to drastically reduce fuel costs and air pollutant emissions.

STEEL MAKING

► AI for Cost Reduction and Quality Improvement
Steelmaking operations have been at the mercy of human error due to the complexity caused by the need to deal with multiple product types and process steps. This inevitably resulted in waste factors concerning temperature and time among respective processes. This challenge prompted us at POSCO to develop an AI model to consider the condition of molten iron and identify and manage the optimal solution of process-specific arrival and departure times and temperatures along the steel making process. This enabled us to reduce unnecessary adjustments and produce low-cost high-quality molten steel.

► High Clean Steel Making Technology Development
The recent industrial advancement boosted customer demand for the complete elimination of even trivial defects that had not raised any issue with product use. To respond to such needs, we analyze the defects that occur during the steel making process, identify their mechanism, and developed Ar bubbling injection technology to remove even the finest inclusions within the molten steel. Furthermore, AI technology is applied to improve on work variations and automate process operations to maintain the quality of products.

REFRACTORY

► Refractory Waste Recycling Technology Development for Strengthened Cost Competitiveness
In response to the increasingly tightening environmental regulations and fluctuations in refractory raw materials supply that occurred in China, we joined hands with our suppliers to develop technology to recycle the refractories used from the iron making and casting process, and succeeded in improving their purity to the level of raw materials. In so doing, we reduced waste landfill costs and refractory manufacturing costs while replacing high-priced refractory raw materials to establish a win-win model both for POSCO and its suppliers.

ROLLING

► World’s First SRA Self-Bonding Material In-line Production Technology for Green Automobiles
In line with the growing eco-friendly vehicle market, we completed our SRA (Stress Relief Annealing) self-bonding material in-line mass production technology. Self-bonding materials prevent the core from being damaged during the conventional embossing and welding process to reduce noise while improving efficiency during high-speed motor rotation. As we provided core makers with thermal bonding technology required for manufacturing self-bonding cores, we expect this will promote shared growth with these corporate customers.

► AI-enabled Reheating Furnace Automatic Temperature Setting and Control Technology Development
A reheating furnace used in the hot rolling process is difficult to automate given the inherent characteristics of its operation and thus has been dependent on manual work, which has resulted in quality variations caused by changes in the timing and range of temperature modifications. To address this challenge, we adopted a model to transform material (slab) information within the reheating furnace into data and to analyze operator/condition-specific operational patterns. This enabled us to predict the optimal time point in which to change the temperature and automate temperature controls to improve the quality and productivity of materials.

► Seawater-Resistant Steel Developed for Port and Marine Structure Thick Plates
Since port and marine structures are used under the extremely corrosive conditions of seawater, steel used for these structures needs to be highly resistant to corrosion. Our thick plate structural steel with tensile strength of 500MPa improved its corrosion resistance by 40% from conventional steel in the seawater environment. We also developed exclusive welding materials for this seawater-resistant steel to ensure corrosion resistance for welding parts and basic materials. The initial delivery of our corrosion-resistant steel was made to a submarine base in 2019, and its initial deployment is scheduled for power generation plant seawater piping in 2020.
POSCO is advancing into the lithium secondary battery material market to fully endorse the eco-friendly policy initiative emerging as a key global agenda and to fulfill its role as a corporate citizen in the upcoming EV era. Our top strategic priority is set on battery materials – lithium, cathode, and anode – building on our technological capabilities accumulated in the steel business and on the relationships we forged with global automobile customers. In 2019, we focused on the construction of a plant to use a local brine in Argentina while merging our cathode and anode operations and opening an battery materials research center.

**Lithium Material and Extraction Technology**

PosLX* refers to POSCO’s proprietary lithium extraction technology and is applicable to both salt lakes and raw ores. This advantage is further highlighted as we have already secured high-quality salt water in Argentina and ores through Pilbara Minerals of Australia. Currently, our demo plant in Gwangyang is producing lithium hydroxide and lithium carbonate from raw ores, and another demo plant is under construction in Argentina to use locally-available brine. Going forward, we will build lithium plants with a 65,000 ton annual capacity – 40,000 ton ore-based capacity in Korea and 25,000 ton brine-based capacity in Argentina – to manufacture battery-grade lithium hydroxide and lithium carbonate.

**Response to Cathode Demand**

Cathode requirements are changing even more rapidly than market forecasts. In particular, we are witnessing an explosive growth in demand for high-capacity high-nickel content cathode materials. POSCO CHEMICAL has reaped success in mass-producing high-capacity cathode with 80% or higher nickel content to establish technology leadership in the cathode market, and is investing in facility expansion to further broaden its market presence. Our Gwangyang cathode plant constructed in July 2019 with 6,000-ton annual capacity is specialized in high-capacity cathode materials, and another 5,000-ton annual capacity plant was completed in Zhejiang, China in August 2019. With sustained investment in facility expansion, we will increase our combined production capacity to 44,000 tons in 2020.

**Anode Capacity Building**

As Korea’s sole anode manufacturer, POSCO CHEMICAL is also one of the world’s largest natural graphite anode makers and is building optimized production lines to strengthen its competitive edge. The No. 2 plant was completed in November 2019 in Sejong City to maintain our competitiveness and this increased our annual production capacity to 44,000 tons. Our 2020 plan is to tap into the synthetic graphite anode market to diversify our anode product portfolio.
Venture Platform Strategy

**Venture Valley**
Create a startup ecosystem based on POSCO's established industry-academia-research infrastructure in high-potential areas that receive active venture investments.

**Venture Fund**
Identify future growth opportunities and invest in top-performing venture companies in order to propel new businesses through consolidation.

Venture Fund Strategy

1. **Leverage as a key tool in identifying new growth engines**
   Investment in top-notch venture firms

2. **Revitalize the local economy and create jobs**
   Build venture startup/incubation infrastructure (Pohang, Gwangyang, and Seoul)

3. **Operate a sustainable venture platform**
   Collaborate with domestic and overseas top-notch fund managers

Core Principles

- **Identify and recommend top-notch companies**

- **Strategic sector**

- **Emerging sector**

- **Investment portfolio**

- **Consolidation**

- **Shape future strategy**

POSCO Venture Platform

'POSOC Venture Platform', a platform that incorporates incubating infrastructure(Venture Valley) and startup investment(Venture Fund) will play a pivotal role in POSOC’s endeavors towards becoming a centennial company. Venture Valley will be founded upon the exceptional industry-academia-research infrastructure that includes the Research Institute of Industrial Science & Technology (RIST) and Pohang University of Science and Technology (POSTECH), and investments will be made in startups through Venture Fund to assist young and competent future CEOs in starting and growing their own business. This in turn, will help POSOC Group identify new growth engines and contribute to creating jobs to revitalize the national economy.

Venture Fund

The advent of the 4th Industrial Revolution is bringing ‘disruptive innovation’ across diverse industries. Amid such shifting conditions, venture firms deploy their innovative technology and ideas to pioneer this transformation. This prompted us at POSOC to form Venture Fund and create Venture Valley to identify venture businesses in promising areas and POSOC’s new growth domains. Venture Fund worth KRW 800 billion in total will be launched to invest KRW 400 billion in emerging sectors and KRW 400 billion in strategic domains. These funds will be operated along the entire lifecycle of venture business growth in a phased-in manner from the early seed stage to the pre-Initial Public Offering (IPO) phase. Their investment portfolio will be developed in a way to hire top-performing fund managers in Korea and abroad to minimize the risk of investment losses while investing recovered funds back into Venture Fund to ensure its long-term sustainable operation. In 2019, POSOC signed an MOU with the Ministry of SMEs and Startups and the Korean Venture Capital Association to pave the way for cooperation in creating Venture Fund, and top-notch fund operators were chosen in Korea and abroad to invest KRW 140 billion in a total of seven funds. We are considering the option of making annual investments to establish a fund investment portfolio, that will allow us to gain swift access to information on successful venture-backed companies. We will use such information to develop a database and provide support to add value to these companies. The sum of these endeavors will allow us to constantly identify and nurture exceptional venture companies and to pursue new growth drivers.

*Five seed/growth funds (KRW 50 billion invested), one overseas fund (KRW 40 billion), one Corporate Venture Capital (CVC) fund (KRW 50 billion)
Venture Valley

Venture Valley will leverage POSCO's world-class industry-academia-research infrastructure to identify top-notch talent and research outcomes, align these resources to the startup phase, in order to pave the way for new growth businesses and to facilitate the local economy. Venture Valley’s goal is for 100 POSTECH students to start their own business and for two unicorn companies to be created by 2030.

New Industry-Academia-Research Cooperation System

To facilitate high-tech startups, POSCO is cooperating closely with POS-TECH and RIST to pursue innovation in the fields of commercialization, research, and education. In 2019, the “Industry-Academia-Research Steering Committee” was launched to evaluate the current area-specific status of commercialization, research and education and to develop improvement measures. Our plan for 2020 is to establish a technology transfer process and support creative and innovative research projects that generate substantial outcomes. Furthermore, advanced education and inter-organizational cooperation will be strengthened by operating the Industry-Academia-Research Convergence Research Institute and opening an AI graduate school to nurture startup talent.

World’s Best Startup Infrastructure

Outstanding startup infrastructure will be established in three main areas: energy-materials-environment, bio-pharmaceuticals, and smart city-factory. We plan to leverage our 4th generation accelerators in the areas: energy-materials-environment, bio-pharmaceuticals, and smart city-factory. We plan to leverage our 4th generation accelerators in the areas: energy-materials-environment, bio-pharmaceuticals, and smart city-factory. In 2020, POSCO IMP will continue to evolve by strengthening the investment function of the program and through close cooperation with external organizations that have advanced expertise in startup incubation.

Incubating Center

In addition to developing startup infrastructure in the three main areas, we are creating a foundation for startups in each of the Pohang, Gwangyang and Seoul. Our incubation center in Pohang began construction in March 2020 and will be completed in the first half of 2021. In Seoul, our incubation center initiated operation in May 2020 in the space dubbed S6, the first such space arranged through public-private collaboration within TIPS Town created by the Ministry of SMEs and Startups near Yeoksam-ro, Seoul.

*Overview of TIPS (Tech Incubator Program for Start-up Town)

POSCO Idea Market Place

In 2019, 26 startups were selected at the 17th and 18th POSCO Idea Market Place, an accelerating course designated for early stage startups. They were provided with expert mentoring from ideation to business planning as well as an opportunity to promote their products and attract investors through pilot product booths and IR sessions during the main IMP event. This program allowed POSCO to identify a total of 189 venture companies since it began in 2011, and invest KRW 16.8 billion in 99 of those companies. In 2020, POSCO IMP will continue to evolve by strengthening the investment function of the program and through close cooperation with external organizations that have advanced expertise in startup incubation.

In-house Venture Program VOVentures

Our in-house venture program ‘POVentures’ was initiated last October with twelve teams, in an aim to support POSCO Group employees with their startup endeavors and to create a creative corporate culture that encourages its members to challenge their limits. Training and mentoring has been underway during the first year of this program, and startup teams will be selected and supported on an annual basis.

Venture Valley in 2022

| Industry-academia-research cooperation system | Large-scale technology (value at KRW 100 million or higher) transfer contract: 5 contracts/year |
| Start-up infrastructure | Graduate-level student entrepreneurs: 10 persons/yr |
| Support program | Bio-new pharmaceuticals startup infrastructure established |

2030 Ambition

-100 Entrepreneurs from POSTECH/year
-2 Unicorn companies produced

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*Overview of TIPS (Tech Incubator Program for Start-up Town)

POSCO Idea Market Place

In 2019, 26 startups were selected at the 17th and 18th POSCO Idea Market Place, an accelerating course designated for early stage startups. They were provided with expert mentoring from ideation to business planning as well as an opportunity to promote their products and attract investors through pilot product booths and IR sessions during the main IMP event. This program allowed POSCO to identify a total of 189 venture companies since it began in 2011, and invest KRW 16.8 billion in 99 of those companies. In 2020, POSCO IMP will continue to evolve by strengthening the investment function of the program and through close cooperation with external organizations that have advanced expertise in startup incubation.

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Environmental Strategy

POSCO set forth the ‘POSCO Group Integrated Environmental and Energy Management Policy’ to ensure the systemic implementation of group-wide environmental strategies and action plans. Specifically, mid/long-term business strategies and investment decisions are made following mandatory reviews and assessments performed on their environmental impact to reduce environmental risks. All of our group-wide worksites also receive periodic environmental assessments. Environmental risks identified through this process are classified into issues to address and are regularly reported on to the CEO until their final resolution.

Environmental Organization

At POSCO, company-wide environmental strategy is developed and its targets are managed by the Environment & Energy Planning Group and By-Product Recycling Group under the Safety & Environmental Planning Office at the head office. The Environment & By-Product Group at the steelworks is responsible for implementing the company-wide environmental strategy and undertaking environmental management and improvement activities.

Environmental Investment

POSCO invests approximately 11% of its annual total investment expenditures in the environmental sector. Our environmental investments have further increased despite challenging business conditions to respond to the emerging public demand for reducing particulate matter (PM) levels, and this raised our environmental investment expenses to nearly KRW 460 billion or 27% of our total investments in 2019.

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Environmental Management Certification

POSCO’s domestic worksites have been certified in accordance with the international environmental management standard of ISO 14001, and are operating the POSCO Environment Management System (POEMS). We use the Tele Metering System (TMS) to measure air and water pollutants generated from worksites, and comprehensively manage by-products by compiling their transportation by type as well as weight data in real time. Environmental measurement outcomes in the vicinity of worksites are also monitored in real time. Collected environmental measurement data and by-product processing data are provided to governmental agencies, and the current status of major environmental data is transparently disclosed to local residents through in-house and external electric display boards.

<table>
<thead>
<tr>
<th>Worksite</th>
<th>Certification Body</th>
<th>Certification Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office (Seoul Office)</td>
<td>Lloyd’s Register</td>
<td>Nov. 1, 2017 – Oct. 31, 2020</td>
</tr>
<tr>
<td>Pohang Works</td>
<td>Lloyd’s Register</td>
<td>Nov. 1, 2017 – Oct. 31, 2020</td>
</tr>
<tr>
<td>Gwangyang Works</td>
<td>Lloyd’s Register</td>
<td>Nov. 1, 2017 – Oct. 31, 2020</td>
</tr>
</tbody>
</table>

*Coverage: 100% of POSCO's domestic worksites

Environmental Training

POSCO provides an array of environmental training programs to help its employees and partner companies improve their environmental awareness and encourage compliance with environmental regulations and environmental improvement practices.

Environmental Training Outcomes

<table>
<thead>
<tr>
<th>Training Course</th>
<th>Target</th>
<th>Outcomes / Training Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO 14001 internal auditor training</td>
<td>Staff in charge at the worksite</td>
<td>58 persons (twice a year)</td>
</tr>
<tr>
<td>ISO 14001 working-level training</td>
<td>Field staff</td>
<td>Completed by 152 persons</td>
</tr>
<tr>
<td>Environmental management training</td>
<td>Manager in charge in the field</td>
<td>Monthly (12 times in total)</td>
</tr>
<tr>
<td>Collective Training on environmental regulations &amp; trends</td>
<td>Staff in charge of the environment</td>
<td>Monthly (12 times in total)</td>
</tr>
<tr>
<td>In-house postings on environmental improvements made and issues raised</td>
<td>Regular staff</td>
<td>Year-round</td>
</tr>
<tr>
<td>Environmental training for partner companies</td>
<td>Partner companies</td>
<td>Three times a year</td>
</tr>
</tbody>
</table>

Air Pollution Management

POSCO’s primary business focus is to produce steel products. Iron is extracted from iron ores at high temperatures within the blast furnace and then refined before converted to steel. During this manufacturing process, sulfur (S) and nitrogen (N), contained as impurities within the raw materials of iron ores and coals, combine with oxygen (O₂) in the air to generate such air pollutants as sulfur oxides (SOx) and nitrogen oxides (NOx). We are taking a range of measures to reduce the emission of these pollutants and improve the atmospheric environment.

At POSCO, atmospheric emission intensity is included as one of the key performance indicators (KPIs), and this is calculated as the combined emissions of SOx, NOx, and dust emitted for every ton of steel produced. In 2019, our atmospheric emission intensity amounted to 1.78 kg/t-5, down by 40% from 2.96 kg/t-5 in 2000. This significant reduction is attributable to the proactive adoption of activated carbon equipment and Selective Catalytic Reduction (SCR) equipment at our sinter plants that have been heavy producers of air pollutants since 2004. This equipment has allowed us to decrease the emission of SOx by 47%, NOx by 31% and dust by 67%.

Under the goal of ‘reducing the emission of air pollutants by 35% by 2024’, we will make environmental investments of nearly KRW 1.08 trillion for three years from 2019 on. This goal will be achieved through environmental improvements made by adding SCR equipment at sinter plants and by-product gas power generators and by closing six old generators and replacing them with new ones. Furthermore, eight fully-enclosed coal silos with a 400,000-ton storage capacity are under installation to prevent dust from scattering. Once all eight silos are completed, the number of fully-enclosed storage facilities will increase to 41 across all the steel yards.

Air Pollutant Emission Intensity

<table>
<thead>
<tr>
<th>Category</th>
<th>Performance 2000</th>
<th>Performance 2009</th>
<th>Goal 2024</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atmospheric emission intensity</td>
<td>2.96</td>
<td>1.98</td>
<td>1.78</td>
<td>[\text{Dust} + \text{SO}_x + \text{NO}_x \text{emissions in total} / \text{steel produced}]</td>
</tr>
</tbody>
</table>

*Coverage: 100% of POSCO's domestic worksites

We are also developing innovative technology to reduce particulate matter (PM) levels. RIST established the ‘Particulate Matter Research Center’ as POSCO Group’s dedicated environment and energy research institute in May 2019 and has been focused on developing PM reduction technology. Such research endeavors are focused on the three key technologies of low-temperature SCR* with high efficiency of eliminating NOx at low temperatures, high-temperature dry-type desulfurization that selectively removes SOx from high-temperature exhaust gas, and high-efficiency dust collection with lowered differential pressure of collectors. Notably, low-temperature SCR technology that has been under development since 2017 has evolved to generate tangible outcomes with the unveiling of commercial products in 2019 and deployment at the No.3 and No.4 sinter plants at Gwangyang Works. The scope of its application will be further extended from sinter plants to SCR-installed generators and incinerators to decrease the emission of NOx.

*Low-temperature Selective Catalytic Reduction (SCR) technology is considered innovative in that it minimizes the consumption of fuel used to increase the temperature of exhaust gas and thus reduces both operational equipment expenses and GHG emissions. While the temperature of exhaust gas needed to reduce NOx from 160°C to 280°C or higher to reduce NOx with conventional technology, low-temperature SCR demonstrates the same level of reduction efficiency even at 230°C.

Fully-enclosed fuel/raw material silo at the Gwangyang Works

POSCO Corporate Citizenship Report 2019
Water Management

POSCO is keenly aware of the importance of water resources and has defined the following three key areas of water management: reducing the consumption of surface water, managing the quality of effluents, and increasing the ratio of wastewater recycling. Our Pohang Works has been using 80,000 tons of treated water from urban sewage processing facilities as industrial water on a daily basis since 2015. Our Gwangyang Works has also used 16,000 tons of water produced from seawater desalination facilities as industrial water since 2015 on a daily basis. This amounts to roughly 25% of the surface water used by steelworks in 2019 and undoubtedly contributed to resolving water shortage in local communities. Wastewater and cooling water from plants is collected and treated through independent drainage systems. Wastewater goes through primary physical and chemical treatment at the plant level, and wastewater containing organic matters is subject to secondary biological treatment. Once primary and secondary treatments are performed, wastewater is collected at the final wastewater processing facility to receive tertiary treatment before being discharged under the legally-allowable levels. We have defined COD and T-N as major management indicators for their eutrophication effects and to ensure that their discharge concentrations remain at 15mg/l and below. Wastewater from the rolling process that contains low chlorine ions is separately collected to be reused as industrial water while cooling water is collected and treated at the rainwater processing facility to be reused as road sprinkling water. To transparently disclose our water management data, we have taken part in the CDP Water Disclosure project since 2016.

### COD Concentration in Effluents (unit: mg/l)

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discharge concentration</td>
<td>15</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Legal threshold (Gwangyang, Pohang)</td>
<td>70.90</td>
<td>70.90</td>
<td>70.90</td>
<td>70.90</td>
</tr>
</tbody>
</table>

*Coverage: 100% of POSCO's domestic worksites

### T-N Concentration in Effluents (unit: mg/l)

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discharge concentration</td>
<td>15</td>
<td>11</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Legal threshold (Gwangyang, Pohang)</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
</tbody>
</table>

1/COD (Chemical Oxygen Demand): COD refers to organic matters. T-N: Total Nitrogen

By-Product Management

The steel manufacturing process generates a range of by-products, and one of the most widely-known of these is slag. Slag is left behind when iron is smelted from iron ores and accounts for nearly 80% of the total solid-state by-products generated. Slag is categorized into blast furnace slag and steel slag according to the generation process from which they were left behind. Blast furnace slag is composed of rocky materials and obtained when molten iron is removed from the blast furnace. When blast furnace slag is melted at high temperatures and is rapidly cooled with water, this becomes sand-like granulated slag, and when blast furnace slag is incrementally cooled in the air, it becomes air-cooled slag. The entire quantity of granulated slag is used as cement clinker substitutes or calcium silicate fertilizers while air-cooled slag is used as construction aggregates. Meanwhile, steel slag is generated when molten iron is smelted to produce steel at the electric or converter furnace, and it is mostly used as construction aggregates. The remaining 20% of the by-products include dust and sludge generated at dust collection or water treatment facilities as well as scale and oxidized iron produced in steel powder form from the casting and rolling process. The majority of these by-products contain a high percentage of iron and are recycled as internal process materials. POSCO strives to recycle these by-products generated at its steelworks as valuable resources to minimize the generation of waste. To ensure that the landfill or incineration of unrecoverable waste materials is reduced to the minimum, we have included ‘by-product recycling ratios’ as one of our key performance indicators.

### By-Product Recycling Performance and Target (unit : %)

<table>
<thead>
<tr>
<th>Category</th>
<th>Performance</th>
<th>Target 2024</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>By-product recycling ratio</td>
<td>98.6</td>
<td>98.3</td>
<td>98.9</td>
</tr>
<tr>
<td>Amount of by-products recycled/ amount of by-products generated</td>
<td>X 100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Coverage: 100% of POSCO's domestic worksites

### By-Product Recycling Data (unit : 1,000 tons)

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation</td>
<td>23,760</td>
<td>24,227</td>
<td>24,566</td>
</tr>
<tr>
<td>Recycling/desposal</td>
<td>23,370</td>
<td>23,814</td>
<td>24,156</td>
</tr>
<tr>
<td>Disposal (landfill, incineration, etc.)</td>
<td>350</td>
<td>413</td>
<td>410</td>
</tr>
</tbody>
</table>

*Coverage: 100% of POSCO's domestic worksites
Chemical Substances Management

POSCO is consistently reinforcing its chemical substance management to protect the environment, its employees and local communities from any harm posed by chemical accidents. Any and all chemical substances that enter our steelworks are managed through the chemical substance distribution management system to track down their handling status. This includes warehousing, inventory and use, and the handling outcomes and discharge data of these substances are transparently disclosed to the public. Products that are manufactured and sold by POSCO are issued environmental hazard test certificates by material type and these certificates are posted on our electronic trading system e-Sales for anyone to access. Our chemical-handling facilities are equipped with leak detection systems to immediately recognize such events upon their occurrence. Employees handling chemical substances also receive collective and online training to strengthen their capabilities in responding to chemical accidents. Furthermore, our Safety and Accident Prevention Center operates special emergency rescue vehicles and professional staff to address chemical accidents that may occur at our steelworks. Public-private mock drills are performed more than once a year, and self-initiated fire fighting exercises are conducted at the plant level to elevate our response to any possible emergency.

Pohang Works Chemical Accident Response System

1) Major accidents involving fires, explosions, and toxic gas leaks or acute toxic substances that could potentially cause damage to nearby areas or cause large-scale environmental pollution

2) Chemical leaks that raise concerns over damage and necessitate response by the plant where such leaks occur and the specialized department

Stakeholder Communication

POSCO transparently discloses information on its environmental management on an annual basis to its employees, local communities, NGOs, and other stakeholders. We communicate with local communities via diverse channels including private councils. Notably, we work with local air quality improvement councils to improve the environment in a way that delivers tangible benefits to local communities. Furthermore, the Environmental Council is established with the partner companies of our steelworks to identify potential environmental risks and make necessary improvements.

Atmospheric Environment Improvement Councils Jointly Operated by POSCO Worksites and Local Communities

POSCO Corporate Citizenship Report 2019
Biodiversity Management

POSCO is fully committed to preserving biodiversity. The Practice Guidelines of our Code of Ethics include biodiversity provisions to encourage all employees to recognize its importance and to take action accordingly. Our biodiversity initiatives are focused on the two major projects to improve the local community environment and to restore the ecosystem. To help improve the local community environment, regular monitoring is performed on the pollution level of the water and marine sediments in the vicinity of our steelworks. Through the Clean Ocean Volunteer Group launched by our employees back in 2009, we engage in regular marine environment clean-ups. Over the years, the Clean Ocean Volunteer Group performed nearly 540 clean-ups to collect a total of 1,650 tons of marine waste.

Another major project is to use steel slag to create marine forests as a way to restore the marine ecosystem. TRITON Reef, which is made of steel slag, is high in such minerals as calcium and iron which support the growth of algae and thus is effective in recovering the marine ecosystem. Since the three types of TRITON Reef – Type A, Type T, and combined steel type – were approved by the Ministry of Oceans and Fisheries in 2014, a total of 6,559 units of TRITON Reef have been used for marine ecosystem restoration projects as of 2019. The TRITON Reef was introduced for its eco-friendliness at the Steelie Awards of the World Steel Association, the UN Framework Convention on Climate Change Conference, and at slag marine forest expert seminars held in Korea in 2019, and was received positively as a best practice in promoting marine biodiversity.

POSCO Biodiversity Policy

We consider protecting biodiversity an essential element of sustainable development and recognize the potential impact of our business on the environment and biodiversity. Based on such understanding of importance of biodiversity conservation, we aim to enhance our strategic approach to minimize our operational impact on the environment.

1. We will prevent, minimize and mitigate risks associated with biodiversity arising from our business activities by conducting periodic assessments of the status and value of biodiversity.

2. We will comply with local and national regulations in all our worksites where international standards, relevant to land management and biodiversity conservation such as IUCN Category I-IV Protected areas and World Heritage areas, are applicable.

3. We will support local, national and global biodiversity conservation initiatives to protect indigenous and endangered species as our top priorities. In addition, we will continuously conduct activities that provide relevant information to employees and stakeholders in order to enhance their understanding of biodiversity conservation issues.

4. We will aim to achieve No Net Loss (NNL) of biodiversity in all our worksites that are rich in biodiversity.

5. We will conduct periodic assessments of the pollution level of water and low-quality soil across the coastal areas in the vicinity of our iron making plants to improve the environment of the community.

Target and planning

- We will contribute to the formation of 75% of the marine forests in the coastal areas and the restoration of fishery production by utilizing the functional characteristics of by-products from steel making, thereby fulfilling an integral part of our role as a good corporate citizen.

- Since 2009, we have promoted marine clean-ups through regular activities of the 'Clean Ocean Volunteer Group' organized by employees.

Types of TRITON Reef

- Type A
- Type T
- Combined steel type

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- Since 2009, we have promoted marine clean-ups through regular activities of the 'Clean Ocean Volunteer Group' organized by employees.
TRITON marine forests contribute to the development of Blue Carbon, a term that refers to carbon sink and storage enabled by seagrasses and sediments in the marine ecosystem. POSCO deployed 6,559 units of TRITON Reef in more than 30 sea areas from Samcheok to Yeosu as of 2019 to create marine forests.

It is expected that roughly three to 16 tons of carbon can be stored per hectare of TRITON marine forests based on carbon dioxide absorbed through the photosynthesis of seaweeds and sediments within the seabed, generating comparable carbon sink effects to land forests. To scientifically demonstrate the benefits of Blue Carbon, POSCO is cooperating with POSTECH, and is consistently developing more effective and eco-friendly marine forest technology, including TRITON Fertilizer and new types of TRITON Reef to expand marine carbon sinks. Our TRITON marine forest technology makes an outstanding case in point in effectively using resources from the perspective of resource circulation. It also contributes to promoting ocean biodiversity through marine ecosystem restoration. TRITON has already been welcomed as a best practice at the World Conservation Congress (WCC) and the World Business Council for Sustainable Development (WBCSD).

We will contribute to the formation of 75% of the marine forests in the coastal areas and the restoration of fishery production by utilizing the functional characteristics of by-products from steel making, thereby fulfilling an integral part of our role as a good corporate citizen. Plans for the future

In 2020, we plan to create marine forests by using TRITON Reef and TRITON Fertilizer in the waters of Ulleung and Dokdo Islands which have been experiencing a severe whitening event.

We will also cooperate with Nippon Steel on Blue Carbon to ensure that the steel industry serves to contribute to climate change adaptation in the ocean.

New types of reefs will be developed by capitalizing on the habitat nature of specific species to help fishing households in the local community raise their income levels.

Eco-friendly TRITON marine forests are highly effective in promoting the growth of algae and contribute to restoring the marine ecosystem and nurturing fishery resources in so doing.

TRITON contains high quantities of iron, calcium and other minerals conducive to the growth of algae compared to natural rocks, and is capable of quickly recovering the marine ecosystem in the waters damaged by the whitening event.

TRITON-based sea forestation technology has been deployed in areas experiencing the spread of whitening-affected areas near Korea’s East Sea and South Sea to prove its effectiveness since 2009 through collaboration among POSCO, RIST, and other specialized research institutes. Whitening refers to the sea desertification that results in the reduction of algae and fishery resources in coastal bedrock areas. Whitening is reportedly caused by a combination of factors by area, including but not limited to rising sea temperatures, nutritional deficiency in the seawater, and increases in such algae-eating organisms as sea urchins or abalones. While iron that flows from the land to oceans is known to have a significant impact on the growth of algae, the inflow of iron is blocked due to the development of streams and coastal areas, resulting in whitening. This served to inspire our TRITON marine forest technology as steel slag is able to supply this much-needed iron.

When installed under the sea, TRITON Reef demonstrates exceptional physical stability due to the high specific gravity and high strength of steel slag, and has been known to endure tidal waves and even typhoons. When compared to conventional synthetic reefs made of basic concrete, TRITON Reef does not use rebars for its internal structure and is highly resistant to salt damage, staying solid without suffering corrosion or shattering in the seawater for an extended period of times. Furthermore, the maximum area of attachment for algae is secured to outperform general concrete-based reefs in creating marine forests at the same cost.

TRITON reef installation

TRITON marine forest

TRITON Reef, son of Poseidon is a god of the sea in Greek mythology, and we coined the term to represent POSCO’s reefs made of steel slag. The safety of the TRITON Reef was verified through the environmental stability and marine bio food safety evaluations conducted by the government, and TRITON Reef has been designated as a national general reef. Steel slag is generated as a by-product along with molten iron in the steel making process as a result of it melting at a high temperature of 1,500°C and above and then cooling. Steel slag is often used as a raw material in making cement, and in construction and civil engineering materials, as well as in fertilizers.

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BUSINESS

CLIMATE CHANGE

Emerging as a green company through integrated energy and GHG emission management

Climate change presents a grave challenge that requires the concerted effort of the international community to ensure sustainable development. As such, stakeholders are further raising their voices for corporate leadership in reducing GHG emissions and shifting to a low-carbon economy. As a global leading steel company, POSCO is fully committed to fulfilling its role and responsibility to climate change.

Risks and Opportunities

Climate change may be a driver for multiple risks to the private sector in terms of cost, sales, reputation, and many others. We are incorporating climate change-related risks into our business decision, including country-level plan, the Korea Emissions Trading System (K-ETS) per the Paris Agreement. The K-ETS initiated in January 2015 may pose policy risks that heavily influence the competitive edge of businesses as it could lead to increased costs for reducing GHG emissions or in purchasing carbon allowances. Physical risks also occur when such weather anomalies as heavy rainfalls, heat waves, tsunamis, and droughts result in facility damage, interruption in raw material supply and demand, and difficulty in procuring electricity and water. Under this business circumstances, we conducted an ESG materiality analysis to identify the factors that could affect our business in 2019. And Climate Change is listed as the third most important issue that our stakeholder concerns most at the same time. We highly notice our responsibility to reduce the carbon footprint and embed climate change in the top-level decision-making process to drive sustainable solutions. The transition towards a low-carbon economy is also an opportunity to embrace innovation and technology change. It inevitably brings change along the value chain in steel-consuming industries.

Posco prepared these changes with long-term perspectives and creating new profit form the changes. Our distinctive eco-friendly iron-making technology dubbed FINEX is gaining worldwide recognition, and this is expected to broaden the window of opportunity for eco-friendly process technology sales and products in the upcoming years. And we developed the slag as substitute cement materials, and are using steel slag for our ‘TRITON’ product technology. Furthermore, we have developed an Integrated carbon & energy management system (2015) and also have a POSCO Carbon Management System (2006). We are also aligning with the new international GHG reporting standard, the Greenhouse Gas Protocol.

Becoming Global Citizens

In many respects, climate change is an international issue that requires a global response. The K-ETS initiated in January 2015 may pose policy risks that heavily influence the competitive edge of businesses as it could lead to increased costs for reducing GHG emissions or in purchasing carbon allowances. Risks and Opportunities

Climate Change Risk & Opportunity Management Process

1. Identify risk factors
2. Establish GHG emissions management system
3. Take climate change countermeasures
4. Review climate change countermeasures
5. Report to top management

- Identify physical/regulatory risk factors
- Assess risk levels and financial impact
- Establish a POSCO Carbon Management System (2006)
- Build and manage a GHG inventory and perform third-party verification
- Align with company-wide risk management
- Deliberate on climate change risks in making investment decisions
- Include GHG emissions reduction technology in the mid-/long-term technology strategy
- Review climate change regulations and policy responses
- Review environmental risks of investment businesses
- Report to the Low-Carbon Environment-Friendly Council (quarterly)
- Report to the company-wide Management Meeting Meeting on CO2 and Energy Indicators (year-round)
POSCO Corporate Citizenship Report 2019

Management Structure

POSCO is establishing a company-wide climate change response and carbon/energy management system while developing environmental and energy strategies. (please refer to the mapping below for POSCO’s climate change management system) POSCO’s investment management regulations stipulate that in making investment decisions, businesses that could pose environmental risks such as GHG emissions should be subject to consultations with responsible departments. They also specify that carbon costs should be reflected in conducting investment reviews prior to making final decisions. Our CO2 emissions and energy use indicators in key areas are briefed regularly to the Board of Directors. In addition, the Low-Carbon Environment-Friendly Council is operated under the supervision of the Steel Business Division Head (President) to address climate change issues. Major issues discussed at the council are reported to the BOD once a year, and the BOD reviews critical climate change-related financial issues as part of their agenda items. In 2019, two decisions were made by the BOD in relation to the trading of emissions allowances.

GHG Management System

Integrated Information System for GHG Management

In accordance with IPCC1, WBCSD,2 WR3, World Steel Association, and ISO 140444 that are internationally used to reduce GHG emissions from steelworks, POSCO developed its distinctive GHG emissions calculation methodology. The scope of this calculation includes 13 worksites in total, including the POSCO Center, and the Global R&D Center in Songdo as well as Pohang and Gwangyang Steelworks, and emission calculations are made on a monthly basis. GHG emissions are assessed on the basis of carbon emission factors for respective major materials, including the consumption of primary fuel and raw materials (coal, limestone, natural gas, etc.), the amount of electricity purchased, products manufactured, and by-products sold. In addition, CO2 emission intensity for every ton of steel produced (tCO2/t-S) is constantly monitored as a key performance indicator (KPI).

1) IPCC: Intergovernmental Panel on Climate Change
2) WBCSD: World Business Council for Sustainable Development
3) WR: World Resources Institute
4) ISO 14044: Calculation method of carbon dioxide emission intensity from iron and steel production

GHG Reduction Target

It was back in 2010 that POSCO announced its goal to mitigate GHG emissions for every ton of steel produced at its steelworks by 9% to the 2.00 tCO2/t-S range by 2020 from the average between 2007 and 2009 (2.20 tCO2/t-S). While we have endeavored on multiple fronts to attain this goal, our CO2 emission intensity has inched up recently and this urged us to develop countermeasures. For instance, we are leveraging AI technology to render our steelmaking process smarter, improving the efficiency of self-generation, and replacing outdated equipment (heavy CO2 emitters with low efficiency) to reduce our CO2 emission intensity in 2020. As part of such endeavors, our thick plates and hot-rolled steel were certified as low-carbon products. Meanwhile, the Korean Ministry of Environment launched the ‘Low Carbon Social Vision Forum’ in March 2019 as a private-led expert consultative body to establish a 2050 long-term low-carbon development strategy, and the Korean government plans to present its plans, including the 2050 reduction goals, to the United Nations Framework Convention on Climate Change at the end of 2020. In preparation, we will publish a separate climate change report that outlines our mid/long-term low carbon strategy in the second half of 2020.

Carbon Accounting Management System

Carbon accounting refers to a series of processes that analyze carbon management activities from the financial perspective and provide proper information to internal/external stakeholders. It intends to identify and analyze the means of carbon reduction in consideration of market conditions, governmental regulations, and reductions made and relevant costs, and to use such means in compiling internal strategies and respond to internal/external demand for information disclosures. This, in turn, supports strategic decision making and enhances POSCO’s sustainable carbon competitiveness. Since 2011, we have developed a real-time self-initiated management system to link fuel/raw material/energy consumption – CO2 emissions – allowances trading to evaluate our understanding of and interest in GHG emissions management at the operational field level. We have also operated an incentive system to reward achievements made by steelwork operational departments in improving energy efficiency and reducing GHG emissions. Since 2013, we have implemented an in-house target management system to allocate GHG emissions targets and evaluate performance from the minimum operational units all the way to the worksite levels.
GHG Emissions

In 2019, our GHG emissions amounted to 80.24 million tons, up by 10.70% from the previous year. This is attributable to the acquisition made in September 2019 of a combined cycle power plant that uses byproduct gas generated from the steelworks. When effects from this acquisition are excluded, our GHG emissions posted 73.76 million tons in 2019. Emissions related to transport of raw materials and investee companies declined from the previous year to 13.14 million tons. When excluding effects from the acquisition of the combined cycle power plant, our 2019 CO2 emissions generated per ton of steel produced at our steelworks amounted to 1.94 tCO2/ton to attain the mitigation target set for 2020.

Climate Change Strategy

To respond to climate change, POSCO Group reorganized its climate change response areas from Green Steel, Green Business, Green Life, and Green Partnership to Green Process, Green Product, and Green Partnership, and set its mid-/long-term goals accordingly. Green Process includes energy saving and efficiency improvements in the steel and materials production process, smart factory realization, CO2 emissions mitigation steel production process, and other innovative low carbon technologies. Green Product is based on the development and dissemination of high energy efficiency steel products in line with the growing market demand for eco-friendly steel including EVs and wind power generation. Finally, we strive to drive Green Partnership through domestic and overseas carbon policy cooperation to secure leadership in climate change response as well as corporate initiatives to shift towards a low carbon society in order to bring a structural transformation of the steel industry.

In 2019, we invested a total of KRW 47.9 billion in energy recovery and technology improvements. The first step we are taking to this end is to develop technology to replace up to 10% of our coal consumption with hydrogen extracted from by-product gas to reduce blast furnace reagent expenses. We are participating in the government-sponsored development of blast furnace CO2-mitigation steel making technology. This demonstration research project is undertaken in phase 1 and phase 2 between 2018 and 2024, and we will consider the step-wise application of research outcomes to technology that has outstanding economic feasibility and applicability in the upcoming years.

Compliance Status of the GHG Emissions Trading System

In conformity with the ‘Act on the Allocation and Trading of Greenhouse Gas Emission Permits’, the Korean Emissions Trading System was fully launched in January 2015. In response, POSCO established the Carbon Accounting System to forecast the supply/demand of allowances and reflect allowance costs in order to systematically undertake GHG emissions reduction activities. We also developed an emission verification support system for the Monitoring, Reporting, and Verification (MRV) management of GHG emissions to enhance the transparency and reliability of our emissions verification process.
POSCO Carbon Flow and Adoption of Mitigation Technology

CO₂ caused by coal fuel entering the blast furnace either directly or indirectly accounts for the majority of the GHG emissions generated from steelworks, and its main source of generation is in the iron making process where reduction reactions take place. In calculating GHG emissions, POSCO includes not only emissions from the production process at its primary worksites of the Pohang and Gwangyang Works but also indirect emissions that could occur along the value chain, concerning the transport of raw materials, employee commutes/business trips, and upstream leased assets.

**Application of Available CO₂ Mitigation Technologies**

<table>
<thead>
<tr>
<th>Raw Materials</th>
<th>Energy</th>
<th>By-product gas Recovery and Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore</td>
<td>55 million tons</td>
<td>50% directly reuse by-product gas in the steelmaking process</td>
</tr>
<tr>
<td>Coal</td>
<td>26 million tons</td>
<td>40% generate power from by-product gas (1.386E06)</td>
</tr>
<tr>
<td>Limestone</td>
<td>7 million tons</td>
<td>10% sell by-product gas</td>
</tr>
</tbody>
</table>

**INPUT**

- Iron ore
- Coal
- Limestone

**Energy**

- Electricity: 5,067 GWh
- LNG: 1,086 MWh

**Raw Materials**

- Iron ore 55 million tons
- Coal 26 million tons
- Limestone 7 million tons

**By-product gas Recovery and Use**

- 50% directly reuse by-product gas in the steelmaking process
- 40% generate power from by-product gas (1.386E06)
- 10% sell by-product gas

**OUTPUT**

- Production of crude steel 38 million tons

**CO₂ emissions**

- Emissions from production (Scope 1, Scope 2) 80 million CO₂
- Other emissions (Scope 3 including the transport of raw materials) 13 million CO₂

**Social CO₂ reduction**

- High-strength automotive steel sheets to deliver a lightweight body and fuel efficiency improvements 3.4 million CO₂
- Low-carbon steel sheet to improve the efficiency of motors and transformers 2.6 million CO₂
- Blast furnace and FINEX slag to substitute cement materials 8.3 million CO₂
- Steam recovered and supplied for district heating and related industries 0.2 million tons

**Application of Available CO₂ Mitigation Technologies**

1. Capturing, purifying, and reusing the by-product gas from the blast furnace, FINEX, coke oven and converter
2. Directly injecting coal in place of coke into the blast furnace
3. Recovering sensible heat by exchanging heat between blast furnace and cooling gas
4. Recovering sensible heat from the exhaust gas of the hot blast furnace
5. Recovering sensible heat from the sintered ore cooling process
6. Recovering sensible heat included in the gas emitted from the process

**Energy Recovery**

- Electricity
- Steam
- Hot water
- Others

**Suites**

- Scope 1: Direct emissions from the combustion and production processes
- Scope 2: Indirect emissions from the generation of electricity and steam
- Scope 3: Indirect emissions occurring along the value chain
Energy Management
Our energy management focuses on improving energy efficiency in the steel production process and on saving electricity consumption including lighting power. In 2019, we became the first-ever Korean business to be named a ‘Lighthouse Factory’ by the World Economic Forum for our achievement in realizing Smart Factory through the process optimization enabled by big data and artificial intelligence. As smart factories are expected to bring both energy efficiency and quality improvement in the steel production process, we plan to extend their application across the entire process.

Energy Efficiency Improvement Activities

Energy Efficiency Improvement Activities

- Recycle off-gas generated from the process
  - Off-gas generation, energy recovery equipment, and LNG power generation equipment > 80% of the electricity used in 2019 was independently generated
- Improve power generation efficiency and restore heat recovery facility performance
  - A project organization was created to improve power generation efficiency (Jan. 2019) > Power generation efficiency improved and generation amounts increased (gas turbine component replacement, evaporative cooling system installation, etc.)
- Improve reheating furnace combustion efficiency
  - Improvements were made to increase the combustion efficiency of all the reheating furnaces at the steelworks > Reheating furnace body was diagnosed and combustion was optimized
- Save lighting power at the steelworks
  - Install natural lighting windows and relevant lighting circuit devices and replace lighting devices with high-efficiency LED lamps on an on-going basis > LED lighting was adopted for devices and replace lighting devices with high-efficiency LED lamps on an on-going basis > LED lighting was adopted for
- Sign a voluntary agreement to achieve Energy Champion certification

Generation and Purchase of Renewable Energy
In 2019, we generated and sold 4,448MWh of electricity through the photovoltaic roof panels installed at our steel plants and small hydropower generated through the raw water from Sueo Dam in Gwangyang. In addition, we produced and used a total of 616MWh power through the IBPV system installed on the exterior walls of the data centers within the Pohang and Gwangyang Works. In 2019, the renewable energy we purchased accounted for approximately 206GWh or 4.1% of the total power purchase.

Energy Production and Purchase (Unit: MW)

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy produced</td>
<td>4,954</td>
<td>4,515</td>
<td>4,509</td>
</tr>
<tr>
<td>Renewable energy purchased*</td>
<td>267,974</td>
<td>281,723</td>
<td>205,505</td>
</tr>
</tbody>
</table>

* Energy Champion: A certification program implemented by the Ministry of Trade, Industry, and Energy and the Korea Energy Agency to objectively assess companies for their voluntary efforts to raise energy efficiency and certify top performers as Energy Champions.

POSCO Corporate Citizenship Report 2019

ISO 50001 Certification
We are establishing an energy management system to respond to stakeholders calling for reduction in carbon emissions and energy consumption, the full-fledged implementation of carbon & energy regulations, energy efficiency certification acting as a de facto trade barrier, and other shifting business conditions. In so doing, we are taking concrete actions to conserve energy. Our thorough preparation made in line with the finalization of the ISO 5001 energy management system standard allowed us to achieve the certification in September 2012. We have remained certified ever since through certification audits performed every year.
Green Product

GHG Emissions Mitigation Effects from the Use of Steel and its By-Products

Governments across the globe are announcing eco-friendly policies to promote the development of their green industries, and businesses are responding by raising the production of green ships (LNG-fueled vessels), green vehicles (EVs and hydrogen-powered EVs), and green energy (wind power and PV). To keep pace with such shifting conditions, POSCO is leveraging its distinctive technology and expertise to deliver steel products that cater to customer needs. We are expanding the sales of high-strength automotive steel sheets capable of producing lightweight vehicles and improving fuel efficiency in doing so, and high energy efficiency electrical steel sheets that contribute to improving the energy efficiency of motors and transformers. Our contribution to mitigating GHG emissions amounted to as much as 6.01 million tons as of 2019 through the sale of these eco-friendly products. Furthermore, granulated blast furnace slag*, a by-product generated from the steel production process, served as cement substitute materials to reduce 8.31 million tons of GHG emissions in 2019.

*Granulated slag: Granulated slag is produced when slag that has just exited the blast furnace is combined with water and cooled rapidly.

Recycling Granulated Blast Furnace Slag

As granulated blast furnace slag is similar to cement in chemical composition, it can be pulverized and used as clinker* substitute materials for cement production. We are developing and distributing eco-friendly and cost-effective high-performance cement products under our PosMent brand. When compared to conventional slag cement, PosMent has a higher slag content and comes with improved physical properties including compressive strength which mitigates CO2 generation by nearly 60%. In 2019, we used 10.59 million tons of granulated slag as a cement materials to reduce 8.31 million tons of GHG emissions.

*Clinker: Clinker is produced by sintering limestone and other cement materials, and turns into cement through pulverization.

Cement Manufacturing Process

1. Limestone, silica stone → CaCO3 + Heat → CaO + CO2
2. Fuel, electricity → CaCO3 + Heat → CaO + CO2
3. Clinker
4. Ordinary cement ~5%
5. Slag content
6. Slag content ~40%
7. PosMent ~60%
8. Granulated slag
9. Blast furnace

CO2 emissions per year (~8.31 million tons)

(Clinker-making process can be skipped)

Achieving the EPD Certification

All our steel products successfully achieved the Environmental Product Declaration (EPD) certification by the Ministry of Environment. In January 2019, we became the first Korean company to become EPD-certified in five product categories including thick plates and wire rods, and eight more product categories including hot-rolled, cold-rolled, and electrical steel sheets were certified last year to extend the certification scope to all our steel product offerings. Furthermore, we became the first Korean steelmaker to receive the 'low carbon product certification' by the Ministry of Environment on thick plates and hot-rolled products in 2019. These low-carbon products (as of 10 million tons in domestic sales) can help mitigate more than 940,000 tons in annual GHG emissions, which is tantamount to the annual carbon absorption made by nearly 160 million 30-year-old pine trees. On October 12, 2018, POSCO obtained the EPD certification on its GIGA STEEL products by the U.S.-based global certification body UL Environment, and became recerti- fied on October 10, 2019.

1) EPD: The Environmental Product Declaration (EPD) program was introduced in 2001 by the Korean Ministry of Environment to accurately disclose the environmental impact of products to consumers and encourage eco-friendly consumption.
2) Underwriters Laboratories.
**BUSINESS**

**SHARED GROWTH** Partnership with SMEs to Create a Sound Industrial Ecosystem

Today’s rapidly-shifting business landscape demands that large businesses join hands with SMEs on the basis of a robust supply chain to proactively respond to changing market conditions. POSCO pursues shared growth that benefits both the company and its business partners to establish a sound business culture and disseminate the value of co-prosperity.

System for Shared Growth

In 2005, we launched an organization solely responsible for our shared growth operations with an aim to establish a sound industrial ecosystem where large companies and SMEs form win-win partnerships and economic and social values are created along the virtuous cycle. Presently, 33 shared growth programs are operated in the three areas of Open & Fair, Innovation, and Community, and they reach out to tier 2 suppliers and SMEs with whom we have not initiated any business relationships yet as well as tier 1 suppliers, partner companies, and corporate customers. Specifically, seven brand programs were developed in reflection of POSCO’s distinctive and differentiated characteristics in 2019 to realize our Corporate Citizenship management philosophy.

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**Shared Growth History**

- 2001 Launched e-commerce
- 2002 Operated a fair trade compliance program
- 2004 Initiated full cash payments for SME suppliers
- 2006 Implemented Techno Partnership
- 2009 Raised public-private R&D cooperation funds
- 2010 Launched the executive-led Shared Growth Support Group
- 2011 Conducted QSS innovation hub activities
- 2015 Provided equipment solution support
- 2015 Supported SMEs with smart factory operation
- 2017 Raised cash payment funds
- 2018 Terminated the lowest-bidder system
- 2019.06 Introduced the win-win subcontract payment system, Launched the Innovation Support Group
- 2019.07 Initiated the e-Catalog system
- 2019.09 Launched the POSCO Youth Dream job matching program (Internship program for university graduates)

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**Shared Growth Value System**

**Brand**

Sharing Growth as a Corporate Citizen

**Goal**

Realize win-win partnership with our community by enhancing partner companies’ competitiveness and creating social value

**Activity direction**

- **Open & Fair**
  - Offer fair business opportunities and establish fair trade practices
  - Open sourcing (e-Catalog)
  - Fair and timely payment
- **Innovation**
  - Support innovative growth by taking safety and the environment into consideration
  - Benefits Sharing System
  - Productivity Innovation
  - Innovation Support Group
- **Community**
  - Advocate in addressing issues in local community through win-win cooperation
  - POSCO Youth Dream job matching
  - Corporate Citizenship Friends Program

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**Shared Growth Steadily Pursued Since POSCO’s Establishment**

- 2001 Launched Shared Growth programs
- 2004 Established the fair trade management system
- 2006 Introduced Shared Growth programs
- 2009 Facilitate shared growth
- 2010 Pursue shared growth as a Corporate Citizen
Seven Shared Growth Brand Programs

We recognized the need to take our shared growth initiative to a whole new level to meet the increasing social expectations and cope with shifting business conditions. This renewed awareness drove our decision to move away from offering mere support for partner companies to broaden our horizons and pursue both economic and social value, thereby Sharing Growth as a Corporate Citizenship. Our seven brand programs were operated with this philosophy in mind to help resolve industry-wide challenges concerning safety, the environment, and localization and extend the scope of our shared growth initiative to promote co-prosperity with local communities.

Open Sourcing (e-Catalog)
We opened the ‘e-Catalog System’ for suppliers to promote their items without physically visiting our worksites, creating a window of opportunity for even those suppliers who have yet to form any business relationship with us to freely introduce their products. This online product promotion system was specifically designed for SMEs to promote their products as they wish. This system works just as any other online shopping malls do: suppliers can register their products on the e-Catalog System and POSCO departments can purchase necessary items. This platform makes it easier for suppliers to promote and sell their products without any need to visit our steelworks and allows companies offering outstanding products to become long-term suppliers. For us at POSCO, this also serves our interests as we can identify new products with exceptional performance as well as substitutes through the optimization of product specifications. Since its launching in July 2019, 897 companies have joined the system and registered 5,257 new items, while purchase contracts were signed on 1,519 of these items. Our plan for 2020 is to further stabilize this platform to improve user convenience.

Fair and Timely Payment
POSCO has made full cash payments to SMEs since 2004. To practice our principle of making fair and timely payments, we have also operated ‘cash payment support funds’ since 2017 to allow tier 1 suppliers to take out zero-interest loans to make cash payments to tier 2 suppliers. In 2019, another program was launched to provide 20% advance payments for materials priced at KRW 100 million or higher in order to relax the financial burden on suppliers and support their cash liquidity. Furthermore, we became Korea’s first private-sector business to introduce the ‘subcontract win-win payment’ program: large businesses and government agencies, in making purchases, directly pay tier 2 suppliers by way of escrow accounts so that these subcontractors can surely receive their payments. This program is expected to improve the cash liquidity and management stability of tier 2 suppliers and strengthen their competitive edge as well. Meanwhile, POSCO, for the first time as a large Korean company, terminated the lowest bidder system and has instead introduced multiple fair trade-focused bidding systems, including anti-ALT (abnormally low tender) bidding, market price competitive bidding, and total cost bidding. In so doing, we strive to ensure a reasonable margin level for suppliers to deliver real shared growth benefits.

Benefit Sharing System
Under the Benefit Sharing System introduced by POSCO for the first time in Korea in 2004, POSCO and its partner companies perform joint improvement tasks and share the resulting benefits. This is considered a best practice in promoting win-win growth between large companies and SMEs as it allows partner companies to promote technology development and sales and large companies placing orders to ensure competitiveness through quality improvement. A wide range of incentives are made available, from providing partner companies with 50% of the financial benefits generated and signing long-term contracts to offering additional points in performing supplier evaluations and making joint patent applications. While issues are recently being raised on the localization of materials, parts and equipment, our localization stands at a relatively high ratio of 88%, which is largely attributable to the Benefit Sharing System operated over the years. In 2019, a total of 174 Benefit Sharing projects were undertaken, and compensation valued at KRW 30.1 billion was provided on completed projects. On a cumulative basis, 4,916 such projects have been executed with KRW 396.1 billion in compensation.

Benefit Sharing Case Study: Yujin Mechatronics
Simultaneously improving the work environment and product quality through on-site equipment improvements

POSCO Corporate Citizenship Report 2019
POSCO puts to use its accumulated innovation knowledge and group-level expert capabilities in assisting SMEs to pursue innovative productivity gains. Notably, 'smart capacity-building' is under way through our distinctive innovation methodology ‘Quick Six Sigma (QSS)’ to help SMEs improve upon their work practices and mindset, which benefited 108 companies in 2019. We also joined the project to establish win-win smart factories for large, mid-size and small businesses supervised by the Ministry of SMEs and Startups to help our current and prospective SME partners deploy smart factory solutions, including big data and IoT, for product design and production plant improvement. Specifically, we provide tailor-made assistance by evaluating the respective levels and conditions of these businesses and start from the basic level and gradually move into more advanced levels. In 2019, we supported 110 SMEs through this initiative.

The focus of our QSS execution is to pursue long-term sustained benefits in improving the fundamentals of SMEs and helping them build smart factories. From 2019 onwards, we plan to invest KRW 20 billion for five years to continue to support SMEs with their productivity innovation.
BUSINESS

SUPPLY CHAIN MANAGEMENT

Our endeavors and achievements in establishing a robust supply chain

An issue of any kind with any of our suppliers has the potential to adversely affect our competitive edge and credibility as a business. As such, POSCO is fully committed to strengthening the competitiveness of its suppliers and creating a sound industrial ecosystem through regular supply chain risk management.

Supplier Code of Conduct

In June 2010, the POSCO Group Supplier Code of Conduct was set forth to ensure that any and all companies doing business with the group faithfully fulfill their responsibility as a global corporate citizenship. This Code of Conduct consists of 21 provisions in seven categories concerning the basic values of human rights, labor, environmental protection, and anti-corruption as stipulated in the UN Global Compact as well as fair trade, quality management, and shared growth, and defines fundamental requirements that all suppliers wishing to do business with POSCO Group should abide by. It is mandatory that suppliers electronically sign this Code of Conduct in making initial registrations on our e-procurement website (www.steel-n.com) prior to initiating business transactions with POSCO.

Summary of the POSCO Group Supplier Code of Conduct

- **Respect for the fundamental human rights of employees**
  Voluntary employment, prohibition on child labor, prohibition on discrimination, compliance with working hour conditions, compliance with wage-related legislations, and human treatment

- **Safety and health**
  Workplace safety and compliance with industrial safety regulations

- **Environment**
  Management of hazardous materials, wastewater, solid waste and air pollution, prevention of pollution and resource saving

- **Ethics and fair trade**
  Business integrity, compliance with special terms and conditions on ethical practices, compliance with fair trade, and building a culture of trust

- **Protection of trade secrets and intellectual property**
  Management and protection of confidential information and protection of intellectual property

- **Quality management**
  Quality control, change management, mutual quality control among suppliers

- **Shared growth and social contribution**
  Shared growth and social contribution

Supplier Relationship Management (SRM)

In 2003, POSCO became the first Korean company to develop a Supplier Relationship Management (SRM) process to improve its competitiveness and risk management across the entire supply market. All suppliers doing business with POSCO are subject to SRM assessments in seven categories along with additional or deductive point elements. They are rated Excellent, Good, or Poor and the report of such assessment results is provided to suppliers. Depending on the classification of suppliers, the range of ESG assessment items varies between 20% and 35%. We will constantly increase ESG’s assessment weight, and strengthen on-site inspections and corrective actions for poor assessment partners.

POSCO SRM Evaluation Process

<table>
<thead>
<tr>
<th>Evaluation Indicator</th>
<th>Credit (%)</th>
<th>Delivery-on-time (%)</th>
<th>Price (Monetary value)</th>
<th>Quality (PosQC ratings, ISO certification, quality defect rates, defect occurrence rates, quality satisfaction)</th>
<th>Level of cooperation (No. of Benefit Sharing projects undertaken, monetary value of financial performance generated through the Benefit Sharing System, payment-on-time to tier 1 and tier 2 suppliers, level of participation in WinC)</th>
<th>Environment/safety (Monetary value of eco-friendly items supplied, Green product certification certification, ISO 14001)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Credit</td>
<td>Delivery-on-time</td>
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<td>Quality</td>
<td>Level of cooperation</td>
<td>Environment/safety</td>
</tr>
<tr>
<td>Delivery-on-time</td>
<td></td>
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<td>Quality</td>
<td>Level of cooperation</td>
<td>Environment/safety</td>
</tr>
</tbody>
</table>

POSOC Group Supplier Code of Conduct

*Ratio of ESG evaluations: The ratio of reflecting ESG evaluation items varies depending on the classification of suppliers (Suppliers are defined as any and all companies who provide products and services to POSCO, its affiliates, and its joint venture companies. The POSOC Supplier Code of Conduct should be observed by all suppliers as well as subcontractors of group affiliates, and each and every supplier is subject to SRM assessments.)
Supplier Risk Management

Feedback for Improvement

We provide suppliers with our feedback on their strengths and weaknesses through supplier SRM evaluation to create conditions for making self-initiated improvements. Our suppliers are rated Excellent, Good, or Poor in the report deliver to them. A portion of the suppliers that are rated Excellent are chosen as POSCO Honored Partners and become eligible for such preferential benefits as preferred negotiation rights and exemption from various contract-related guarantee payments. Meanwhile, those graded Poor may face a one-year suspension of business transactions and the cancellation of their registration on the Sourcing Group unless they do not make improvements on the weaknesses identified in the report for an extended period of time. If they wish to rejoin the Sourcing Group following the cancellation, they should receive the same screening process as they did during their initial registration.

Evaluation Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>No. companies</td>
<td>2,490</td>
<td>2,782</td>
<td>2,878</td>
</tr>
<tr>
<td>Contract suppliers</td>
<td>No. companies</td>
<td>2,202</td>
<td>2,011</td>
<td>1,833</td>
</tr>
<tr>
<td>Ratio of contract suppliers who received SRM evaluations</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Evaluation outcome</td>
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</tr>
<tr>
<td>Excellent</td>
<td>No. companies</td>
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<tr>
<td>Good</td>
<td>No. companies</td>
<td>1,645</td>
<td>1,313</td>
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<tr>
<td>Poor (High risk group)</td>
<td>No. companies</td>
<td>134</td>
<td>258</td>
<td>247</td>
</tr>
<tr>
<td>Top 1 (High risk group)</td>
<td>No. companies</td>
<td>134</td>
<td>258</td>
<td>247</td>
</tr>
<tr>
<td>Follow-up measures of poor-rated suppliers who set improvement plans*</td>
<td>No. of cases</td>
<td>41/64/6/5</td>
<td>38/64/3/2</td>
<td>37/64/3/2</td>
</tr>
<tr>
<td>Suspension of suppliers</td>
<td>No. of cases</td>
<td>80</td>
<td>121</td>
<td>203</td>
</tr>
</tbody>
</table>

*Ratio of suppliers who set improvement plans within one month following the notice of evaluation results

Preferential Treatment for Key Suppliers

<table>
<thead>
<tr>
<th>Supplier</th>
<th>No. of Suppliers</th>
<th>Ratio of the Total Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 1 suppliers</td>
<td>1,833</td>
<td>100%</td>
</tr>
<tr>
<td>No.1 suppliers</td>
<td>Critical suppliers (except top 1 suppliers)</td>
<td>44/23/sourcing registrations</td>
</tr>
</tbody>
</table>

* A critical supplier is a supplier registered in a sourcing group through document review and actual survey. And the Critical supplier’s performance is managed quarterly and annual SRM evaluations.

Quality Audit

Quality audits have been conducted on a total of 316 suppliers for five years since 2015 to manage and strengthen our supply chain while training and consulting support is provided to assist our suppliers in improving their quality competitiveness and quality management performance. In 2020, we will focus on those suppliers experiencing quality risks due to disqualification in delivery, defects, or delivery delays to assess their level of quality management and help them improve material defect factors in advance. Furthermore, tailor-made training support will be provided according to supplier needs to reinforce their quality competitiveness.

Fair Purchasing Policy and the Internal Transactions Committee

In an aim to establish fair purchasing practices, we disclose transaction information and expand competitive purchasing while disclosing 100% of our Sourcing Group information on resources, equipment, raw materials, and logistics on our e-procurement website (www.steel-n.com). Through year-round sourcing, we constantly identify suppliers rated excellent under the Tech Credit Bureau (TCB) system while raising the bar to eliminate low-performing suppliers in order to strengthen our supply chain. Meanwhile, Internal Transactions Committee meetings are hosted on the orders placed by group affiliates to improve the transparency of relevant transactions.

Cancellation of Supplier Registration

We restrict transactions with suppliers who have been engaged in socially condemnable behaviors or have caused complaints. For those suppliers who violated our business ethics guidelines, gave rise to complaints, or caused environmental pollution, stringent disciplinary measures are taken including up to five-year bidding restrictions. This is to ensure that socially unsound companies are banned from doing business with POSCO. Other criteria used in suspending transactions include the failure to earn credit ratings above the sourcing registration threshold (grade B and above), the disposal of essential equipment and facilities or failure to satisfy quality management capacity standards following Sourcing Group registration, the absence of bidding records over the previous year or transaction records for the previous two years. In 2019, a total of 106 suppliers were delisted from our Sourcing Group registration as a result of the Sourcing Group refresh check.

Information Exchange with Suppliers

Regular information exchanges are held twice a year, in the first and second half respectively, to brief suppliers on our supplier-related systems and the improvements they made. In 2019, such gatherings were hosted for a total of 301 suppliers.

Introduction of the Tech Credit Bureau System

Our Tech Credit Bureau (TCB) system has been operating since 2019 to encourage suppliers to elevate their technology competency and competitive edge.
FOCUS 03

POSCO tightens its supply chain management for socially responsible procurement of minerals

Conflict Minerals

POSCO supports the global initiative of not using conflict minerals that benefits armed groups in the Democratic Republic of the Congo and adjoining countries. Conflict minerals, also referred to as 3TG, are tantalum, tin, tungsten, and gold mined in conditions where human rights abuses occur, including child labor and sexual assault. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act took effect in the U.S. Section 1502 of this act requires publicly-traded companies in the U.S. to disclose the use of conflict minerals in producing their products. As POSCO is listed on the U.S. stock exchange, we are reporting to the U.S. Securities and Exchange Commission to identify whether conflict minerals are used in manufacture on an annual basis, and the report is available at our official website. The website will be updated in the upcoming years to outline the overview, policy, and the current status of the use of conflict minerals.

POSCO’s Management System and Commitment

POSCO, under the overarching principle that POSCO shall restrict transactions with suppliers engaged in socially irresponsible business practices, strives to not knowingly procure raw materials contributing to conflicts in the DRC or adjoining countries, and manage the use of conflict minerals in accordance with the CMRT 5.12 Version. We expect the suppliers in our global supply chain utilize RMAP-Conformant smelters. If a supplier is found to be utilizing uncertified smelters, we will assist them in achieving this certification. The table below lists the smelters doing business with POSCO.

### List of Smelters

<table>
<thead>
<tr>
<th>No</th>
<th>Metal</th>
<th>ID</th>
<th>Name of Smelter</th>
<th>Country</th>
<th>RMAP Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ti</td>
<td>CID001477</td>
<td>PT Timah Tbk Kundur</td>
<td>INDONESIA</td>
<td>Conformant</td>
</tr>
<tr>
<td>2</td>
<td>Ti</td>
<td>CID001908</td>
<td>Gejo Yusrin Nonferrous Electrolysis Co., Ltd.</td>
<td>CHINA</td>
<td>Conformant</td>
</tr>
<tr>
<td>3</td>
<td>Ti</td>
<td>CID001105</td>
<td>Malaysia Smelting Corporation (MSC)</td>
<td>MALAYSIA</td>
<td>Conformant</td>
</tr>
<tr>
<td>4</td>
<td>Ti</td>
<td>CID001458</td>
<td>PT Prima Timah Utama</td>
<td>INDONESIA</td>
<td>Conformant</td>
</tr>
<tr>
<td>5</td>
<td>Ti</td>
<td>CID001482</td>
<td>PT Timah Tbk Mentok</td>
<td>INDONESIA</td>
<td>Conformant</td>
</tr>
<tr>
<td>6</td>
<td>Ti</td>
<td>CID002834</td>
<td>Thai Nguyen Mining and Metallurgy Co., Ltd.</td>
<td>VIETNAM</td>
<td>Conformant</td>
</tr>
<tr>
<td>7</td>
<td>Ti</td>
<td>CID002158</td>
<td>Yuncan Chengfeng Non-Ferrous Metals Co., Ltd.</td>
<td>CHINA</td>
<td>Conformant</td>
</tr>
<tr>
<td>8</td>
<td>Ti</td>
<td>CID001898</td>
<td>Thailand Smelting &amp; Refining Co Ltd</td>
<td>THAILAND</td>
<td>Conformant</td>
</tr>
<tr>
<td>9</td>
<td>Ti</td>
<td>CID001182</td>
<td>Minsur</td>
<td>PERU</td>
<td>Conformant</td>
</tr>
<tr>
<td>10</td>
<td>Ti</td>
<td>CID002773</td>
<td>Metallo Belgium N.V.</td>
<td>BELGIUM</td>
<td>Conformant</td>
</tr>
<tr>
<td>11</td>
<td>Ti</td>
<td>CID001898</td>
<td>Thataarco</td>
<td>THAILAND</td>
<td>Conformant</td>
</tr>
<tr>
<td>12</td>
<td>Ti</td>
<td>CID001482</td>
<td>Mentok-Smelter</td>
<td>INDONESIA</td>
<td>Conformant</td>
</tr>
<tr>
<td>13</td>
<td>Tungsten</td>
<td>CID002724</td>
<td>Linecha Refractory Metals Plant</td>
<td>RUSSIAN FEDERATION</td>
<td>Conformant</td>
</tr>
</tbody>
</table>

Steering Towards Responsible Mineral Sourcing

In terms of managing conflict minerals, whereas simply sourcing minerals from conflict-free areas was pursued in the past, it is now important to steer towards responsible mineral sourcing. Businesses are required to ensure that minerals are produced in a way not to fund conflicts while respecting human rights and fulfilling social responsibility. According to Amnesty International in its report on the status of child labor and human rights infringements occurring in cobalt mines in the DRC and in relation to IT businesses, cobalt, one of the key raw materials of secondary batteries, ranks high on the conflict mineral agenda. POSCO recognizes the importance of responsible mineral sourcing and is willing to join the international community in dealing with this critical issue. In line with our commitment we have set the ‘improvement of responsible mineral sourcing’ as one of our Corporate Citizenship action tasks and are working to reflect the advanced concept of responsible minerals procurement in our conflict mineral management system. In doing so, we have joined the RMI, a key NGO working in relation to responsible minerals sourcing, in April 2020, and will create a consultative body with our major group affiliates to jointly respond to responsible mineral sourcing.
POSCO presents a model that enables businesses to grow in tandem with society through the resolution of wide-ranging social issues, and pursues the value of win-win partnerships.

POSCO respected for sharing social concerns and fully engaging in innovative solutions to solve them.

Social Contribution
Approach to Enhancing Fertility
Support for Youth Employment and Startups
Becoming and Nurturing Good Global Citizens
SOCIAL CONTRIBUTION

From the very beginning, growing together with local communities has always been part of POSCO’s definition of corporate social responsibility, and this belief led its endeavors to undertake multi-faceted social giving initiatives. We make the best use of the strengths that we have as a company to create social value, and strive to become a good corporate citizen through continued communication with our stakeholders.

Strategic Direction and Focus Area

Under the management philosophy of ‘Corporate Citizenship: Building a Better Future Together’, we set the following three strategic directions and three focus areas in line with the UN Sustainable Development Goals 4, 8, and 11: to embrace the unprivileged, provide quality education opportunities for future generations, and resolve local community issues. In so doing, we are truly taking the lead in expanding future horizons.

*SDG 4: Quality education, SDG 8: Decent work and economic growth, SDG 11: Sustainable cities and communities

<table>
<thead>
<tr>
<th>Strategic Direction</th>
<th>Focus Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on resolving social issues that are urgent and relevant to our business</td>
<td>Local community</td>
</tr>
<tr>
<td>Take the lead in the entire process of business discovery, planning and execution</td>
<td>Future generation</td>
</tr>
<tr>
<td>Present unique social role model through a differentiated approach</td>
<td>Underprivileged group</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Three Focus Areas</th>
<th>Social Contribution Performance in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local community</td>
<td>Total expenditure on social contribution (based on FKI criteria)</td>
</tr>
<tr>
<td>Future generation</td>
<td>KRW 48,841 million</td>
</tr>
<tr>
<td>Underprivileged group</td>
<td>53.9%</td>
</tr>
<tr>
<td>Create sustainable local communities</td>
<td>Talent development KRW 26,150 million</td>
</tr>
<tr>
<td>Provide quality education opportunities</td>
<td>Social welfare KRW 17,062 million</td>
</tr>
<tr>
<td>Support economic self-reliance and create jobs</td>
<td>Sports &amp; culture KRW 4,092 million</td>
</tr>
<tr>
<td>Build inclusive, safe, resilient, and sustainable cities and settlements</td>
<td>Volunteering KRW 1,537 million</td>
</tr>
<tr>
<td>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</td>
<td>Community investment KRW 35,330 million</td>
</tr>
<tr>
<td>Promote sustained, inclusive and sustainable economic growth, full and productive employment and sustainable work for all</td>
<td>Donation KRW 11,801 million</td>
</tr>
<tr>
<td>Support for culture and arts</td>
<td>Others KRW 1,709 million</td>
</tr>
<tr>
<td>Talent Donation Group</td>
<td></td>
</tr>
<tr>
<td>Junior Science Class</td>
<td></td>
</tr>
<tr>
<td>Café OAsia</td>
<td></td>
</tr>
<tr>
<td>Social enterprise</td>
<td></td>
</tr>
<tr>
<td>POSCO 1% Foundation</td>
<td></td>
</tr>
<tr>
<td>POSCO Educational Foundation</td>
<td></td>
</tr>
<tr>
<td>POSCO TJ Park (Chungam) Foundation</td>
<td></td>
</tr>
</tbody>
</table>

Our social contribution expenditures are categorized into social welfare, sports & culture, talent development, and volunteering in accordance with the Federation of Korean Industries (FKI) criteria. Since 2013, expenditures concerning donations, community investments, and others (commercial initiatives) have been additionally disclosed.
Local Community

POSCO is committed to laying the basis for local communities to become self-sustainable by reflecting the needs of people in developing nations and taking a locally customized approach in operating social giving programs. Our Clean Ocean Volunteer Group was founded in consideration of our geographical proximity to oceans, one of the inherent characteristics of the steel making industry, and the talent of our employees, and has been taking the lead in restoring the marine ecosystem and promoting biodiversity over the past decade.

Steel Village

Indonesia is frequently hit by earthquakes, tsunamis, erosion, and other natural disasters, and the village of Cilegon in particular, where POSCO’s integrated steelworks is located, is flooded almost every year. This inevitably exposes the local people, living in meager residential structures, to direct flood damage. Although the village of Cilegon has schools, the learning environment is substandard due to the lack of governmental support, and the welfare center, which usually serves to create interaction and cooperation among villagers, is barely functioning. This prompted us to help Cilegon construct and renovate its welfare center and schools in 2019 to contribute to improving the quality of life for the local residents.

<table>
<thead>
<tr>
<th>Country</th>
<th>Infrastructure Development</th>
<th>Project Period (year)</th>
<th>No. of Structures Built</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>Steel house</td>
<td>2009-2019</td>
<td>58 units (36 cities)</td>
</tr>
<tr>
<td></td>
<td>Welfare center</td>
<td>2013-2019</td>
<td>7 units</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Housing</td>
<td>2014-2017</td>
<td>104 units</td>
</tr>
<tr>
<td></td>
<td>Bridge</td>
<td>2016</td>
<td>1 unit</td>
</tr>
<tr>
<td></td>
<td>2019-2020</td>
<td>1 unit under construction</td>
<td></td>
</tr>
<tr>
<td>Myanmar</td>
<td>Bridge</td>
<td>2017</td>
<td>1 unit</td>
</tr>
<tr>
<td>Thailand</td>
<td>Housing</td>
<td>2017</td>
<td>13 units</td>
</tr>
<tr>
<td></td>
<td>Outdoor steel dome</td>
<td>2017-2018</td>
<td>5 units (3 newly constructed, 2 renovated)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Housing</td>
<td>2018-2019</td>
<td>25 units</td>
</tr>
<tr>
<td></td>
<td>Private bathroom</td>
<td>2019-2019</td>
<td>30 units</td>
</tr>
<tr>
<td></td>
<td>School</td>
<td>2019-2020</td>
<td>30 (space) units</td>
</tr>
<tr>
<td></td>
<td>Multi-purpose facility</td>
<td>2019-2021</td>
<td>20 (space) units</td>
</tr>
</tbody>
</table>

Volunteering at Sisterhood Villages

As a company that has grown in tandem with its local communities, it is only natural that we at POSCO join hands with local communities in addressing the pressing challenges they face and step up to the plate in an act to better society. Starting with Hagwong Village in Gwangyang in 1998, we have been volunteering at sisterhood villages, helping villagers during the busy farming seasons, repairing farm tools, renovating village facilities, offering healthcare support in remote villages, selling local specialty products, and supporting less-privileged individuals. In 2019, we lent our support to 127 such villages in Pohang and 81 villages in Gwangyang.

Support for culture and arts

To promote the diversity of culture and arts in local communities, we operate history museums, art museums, and art halls in Pohang and Gwangyang to provide a variety of free-of-charge performances and exhibitions.

Category | Region | Description | Operation (2019) | No. of Beneficiaries (2019) |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>POSCO Concert (2017~)</td>
<td>Seoul</td>
<td>Pop music and other performances</td>
<td>7 occasions</td>
<td>4,151</td>
</tr>
<tr>
<td>POSCO Kids Concert (2015~)</td>
<td>Seoul</td>
<td>Children’s musicals and other performances</td>
<td>4 occasions</td>
<td>2,577</td>
</tr>
<tr>
<td>POSCO Art Museum (1998~)</td>
<td>Seoul</td>
<td>Art exhibitions</td>
<td>6 occasions</td>
<td>46,357</td>
</tr>
<tr>
<td>POSCO Museum (2023~)</td>
<td>Pohang</td>
<td>Introduction of POSCO’s history</td>
<td>Year-round</td>
<td>40,460</td>
</tr>
<tr>
<td>Pyoja Art Hall (1981~)</td>
<td>Pohang</td>
<td>Culture and artistic performances, movies, etc.</td>
<td>62 occasions</td>
<td>121,802</td>
</tr>
<tr>
<td>Baeleewon Art Hall (1992~)</td>
<td>Gwangyang</td>
<td>Performance spaces for rent, etc.</td>
<td>43 occasions</td>
<td>77,979</td>
</tr>
</tbody>
</table>

Talent Donation Group

At POSCO, individual employees use their knowledge, skills, and experience to help local communities meet their essential needs. Last year, a total of 51 Talent Donation Groups volunteered in Pohang, Gwangyang, and Seoul.

Cultural Assets Preservation Volunteer Group

Our Cultural Assets Preservation Volunteer Group plays a leading role in protecting invaluable cultural assets and publicizing the excellence of Korean culture. Its volunteer activities include cultural heritage guide and brochure translation as well as cultural property monitoring, environmental clean-ups and repairs. In 2019, 114 employees volunteered at Shin Woo jong (National Historic Site No. 550) which was significant to Korea’s national independence movement and at the military general affairs center building which is a structure remaining from the Chosun Dynasty era (Seoul Tangible Cultural Property No. 37).

Clean Ocean Volunteer Group

Our Clean Ocean Volunteer Group was created back in 2009 by employees with specific skills in scuba diving. More than 150 group members are volunteering in the waters near Pohang, Gwangyang, Seoul, Incheon, and Changwon where POSCO and other group affiliates are operating. They collect marine waste and starfish to preserve the ocean ecosystem.

POSCO Corporate Citizenship Report 2019
Future Generation

POSCO provides educational support for future generations to unleash their full potential. For elementary school students, culture and arts programs are supported at local children’s centers to help them become self-reliant through career assistance, emergency living expense support, and employment allowances. For middle school students, we offer hands-on science classes and camps with an aim to nurture future scientists in the materials science sector. We also assist middle and high school students from multicultural or migrant backgrounds in exploring their career paths so that they can take the lead even under challenging circumstances. Furthermore, learning support is provided to children living in juvenile detention facilities, and personalized support is given to youth who are old enough to leave these facilities to help them become self-reliant through career assistance, emergency living expense support, and employment allowances.

Beyond, POSCO’s Youth Volunteer Group

Our undergraduate volunteer group dubbed “Beyond” selects 100 undergraduate students (regardless of region, age, major or gender) and provides them with an eight-month program to learn and practice the spirit of care and volunteerism. In 2019, these “Beyonders” helped construct public facilities to render local communities in Korea and abroad more sustainable, and volunteered in Indonesia to promote education for local children.

Junior Engineering Class

Since 2004, this program, led by the National Academy Engineer- ing of Korea and supported by the Ministry of Trade, Industry and Energy, served as an opportunity for our employees to provide sci- ence experiments and classes. Our Pohang and Gwangyang Works joined this program in 2004 and 2015 respectively to nurture future science and technology talent and forge closer ties with local resi- dents. In 2019, 15 schools in Pohang and Gwangyang benefited from this program with 1,145 students receiving hands-on engineering training through learning kits twice in the first and second half of the year. This was made possible through the service of 98 POSCO employees serving as instructors.

Underprivileged Group

As a company that grows with local communities, POSCO delivers a range of programs to reach out to the less privileged in society. In particular, we provide employment opportunities to those who are often left behind in the job market.

Café OAsia

Café OAsia, jointly established by POSCO and the social enterprise network SESNET, is Korea’s first social co-op recognized by the Min- istry of Employment and Labor. This franchise business hires mar- ried immigrant women as baristas to provide stable employment and support their economic independence and career development. All profits generated from the Café OAsia franchise operations go to fund multicultural campaigns and create new jobs.

Social Enterprise

To help create stable employment, we establish and support social enterprises that contribute to improving the quality of life for the less privileged. POSCO HUMANS and POSPLATE in Gwangyang are Korea’s first certified standard enterprises for physically/mentally challenged individuals. Not only do they create jobs for these eco- nomically-disadvantaged people, but also help lay the basis for building social enterprises. We transferred our equity ownership free-of-charge to competent NGOs and other related organizations.
Non-profit Foundation

POSCO 1% Foundation

The POSCO 1% Foundation was established in 2013 as a non-profit public foundation. It is funded through grant matching: employees working at POSCO, group affiliates, and partner companies donate 1% of their wages, and the matching amount of donations is made by POSCO and some group affiliates. As of 2019, 98% of POSCO employees have made such donations.

*Matching grant: Businesses make their own share of donations to encourage their employees to do the same, and the amount of such donations match those made by the employees.

Donors
33,844 persons (as of the end of Dec. 2019)

Donations made
KRW 9.36 billion in total (as of 2019), including employee donations/matching grants from businesses/interest income, etc.

Major Program

The POSCO 1% Foundation mainly supports future generations, individuals from multicultural backgrounds, those who are physically or mentally challenged, and other less fortunate groups in society, in consideration of the results from surveys we receive from the employees who make donations.

Future Generations
We support the sound growth of future generations.
- 1% Sharing Art School
  - Cultural and arts education for children at local children centers
  - Attended by 1,029 children from 86 centers
- Sangsang Isang Science
  - Hands-on science classes and camp programs targeting local middle school students to nurture future leaders in the materials science sector
  - Science Class attended by 543 students from 6 schools, science camp attended by 99 students
- Do Dream
  - Personalized support provided to youths reaching their release dates from juvenile detention centers to promote their self-reliance concerning learning, emergency living expenses, and employment allowances
  - 21 youths benefited
- UNESCO Out-Of-School Child Support
  - Increased accessibility to education for out-of-school children in ASEAN (literacy, basic numeracy, teacher training)
  - 459 students educated, 310 teachers given teaching support

Multi-Culture
We support multicultural families in their journey towards a self-sustainable future.
- Multicultural children visiting maternal relatives
  - All family members are supported in visiting their maternal relatives to experience the culture of their mother’s home country and enjoy support from their maternal relatives
  - 8 families (22 members) living in Pohang visiting the Philippines, 5 families (21 members) living in Gwangyang visiting Vietnam
- Chin Chin Rainbow
  - Career support program for teens from multicultural or underprivileged families to explore diverse career paths, including arts, multicultural or underprivileged families to explore diverse career paths, including arts, music, and sports, and receive educational expense support and one-on-one case management
  - 129 students benefited

People with Disabilities
We support people with disabilities for their better life.
- Huimang Na’laje (Hope for People with Disabilities)
  - Donating personalized assistive devices for people with disabilities in local communities who are often left behind in receiving governmental support
  - 26 beneficiaries
- Huimang Gong-gan (Barrier-free space for people with disabilities)
  - Support for the renovation of facilities shared by people with disabilities in local communities through the adoption of space designs that improve accessibility and convenience
  - 5 facilities renovated

Change my town

This donor-led program allows donors to develop interest in local communities, identify their problems, and suggest and execute ideas to resolve them. In 2019, a total of 49 such projects were undertaken.

APPENDIX

Stakeholder Engagement Policy
Major Performance Data
GRI
SASB
TCFD
Assurance Statement

POSCO Corporate Citizenship Report 2019

61
POSCO, sharing culture and arts with local communities

POSCO has taken a multi-pronged approach to revive culture and arts across local communities since its establishment. Following the opening of the Hyoja Art Hall in Pohang in 1980, we have operated a total of six galleries and art museums as well as two football stadiums and a football club. All these facilities are open to the general public free-of-charge, and this undoubtedly contributes to the development of local culture and arts organizations and helps local community members fully enjoy culture and arts.

**POSCO Concert**
Initiated back in 1999, the POSCO Concert is held on approximately 10 occasions per year to present a variety of cultural performances. The concert venue is located at our Seoul POSCO Center, and anyone is welcome to enjoy the event through an online reservation. In 2019, 11 concerts were hosted with 6,728 people in attendance. From 2020 onwards, the POSCO Concert will be also available in the Pohang and Gwangyang region to reach a wider local audience.

**POSCO Art Museum**
The POSCO Art Museum opened in 1995 at our Seoul POSCO Center and aspires to be an ‘easy-to-reach museum, an open space in your life’ that facilitates free person-to-person and person-to-community communication through the medium of arts. By hosting diverse special exhibitions on contemporary arts and providing academy programs, the museum disseminates its slogan of ‘life within arts, arts within life’. In 2019, 46,357 visitors enjoyed five exhibitions, the family healing program, and special lectures by artists.

**Hyoja Art Hall**
The Hyoja Art Hall opened in 1980 and has since presented high-quality films as well as a wide array of high-class performances in the way of concerts, dramas, musicals, dancing, and traditional Korean music. Its sophisticated performance venues have been open since 2006 to local culture and arts organizations and individual artists to assist the growth of these organizations and the emotional wellbeing of local residents. Furthermore, as part of our corporate Mecenat initiative, ‘rental performances’ have been hosted to pursue harmony with local communities. In 2018, the facility was renovated to become an even more pleasant venue for audiences with a 731-seat capacity. As of 2019, 62 performances were held and attended by 121,801 people.

**Baekwoon Art Hall**
Since its launching in 1992, the Baekwoon Art Hall has positioned itself as the region’s leading arts center by presenting diverse genres, from concerts and musicals to ballet, dancing and dramas, delivering artistic visuals and high-quality performing arts. In 2018, the facility was renovated to provide more comfortable seating and expand it space while an outdoor stage and a cafeteria were created to better communicate with its audiences. In 2019, 43 performances were hosted for 77,979 people.

**POSCO Museum**
The POSCO Museum was completed on July 3, 2003 to correspond with the completion date of Plant No. 1 of the Pohang Works. Situated on a land of nearly 3,000 pyeong, this three-story building measures 1,100 pyeong in total floor area and 600 pyeong of this is dedicated to its exhibition areas. It is not entirely uncommon that corporate history exhibitions or museums are present in advanced nations, but building a history museum exclusively for a specific company was rarity in Korea and our corporate history museum garnered much attention even from its master plan phase. Illustrating the past, present and future of POSCO and its corporate culture and vision, the POSCO Museum was visited by a general audience of 40,460 as of 2019.
POSCO, ushering in a sustainable future together with raw material suppliers

GEM Matching Fund

Inspired by an idea suggested by its employees, POSCO decided to form one-on-one matching funds with overseas raw material suppliers in order to create meaningful social value in bilateral local communities and along the mining-steelmaking value chain. The funds will be termed ‘GEM Matching Fund’. GEM means ‘Go the Extra Mile’, which embodies POSCO’s Corporate Citizenship philosophy, as well as ‘jewel’.

The size of these funds amounts to USD 100,000 per year. Candidate beneficiaries will be identified and selected both in the country and local community where the supplier is located and in Korea where POSCO is operated. The funds will be provided in each of the two countries annually; the first year in one country and the second in the other. Our aim is to create a virtuous cycle where social value generated as such eventually leads to economic value. To set these beneficiary programs apart from making mere donations, they will focus on selected themes such as mining-connected scholarships, forestation in areas affected by wildfires, training for field staff and supplier employees, and safety improvements.

In November 2019, POSCO signed an agreement with Yancoal, an Australian coal supplier, to launch the first GEM Fund name OPAL in consideration of its origin in the country. The fund was raised with USD 50,000 invested by POSCO and Yancoal respectively to reach USD 100,000. This will be used to provide one-year vocational training to Australian Aborigines and help them land a job in the mines operated by Yancoal in Australia. In February 2020, we decided to create the second GEM Fund with Xcoal in the U.S. and named the fund EMERALD in reflection of its ‘green’ nature. Again, POSCO and Xcoal will invest USD 50,000 respectively to spend USD 100,000 on restoring Okgye in Gangwon Province, Korea, which suffered forest fires. We plan to cooperate with Anglo America, BHP and other major raw material suppliers to extend the scope and operation of the GEM Fund program.

Delivering co-prosperity through mine training for aboriginals and a strengthened supply chain

- POSCO-Yancoal GEM matching fund (launched in Nov. 2019)
  - Size: USD 100,000 (USD 50,000 invested by both companies respectively)
  - Partner: Clontarf Foundation (non-profit foundation)
  - Support: Vocational training for Australian Aborigines
  - Trainees selected (~ Mar. 2020), and tailor-made training provided (~ Dec. 2020)
  - Job placement at mines operated by Yancoal (2021~)

Preparing for a sustainable future through joint volunteering to restore forests damaged by wildfires

- POSCO-Xcoal GEM matching fund (launched in Feb. 2020)
  - Size: USD 100,000 (USD 50,000 invested by both companies respectively)
  - Partner: Tree Planet (social enterprise)
  - Support: Forestation for Gangneung in Korea affected by wildfires
  - Forestation project (Apr. 2020): 4 ha, 11,000 trees planted
  - Joint participation by POSCO and Xcoal employees and locals
Korea’s fertility rate posted 0.88% in Q3 of 2019, one of the lowest in the world. What is even more worrisome is the possibility that the percentage will continue to drop. Low birth rates and the resulting population decline not only slow down economic growth and shrinks domestic consumption but also results in the growing social burden of supporting an aging population. This prompted us at POSCO to place resolving the extremely low fertility rate in Korea high on our Corporate Citizenship program agenda. We plan to evaluate its root causes and relevant policy measures in order to take a distinctive approach to addressing this issue at a company level as well as across the local communities of Pohang and Gwangyang and society at large.

We take the lead in making the communities of Pohang and Gwangyang role model cities that fully support the youth and young families-to-be.

At the company level, we are creating and improving our systems to tend to the maternity and childcare needs of our employees. This will surely enable our employees to strike a good work-life balance. We provide a range of institutions and programs at the company level to help transform the cities of Pohang and Gwangyang where we operate into places that fully cater to the childbirth and childcare needs of our employees. This will surely enable our employees to strike a good work-life balance. We provide a range of institutions and programs at the company level to help transform the cities of Pohang and Gwangyang where we operate into places that fully cater to the childbirth and childcare needs of our employees. Furthermore, we consistently endeavor to build social consensus and improve awareness to create ultimate solutions to low birth rates.
## SUPPORT FOR YOUTH EMPLOYMENT AND STARTUPS

Our ‘POSCO Youth Dream’ program intends to support the youth in Korean society facing difficulties due to economic downturn and the tightened job market in landing a job or starting their own business. Launched in December 2018, this program is designed to benefit 5,500 young people through 5 years, and is currently offering three hands-on courses that are the most needed from their perspective, including training-to-employment alignment, AI and big data professional training, and support for to-be entrepreneurs with POSCO bearing the full cost of program operation. During the course of 2019, more than 1,100 participants completed the program, and 318 of them went on to land a job or start a business.

### AI·Big Data Academy

Youth AI·Big Data Academy is a 12-week camp training program provided through the collaboration between POSCO Group University and POSTECH to nurture smart technology professionals in line with the 4th Industrial Revolution. From AI and big data fundamentals and their deployment techniques to the resolution of highly probable business challenges, practical work-level content is provided in a systemic manner. In 2019, a total of 194 people attended this program and 66 of them landed a job. Our 2020 plan is to train 200 applicants on four occasions and to reward top-performers with an opportunity to apply for recruitment program of POSCO group and to join research internship program of POSTECH.

### Start-up Incubating School

Startup Incubating School supports future entrepreneurs to successfully start a business and develop real life business knowledge. They are given an opportunity to use Design Thinking methodology to elaborate on their business ideas from the viewpoint of trends and consumers to verify their feasibility while learning the pertinent knowledge required to start a business and receiving assistance to prepare business proposals. For those whose business ideas passed the business feasibility test following the four-week camp training, they are granted the benefit of joining POSCO Venture Valley and qualified to receive investments from POSCO Venture Fund. In 2019, a total of 87 people participated in this program and 39 of them succeeded in starting a business. Specifically, 10 of them moved to the Pohang Center for Creative Economy and Innovation, and 15 of them were chosen to attend a governmental startup support program. In 2020, this program will benefit 100 entrepreneurs, with 25 trainees for each of the four sessions.

### ‘POSCO Youth Dream’ program provides employment opportunities and startup training to encourage younger generation to follow their dreams.

### POSCO Employment Preparation Academy

Our POSCO Employment Preparation Academy helps young job seekers who have undergraduate degrees or are approaching graduation to improve their competitive edge in the job market. It provides 3-week course on resume preparation, interview strategies & meetings with HR managers, and several projects to address real-life business challenges. In 2019, 827 trainees attended this program, and 213 of them succeeded in finding a job. Our plan for 2020 is to train approximately 800 people and to provide more employment opportunities by introducing a ‘corporate citizen job matching internship’ program.

### POSCO Stakeholder Engagement Policy

Our ‘POSCO Youth Dream’ program intends to support the youth in Korean society facing difficulties due to economic downturn and the tightened job market in landing a job or starting their own business. Launched in December 2018, this program is designed to benefit 5,500 young people through 5 years, and is currently offering three hands-on courses that are the most needed from their perspective, including training-to-employment alignment, AI and big data professional training, and support for to-be entrepreneurs with POSCO bearing the full cost of program operation. During the course of 2019, more than 1,100 participants completed the program, and 318 of them went on to land a job or start a business.
POSCO's 'Becoming and Nurturing a Good Global Citizen' program first encourages its employees to proactively fulfill their role as a citizen of modern society and then induces students and the general public to understand the role of a good global citizen and actually assume this role. Since we announced our Corporate Citizenship management philosophy in 2018, we launched the One Person One Action campaign for employees this year, and operated the Beyond and POSCO Asia Fellowship programs for undergraduates and overseas talent to generate tangible outcomes.

POSCO aspires to become a good global citizen to respect and care for our stakeholders beyond geographical boundaries with mature citizenship and to voluntarily join public initiatives for social development.

One Person One Action Campaign
The 'Corporate Citizen Brief' that is e-mailed to POSCO employees every week helps them understand the Corporate Citizenship philosophy and act on it in their day-to-day business and personal routines. Respective departments hold discussions on how to practice this philosophy so that employees identify actions to be taken under this campaign and fully engage accordingly.

POSCO Undergraduate Volunteer Group Beyond
Under our Beyond program, 100 undergraduates are selected each year regardless of their origin, age, major or gender and learn to develop the spirit of care and volunteerism for eight months. In 2019, "Beyon-ders" volunteered to build public facilities to create sustainable local communities in Korea and abroad, and had previously helped educate local children in Indonesia. By practicing the spirit of sharing as such, undergraduates grow to become truly good global citizens.

POSCO Asia Fellowship
The POSCO TJ Park Foundation offers various programs to nurture talent in Asia. Specifically, its POSCO Asia Fellowship program provides scholarships to Asian students coming to Korea to study (427 students from 32 countries benefited since 2005) and to top-performing students at universities in Asia (4,819 students at 33 universities in 17 countries since 2005). In 2019, the Asia Opinion Leader Fellowship was created to invite nearly 20 applicants from eight countries to Korea for training opportunities.
We aim to build a creative corporate culture that engages each one of us in corporate citizenship activity and we seek to promote open communication to encourage employees to freely share their individually unique and original ideas.

POSCO, valuing the safety and growth of employees to fuel creativity and trust

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PEOPLE

OCCUPATIONAL HEALTH AND SAFETY

Our endeavors to ensure employee health & safety

POSCO places safety as its top priority in business conduct and is fully committed to building a globally recognized safety culture. In compliance with the Charter of Corporate Citizenship declared last year, we have endeavored to create a pleasant work environment and to fully engage employees in performing self-directed safety activities. All our employees at the steelworks are eligible for in-house special health checkups conducted in reflection of their unique working conditions, and external health checkups were added to this to further ensure employee health.

Safety

Safety Management Organization

POSCO’s workplace safety management is based on the four core strategies of ‘innovating the safety culture based on the Three Quality Principles of Substance, Execution and Practicality’, ‘promoting site-centered safety execution’, ‘achieving Safety with POSCO’, and ‘integrating safety management within POSCO Group’. To support these strategies, the Safety Strategy Bureau was created under the Head of the Steel Division in 2019. The Safety Strategy Bureau serves as the company-wide safety control tower to provide safety audit and consulting services across POSCO Group. Our Pohang and Gwangyang Works operate the Safety & Hazard Prevention Teams to take field-based safety measures, provide employee safety training, patrol vulnerable sites and respond to government agencies. Our safety operation is further complemented through Safety & Environment Section at the Technical Research Laboratories and Construction Safety Management Section at Investment Planning & Engineering Office under Purchasing and Investment Division. Each of our worksites also operates their own Occupational Health & Safety Committee: the committee is composed of 20 members, half of them representing employees and the other half the Company, and makes decisions on health and safety issues in accordance with Korea’s Industrial Safety and Health Act. Committee meetings are convened by the Chair every quarter, and committee members serve three-year single terms.

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Its major agenda items include the development of health & safety standards and occupational injury prevention plans, issues concerning employee Industrial Safety and Health Act. Committee meetings are convened by the Chair every quarter, and committee members serve three-year single terms.

In July 2019, our safety management policy from the POSCO top management, which includes the safety-first message within the POSCO Charter of Corporate Citizenship “We create a safe and pleasant working environment to promote the health and well-being of our employees,” was announced to all employees. In an aim to establish a corporate culture that values safety above all else, an emergency safety innovation task force was launched under the supervision of Head of Steel Business Unit (President of the Company) while a safety pledge ceremony was held. Furthermore, the company-wide Labor-Management Safety Committee was operated to strengthen the execution of the ‘back to basics’ principle by identifying potential risks, attending essential safety activities such as pre-work Tool Box Meetings (TBM) and reviewing compliance with work standards. All safety facilities were inspected at our steelworks and immediate improvement measures were taken on facilities falling short of any of the safety criteria. In 2020, we will build upon our ‘back to basics’ principle to reestablish our safety management system and ceaselessly endeavor to ensure the smooth operation of relevant systems.

Our Commitment to Put Safety First

It is indeed with a heavy heart that we take full responsibility for the safety accident that occurred at our worksite in 2019. This undoubtedly urged us to develop systemic countermeasures and follow stringent management procedures to prevent the recurrence of such safety accidents across our establishments.

*Occupational Health & Safety Committee operated at the worksite level

Safety Strategy Bureau at Safety & Environmental Planning Office

CEO

Steel Business Unit

Pohang Works’ Safety & Disaster Prevention Technology Section

Steel Production & Technology Division

Guwangyang Works’ Safety & Disaster Prevention Technology Section

Safety & Environment Section at Technical Research Laboratories

Construction Safety Management Section at Investment Planning & Engineering Office

Purchasing and Investment Division

*Occupational Health & Safety Committee operated at the worksite level
Four Major Safety Strategies and KPIs

Health & Safety Strategy and Goal*

**Mission**
Create social value with respect for human dignity beyond economic growth

**Vision**
Establish a safe workplace for all across POSCO Group

**Goal**
Reduce major injuries and major occupational accidents to zero

**Core Strategy**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>01</th>
<th>02</th>
<th>03</th>
<th>04</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovate the safety culture based on the Three Quality Principles</strong></td>
<td>Innovate the safety culture based on the Three Principles; Shiljil(Substance), Shilhaeng(Execution), and Shilli(Practical)</td>
<td>Promote site-centered safety execution</td>
<td>Achieve Safety with POSCO</td>
<td>Integrate safety management within POSCO Group</td>
</tr>
</tbody>
</table>

**KPI**

<table>
<thead>
<tr>
<th>Injury rate (Unit: %)</th>
<th>Employees sustaining major injuries (Unit: No. of persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.03 0.05 0.06</td>
<td>0 5 2</td>
</tr>
</tbody>
</table>

*Including key safety measures taken in 2019

---

**Innovate the safety culture based on the Three Principles; Shiljil(Substance), Shilhaeng(Execution), and Shilli(Practical)**

**Safety Slogan**
At POSCO, the safety slogan created internally is recited before initiating meetings or events to improve safety-first awareness among employees.

We acknowledge that safety is the fundamental and ultimate value in respect for human life.

We strive to ensure the adoption of safe practices to ensure the safety of all.

We work together, one by one, to build our happy days ahead.

Three Quality Principles;
- Shiljil(Substance)
- Shilhaeng(Execution)
- Shilli(Practical)

**Safety Rules and the Co-Worker Love Card**
The 10 Iron Safety Rules are our internal regulations that must be observed by all POSCO and partner company employees across all worksites to prevent injuries and accidents. A violation of these rules results in the issuance of Co-worker Love Cards and compliance is rewarded with compliment cards. Employees receiving two Co-worker Love Cards per year are given a warning from their department head, and if it increases to three or more, a stringent measure of being summoned by the personnel committee is taken.

**10 Safety Rules**

1. Use PPE (protective goggles, required PPE etc.)
2. Use the handheld when using the stairs
3. Ensure all drivers and passengers wear a seatbelt
4. Stop at railway crossings and observe regulated speed limits
5. Never dismantle a safety device unless specifically instructed to do so
6. Conduct a TBM* before operation and perform finger pointing during the operation
7. Use a safety belt when operating in elevated locations
8. Never approach operating facilities without due reason
9. Power off machinery and check the electricity before engaging in any electrical work
10. Perform an oxygen and hazardous gas check in any confined space

* Tool Box Meeting (TBM): Employees identify potential risks on work to be performed and related equipment and take safety measures prior to working.

**POSCO Group Safety Management Awards**
Since 2010, POSCO has awarded divisions and subsidiaries for their contribution to developing a safety culture that respects human dignity. The POSCO Group Safety Management Awards identifies candidates at group affiliates, partner companies and overseas subsidiaries as well as POSCO to ensure the broader dissemination and establishment of a sound safety culture.

**Category**

- Stainless Steelmaking Maintenance Section at Steelmaking Facilities Maintenance Department of Pohang Works
- Plate Plant of Gwangyang Works
- Stainless Steelmaking Maintenance Section at Steelmaking Facilities Maintenance Department of Gwangyang Works
- POSCO C&C
- Kiwoo (POSCO)
- NEW KIM (POSCO)
- Partner company
- Group affiliate
- Overseas subsidiary
- POSCO-Vietnam

**Name of Awardee**

- POSCO
- Stainless Steelmaking Maintenance Section at Steelmaking Facilities Maintenance Department of Pohang Works
- Plate Plant of Gwangyang Works
- Stainless Steelmaking Maintenance Section at Steelmaking Facilities Maintenance Department of Gwangyang Works
- POSCO C&C
- Kiwoo (POSCO)
- NEW KIM (POSCO)
- Partner company
- Group affiliate
- Overseas subsidiary
- POSCO-Vietnam

**Achievement**

- Strengthened the internal review of permit to work and TBM
- Systematically managed abnormal/unexpected work, including checks on such equipment safety systems as the ELS (Isolation Locking System)
- Installed CCTV and offered customized protective gear
- Published guidebooks and strengthened safety checks on holidays
- Improved the quality of essential safety measures including mock safety drills
- Hosted quarterly Safety Golden Bell events and improved on sites falling short of safety criteria

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Promoting field-centered safety execution

Safety Training and Exercise
Legally-mandatory safety training is provided annually to employees at our directly-operated departments and partner companies to enhance their safety awareness and minimize safety risks. Customized training is also offered to help employees across various job levels develop essential safety capabilities.

Safety Training

<table>
<thead>
<tr>
<th>Training</th>
<th>Description</th>
<th>No. of Trainees</th>
<th>Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level-based training</td>
<td>Training for administrative supervisors and new recruits</td>
<td>13,404</td>
<td>76,147</td>
</tr>
<tr>
<td>Global Safety Center training</td>
<td>Equipment safety/ILS experience training</td>
<td>10,330</td>
<td>20,875</td>
</tr>
<tr>
<td>Partner company training</td>
<td>Safe handling of heavy items, injury case studies, etc.</td>
<td>16,894</td>
<td>44,757</td>
</tr>
<tr>
<td>Other training</td>
<td>VR-based hands-on equipment, safety benchmarking, etc.</td>
<td>1,144</td>
<td>1,625</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>41,772</td>
<td>137,404</td>
</tr>
</tbody>
</table>

Safety Acts Observation (SAO)
We perform Safety Acts Observations (SAO). The purpose of this practice is to improve on the occurrence of unsafe behaviors to protect employees from risk of injury, promote positive dialogue and build mutual trust to induce behavioral change on the part of the employee in order to establish a mutually-beneficial safety culture. Our employees in relevant positions also receive SAO training to improve the quality of our on-site safety audits and the level of safety management. In 2019, one-day collective training was conducted on 48 occasions for six months from April: 1,436 employees, from on-site part leaders to executives, were trained on leadership, the concept and execution of SAO, accident analysis, observational understanding, corrective measures, and safety in general. We will further reinforce such training in the upcoming years.

Safety Mindset & Basic Rules

<table>
<thead>
<tr>
<th>Behavior/Status</th>
<th>Dialogue</th>
<th>Compliment/Encouragement</th>
<th>Improved Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsafe behavior</td>
<td>Dialogue</td>
<td>Identify causes/take corrective measures</td>
<td>Change in Behavior</td>
</tr>
</tbody>
</table>

Achieving Safety with POSCO

Expanding rewards to encourage the discovery of potential risks
The Safety Committee is organized at the department level to encourage all employees to fully participate in discovering and improving potential safety risks. In 2019, rewards for outstanding performance in identifying potential risks were expanded on a monthly basis with financial incentives granted by executives or gift certificates offered by department heads at their discretion.

Operating labor-management Safety Committees
Each of our departments organizes monthly Safety Committee meetings joined by managers and labor union members to perform on-site checks. This helps identify potential risks and review compliance with standards and the implementation of Tool Box Meetings (TBM)*.

Making safety improvements through the ‘Safety Innovation Task Force’
In response to the recent occurrence of ‘primitive’ injuries including major ones, we are taking short-term company-wide safety activities by identifying equipment falling short of safety criteria and making intensive improvements. To this end, the launching ceremony was held for the Safety Innovation Task Force under the supervision of the Head of the Steel Division (CEO) in July 2019 and this has been followed by progress reviews led by Head of Steel Production & Technology Division every three weeks. The task force conducted general reviews of safety equipment during its operational period and created an independent unit to take emergency measures in response to equipment corrosion and falling risks. The unit ensures that upon receiving reports on equipment hazards from employees, improvement measures will be taken the same exact day.

*TBM: Employees identify potential risks on work to be performed and related equipment and take safety measures prior to working in order to ensure safe work conditions.
Integrating safety management

POSCO Safety Rating System Consulting

POSCO is tightening its safety management system across directly-operated worksites, group affiliates in Korea and abroad, and related companies to respond to legal risks including the Korean Industrial Safety and Health Act. The POSCO Safety Rating System (PSRS), as our safety diagnosis tool, enables us to quantitatively evaluate our safety performance on leadership, organization, and execution based on our safety management expertise. This process starts with diagnosis planning and team organization, followed by the review of relevant data prior to diagnosis to perform surveys, interviews, and on-site assessments in each of the 12 elements. The results are placed on the Bradley Curve to evaluate our safety performance. Once such diagnoses are conducted, evaluation outcomes are used to practice change management and make periodic reassessments to improve our safety performance. In 2019, the PSRS was implemented in 13 directly-operated departments, 10 partner companies, two overseas subsidiaries, and one group affiliate. Our plan for 2020 is to add compliance with the revised Industrial Safety and Health Act and equipment safety to the scope of the PSRS diagnosis to substantially improve our safety culture.

Features of the PSRS

- Strongened follow-up management
- Qualitative/quantitative diagnosis
- Consensus building

Health & Safety Management System Certification

We achieved the KOSHA 18001 and OHSAS 18001 health & safety management certifications to ensure the self-directed and systemic operation of all our health & safety management activities. In compliance with these standards, our safety-first management guidelines and safety policies are implemented along the Plan-Do-Check-Action cycle and we are constantly raising the bar on our health & safety management.
Occupational Health

Occupational Health Policy

As we sincerely believe in our management principle that 'a company is only as healthy as its employees', we operate occupational health policies in the following three major areas to protect employees from disease and improve their quality of life.

Occupational Health Policy

- Health checkup, treatment, physical therapy, and vaccination
- Early detection and prevention of occupational diseases
- Measurement (chemicals, dust, noise, and heat)
- Management (personal protective equipment, chemicals, noise/vibration, work that causes musculoskeletal burdens)
- Improvement of daily habits (smoking cessation, abstinence from alcohol consumption, obesity, steady exercise, dietary improvements)
- Psychological counseling on safety and general issues

Disease Prevention

Every year, we fully support all our employees in receiving health checkups for the early detection and prevention of disease. While we have partially supported the health checkups provided to employee spouses, this will be expanded to fully support such checkups from 2020 onwards. In addition, a health management app was developed in the second half of 2019 to provide employees with health checkup outcomes and other health-related information. As a result of evaluating and analyzing occupational stress that our employees face, we decided to focus on the prevention and management of Cerebrovascular and Cardiovascular disease in reflection of the work characteristics of steel mills. We support our employees in receiving in-house physical therapy to prevent musculoskeletal diseases, and extended the scope of in-house treatment and medications to partner companies.

Health Checkups for Employee Spouses

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,914</td>
<td>3,075</td>
<td>2,959</td>
</tr>
</tbody>
</table>

Ratio of POSCO employees who receive health checkups 100%

Work Environment Management

We improve on old equipment while developing and implementing hazard mitigation measures to create a pleasant work environment. Specifically, we are monitoring the management of enclosed areas within plants, personal protective equipment, and chemical substances to comply with the Industrial Safety and Health Act, the notifications made by the Ministry of Employment and Labor, and technical guidelines from the Korea Occupational Safety and Health Agency. For worksites that generate noise and dust, we provide training on how to properly wear personal protective equipment through hearing protector and respirator fit testing.

*Fit test: Fit testing devices are used to measure any leak around the fitting areas and the level of effectiveness based on the calculation of measurement data.

Health Promotion

Our Pohang, Gwangyang, and Seoul worksites are equipped with psychological counseling centers to promote the contentment and mental well-being of our employees. Counseling and psychological testing is provided to employees, their families and partner company employees to help them manage their stress, improve self-esteem and recover from traumatic experiences. When deemed necessary, in-house psychiatric treatment is also supported. Resting quarters are arranged for night shift workers, and during the period of severe heat waves, health care providers make in-house calls for employees working under high-temperature conditions and suffering from heat exhaustion. For employees with specific health conditions, we provide them with body composition testing, personalized workout plans, and theme-based exercise programs to improve their health.

Psychological Counseling Users

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,157</td>
<td>1,817</td>
<td>1,974</td>
</tr>
</tbody>
</table>
POSCO Corporate Citizenship Report 2019

PEOPLE

TALENT DEVELOPMENT

Rewarding top talent through training and fair evaluation

It is our employees who are the driving force behind our management philosophy of ‘Corporate Citizenship’. As such, we are developing a talent development system to enable our employees to become good global citizens. From recruitment and training opportunities for self-development to fair evaluation and compensation, wide-ranging investments are made to nurture talented individuals.

Human Resources Management

Recruitment

POSCO has adopted the ‘Systematic Screening Method’ since 2003 to recruit talented individuals who fit the definition of the ideal POSCO employee under the Corporate Citizenship management philosophy. This method deploys systematic interview procedures and multi-phase assessments to minimize discrepancies among evaluators and select the best fit for our company. In 2019, the interview period was extended and preferred status was offered to people we would consider to be ‘Good Global Citizens’. As such, officers discharged from military service and applicants with outstanding social giving records were given such preferred status.

Talent Development

POSCO provides customized training according to job level and work description to nurture competitive future leaders. In 2019, a total of 1,522 courses were offered by POSCO Group University (77 on-site courses, and 1,445 e-learning courses). Our 2020 goal is to achieve future competitiveness in the global market by fostering human resources with Corporate Citizenship mindset, leadership in communication and collaboration, and digital capability.

Ideal POSCO Employee

Action-oriented and creative talent with caring minds

Action

- Set an example and perform decisively with a sense of ownership and accountability

Caring mind

- Pursue co-prosperity with modesty and respect, and be willing to sacrifice and serve

Creative

- Engage in work to proactively apply new ideas to solve problems

Recruitment Process

1. Document screening
   - Assessment of the applicants’ level of job knowledge and suitability, including their motivation, qualifications, and experience

2. Personality aptitude test
   - POSCO’s distinctive recruitment test performed to evaluate applicants’ basic competency, creativity and personality

3. 1st interview (competency assessment)
   - Analysis and presentation interview, group activities, personality and job interview

4. 2nd interview (value suitability assessment)
   - Interview by senior management

5. Talent Development Strategy
   - Include POSCO’s Corporate Citizenship mindset lecture in the level-based training curriculum (27 courses)
   - Create lectures/workshops, publish a Corporate Citizenship Story book
   - Strengthen the training of organizational management capacity building for field supervisors as well as inter-generational/level consensus-building programs
   - Establish a three-stage Digital Transformation course system, and open a ‘IT business practice program’
   - Develop digital and professional technology capabilities to reinforce safety and equipment operation
   - Develop a training operation system (HRD platform)
Capacity Building Program

POSCO provides a wide array of training programs to assist its employees with capacity building in line with rapidly-shifting business conditions. Employees attend high-quality training programs to improve their work capabilities, and this in turn leads to higher product quality and cost savings. In 2019, we were specifically focused on such capacity building programs as the DT training program, the Empathy-plus Workshop, and executive/junior executive training programs.

**Program**

<table>
<thead>
<tr>
<th>Program</th>
<th>Description (2019 Results)</th>
<th>Expected benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>DT (Digital Transformation) training program</td>
<td>This program helps employees respond to Smart Factory and other changing work conditions, strengthen their digital capabilities, and learn data-driven methods. Phase-specific smart training is provided to nurture talent with data competency. (2019 training attendance: 3,609 trainees, ratio of attendance against the total workforce: 2%)</td>
<td>POSCO is focused on building the digital capacity of its employees to accelerate the transition to smart steelworks (smart furnaces, etc.). It will help us to achieve long-term cost reduction through sustainable manufacturing.</td>
</tr>
<tr>
<td>Customized program for field department/technical training</td>
<td>Diverse field-customized technical training is provided to help employees develop expert technical capabilities and reinforce our safety and equipment operations. Platform development continues to facilitate self-directed learning and mutual learning so as to consistently support capacity building. (2019 training attendance: 3,465 trainees, ratio of attendance against the total workforce: 19%)</td>
<td>As part of the field-customized technical training, smart technology and cost mindset development training is provided for engineers to identify viable improvement plans within our steelworks. Developing a technical workforce helps us maintain our improve our field-level competitiveness and achieve long-term cost reduction through sustainable manufacturing.</td>
</tr>
<tr>
<td>Empathy-plus Workshop</td>
<td>This workshop intends to help departments to develop working-level action plans by performing department-level organizational culture assessments and build mutual empathy. This serves to facilitate organizational communication, create a corporate culture of consideration and trust, and stabilize labor relations. (2019 training attendance: 2,281 trainees, ratio of attendance against the total workforce: 14%)</td>
<td>Inter-generational/level communication is reinforced through the process of ‘organizational culture assessment – discussion &amp; improvement identification – resolution’, and an optimistic mindset is developed and organizational capacity improvement is supported. It will help us to increase employee engagement.</td>
</tr>
<tr>
<td>Executive/Junior Executive Development Program</td>
<td>This program aims to identify the competency level of executive/junior executive candidates through action learning tasks and leadership assessments and help them gain insights as future executives, while offering an opportunity to collaborate and network with colleagues from diverse fields. (2019 training attendance: 109 trainees, ratio of attendance against the total workforce: 1%)</td>
<td>Executive and junior executive candidates are selected and trained to develop their pride in becoming future executives and build necessary management capabilities. These candidates gain a range of insights and strengthen their management insights through project undertakings to promote the sustainable growth of the organization.</td>
</tr>
<tr>
<td>Retirement preparation program (Green Life Design)</td>
<td>This mandatory training targets employees nearing retirement and their spouses and provides them with the information and knowledge required to explore after-retirement career paths so as to support their prompt adaptation to retirement life. The curriculum concerns setting a life goal, designing an asset portfolio, and planning career paths, and includes field tours to relevant organizations and sites to provide substantial assistance. (2019 training attendance: 319 trainees, ratio of attendance against the total retirees: 90%)</td>
<td>POSCO provides a career development program to help employees prepare for retirement and a stable life after employment.</td>
</tr>
</tbody>
</table>

**Training Program Performance Measurement**

We employ the Level 3 Behavioral Evaluation of the Kirkpatrick Model to quantitatively measure the outcomes of our training programs. Specifically, individually-prepared action plans and 360 degree feedback are used to verify the transfer of learned knowledge. For instance, our New department head and leader training programs required participants to develop their action plans and receive 360 degree feedback three months later. This helped to assess their execution on the set action plans through self-surveys as well as surveys filled out by their bosses and juniors. The results of such surveys ranked us at 93.6 points in training performance in 2019. Going forward, we will continue to improve our evaluation methods and indicators to objectively assess the performance of our training programs.
### Evaluation and Compensation

POSCO operates a fair and objective appraisal system to ensure that its employees are duly rewarded for their work performance. For the sake of fair appraisal, both appraisers and appraisees sign the ‘fair appraisal pledge’ prior to performing any appraisals and appraisees may raise objections to outcomes in accordance with the set procedures. Our wage system is focused on compensating our employees in a way that promotes the stability of their livelihood and corresponds to their work performance. While their wage levels naturally increase to correspond with their years of service and inflation rates, wage raises are offered differentially based on individual performance appraisal outcomes. In addition, a variable management bonus program is under operation to share management outcomes with employees. Gender is not taken into consideration when it comes to wage increases and all employees are compensated based on identical wage standards.

### Performance Appraisal Process

Take the Management by Objectives (MBO) approach to performance appraisal systematically measure the work performance of individual employees.

#### Fostering Female Talent

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of female employees</td>
<td>5.3%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Ratio of female BOD members</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ratio of female executives</td>
<td>1.5%</td>
<td>1.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Ratio of female employees in management positions</td>
<td>10.7%</td>
<td>11.4%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Ratio of female employees in junior management positions</td>
<td>25.4%</td>
<td>25.3%</td>
<td>28.1%</td>
</tr>
</tbody>
</table>

1) Ratio of female employees against the total No. of employees
2) Ratio of female full-time executives out of total full-time executives

The calculation criteria was changed to include full-time executives only, excluding non-full-time executives, and this leads to numerical discrepancies from our Corporate Citizenship Report 2018.

3) Ratio of female employees in manager or higher positions against the total number of employees in management positions (employees in manager or higher positions and executives).

The threshold of defining management positions was revised from junior managers to managers, and this leads to numerical discrepancies from our Corporate Citizenship Report 2018.

4) Ratio of female employees in junior manager positions against the total number of employees in junior management positions (employees in junior manager positions).

#### Turnover & Retiremment

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total turnover</td>
<td>No. of persons</td>
<td>267</td>
<td>659</td>
</tr>
<tr>
<td>Retirees</td>
<td>No. of persons</td>
<td>-</td>
<td>356</td>
</tr>
<tr>
<td>Retirement rate</td>
<td>%</td>
<td>1.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Turnover rate</td>
<td>%</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

#### Employees with Disabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of employees with disabilities</td>
<td>%</td>
<td>2.8</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Direct employment</td>
<td>No. of persons</td>
<td>245</td>
<td>244</td>
<td>230</td>
</tr>
<tr>
<td>Indirect employment*</td>
<td>No. of persons</td>
<td>243</td>
<td>251</td>
<td>303</td>
</tr>
</tbody>
</table>

*Employment made through POSCO HUMANS, a standard site established by POSCO to employ people with disabilities.

### Capacity Assessment Process

Assess employee capacity on core values, leadership, and job capacity on a scale from one to five.

### APPENDIX

- Stakeholder Engagement Policy
- Major Performance Data
- TCFD Assurance Statement

#### Stakeholder Engagement Policy

- Corporate Citizenship Committee
- Investor Relations
- Tax Policy
- Risk Management
- Business Ethics
- Fair Trade
- Information Security

#### Major Performance Data

- Total No. of employees
- Age (under 30, from age 30 to 55, 55 and up)
- Gender (male, female)
- Region (Pohang, Gwangyang, Seoul, Overseas)
- Average years of service (No. of years)

#### Fostering Female Talent

<table>
<thead>
<tr>
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<td>-</td>
<td>-</td>
</tr>
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2) Ratio of female full-time executives out of total full-time executives

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4) Ratio of female employees in junior manager positions against the total number of employees in junior management positions (employees in junior manager positions)
PEOPLE

CORPORATE CULTURE  Pursuit of contentment for employees through a sound corporate culture

With the firm belief that our competitive edge as a company originates from the contentment of our employees, we are making significant and diverse investments in our corporate culture. We take the lead in bringing flexibility to our corporate culture, from workplace safety and welfare & benefit programs tailored to millennial lifestyles to sound labor relations.

Top Priorities of Corporate Culture Innovation

- **A safe and pleasant workplace for all**
  - Disseminate the safety-first mindset
  - Strengthen labor-management safety activities that engage all employees

- **A trustworthy, harmonious and dignified community**
  - Expand direct communication between management and employees
  - Operate HR programs that promote fairness and collaboration
  - Develop proper knowledge and workplace etiquette and promote inter-generational communication

- **Work-life integration* for a rewarding and fulfilling workplace**
  - Focus on the elimination of Fake Work
  - Disseminate ‘smart followership’ that adds value to work
  - Strengthen the infrastructure for self-directed learning

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*Work-life integration: Multi-dimensional integration of work and life as compared to the simple dichotomy of work and lifestyle

**Key Actions Taken in 2019**

**Safety KaTalk Message for Loved Ones**

This campaign encourages our employees working at the steelworks to send their family members a Kakao Talk message pledging their commitment to safety prior to work. This is widely resonating with our employees as their safety is the supreme value of POSCO and directly affects the happiness and well-being of their family. We plan to launch diverse safety campaigns that our stakeholders can truly relate to.

**Young Board Reorganization**

Our Young Board*, previously composed of Manager/Senior Manager, was reorganized to include Junior Manager as well in 2019. Its membership was also amended to include 12 or so male and female employees who are in either annual or monthly salary schemes so as to collect balanced and candid feedback from different departments and age groups. The Young Board is operated quarterly in a way that facilitates casual discussions between the younger generations and senior management.

**Action Guidelines Distributed to Improve the Way Leaders Work**

The action guidelines for leaders’ work methods developed in the five areas of organizational management/instruction/reporting/meeting/communication were distributed and the level of compliance among all leaders was assessed accordingly. Assessment results were fed back to leaders so that they could objectively recognize their level of leadership and improve the way they work in accordance with the principles of Substance, Execution and Practicality.

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1) Work-life integration: Multi-dimensional integration of work and life as compared to the simple dichotomy of work and lifestyle
2) Young Board: Introduced back in 1999, this program allows young employees coming from different departments with diverse majors to directly present and communicate their ideas to develop POSCO’s business and corporate culture to senior management
Re-certified as Family-Friendly Business

The Korean Ministry of Gender Equality and Family operates the ‘Family-Friendly Certification’ system to recognize businesses with outstanding performance in operating family-friendly programs including support for maternity needs, childcare and flexible work hours. POSCO has re-certified since 2011, and achieved the certification yet again in 2019 specifically for its achievement in operating tailor-made support programs for young families-to-be and the childcare needs that follow. In addition to leave for infertility treatment, two years of leave for childcare, and reduced work hours during pregnancy and childbirth, we will also create a culture that encourages male employees to be able to more present during maternity leaves and to take on more caring responsibilities.

Employee Satisfaction Improvement

We conduct annual company-wide ‘POSCO-Great Work Place (P-GWP)’ surveys to measure the effect on our diverse workplaces on employees’ real-life satisfaction. Comprehensive assessments are made on their satisfaction with leadership, work methods, and working conditions, and their outcomes are used to make substantial improvements. In 2019, we received 86 out of 100 points, which is a significant improvement from past years. This progress is largely attributable to improvements in work methods, increased work-life balance, the efforts on behalf of executives and leaders to set good examples, and sincere communication.

Internal Maternity/Childcare Support Programs

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees who took maternity leave</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total No. of persons</td>
<td>581</td>
<td>529</td>
<td>533</td>
<td></td>
</tr>
<tr>
<td>Male No. of persons</td>
<td>511</td>
<td>471</td>
<td>473</td>
<td></td>
</tr>
<tr>
<td>Female No. of persons</td>
<td>70</td>
<td>58</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Reinstatement after taking maternity leave %</td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Employees who took childcare leave</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total No. of persons</td>
<td>94</td>
<td>98</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>14</td>
<td>24</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Female No. of persons</td>
<td>80</td>
<td>74</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>Reinstatement after taking parental leave %</td>
<td></td>
<td>87.7</td>
<td>95.1</td>
<td>92.2</td>
</tr>
</tbody>
</table>

Employee Satisfaction Survey Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee satisfaction score</td>
<td>Point</td>
<td>78</td>
<td>67</td>
<td>86</td>
</tr>
<tr>
<td>Employee participation %</td>
<td></td>
<td>70</td>
<td>59</td>
<td>88</td>
</tr>
</tbody>
</table>

1) Surveys and group-based interviews were performed to assess employees’ general level of awareness and organizational culture concerning company vision, leadership, coworker relations, work methods, and systems/infrastructure.
2) Survey scale used: 6-point scale (Strongly agree – agree – somewhat agree – somewhat disagree – disagree – strongly disagree)
3) The survey organization, questionnaire items, and measurement methodology were changed from those of 2018, and the score calculation formula was adjusted to assess the general level of awareness on organizational culture, which warrants cautious interpretation in relatively comparing data on an annual basis.

Balanced Work-Life Integration

We are launching campaigns to encourage employees to leave work on time to help establish the legally mandatory 52-hour workweek system. In particular, the 8 to 5 system was introduced in 2019 to set the work hours from 8:5 to 5 so as to ensure employees have sufficient rest time after work in the evening. In addition, we fully support selective/flexible work hours to allow employees to choose their preferred type of work hours according to their individual lifestyle.

Flexible Work Hours

While the three-month settlement period is set, weekly workdays and daily work hours are flexibly set by the employees (within 40 hours per week on average)

<table>
<thead>
<tr>
<th>Work hours</th>
<th>Regular employees</th>
<th>Duration</th>
<th>Maximum weekly hours</th>
<th>No threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work hours in any particular week or particular day cannot exceed 52 hours and 12 hours respectively</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work hour adjustment</td>
<td>Target: Regular employees</td>
<td>Duration: Within 3 months</td>
<td>Maximum weekly hours: 52 hours per week</td>
<td></td>
</tr>
<tr>
<td>Flex-time work</td>
<td>Target: Regular maintenance staff</td>
<td>Duration: 1 week</td>
<td>Maximum weekly hours: 40 hours per week</td>
<td></td>
</tr>
</tbody>
</table>

*Additional 12 hours of overtime work is allowed per week.

APPENDIX

Stakeholder Engagement Policy

POSCO Corporate Citizenship Report 2019
Welfare and Benefits

POSCO contributes a portion of the corporate profit to the inter-company Employee Welfare Fund to improve the quality of life for its employees. This fund is used for an array of welfare and benefit programs, from housing and livelihood stability loans and scholarships for employee children to optional welfare packages, allowances for family events, and support for family members with disabilities. In 2019, we raised the limit of welfare points to allow employees to widely use external resort facilities in reflection of employee feedback, and improved our scholarship program to help employees ease their childcare burden. A new scholarship program was created for children whose parents passed away while working at POSCO to offer practical assistance while comforting bereaved families.

Major Improvements Made in 2019

- Scholarships for the children of employees (expansion)
- Scholarships for children whose parents passed away while working at POSCO (addition)
- Welfare points (expansion)
- Payroll: Sum of monthly pay, bonuses, and cash-equivalent welfare expenses (meal allowances, personal pension subsidies, performance-based bonuses, and incentives)
- Retirement allowances: Allowances for retirement benefits of employees for the concerned year (excluding executives)
- Legal welfare expenses: Sum of contributions made for national pension, health insurance, employment insurance, occupational health and safety insurance, and wage claim guarantee insurance

Employee Welfare Fund

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions made</td>
<td>57.2</td>
<td>55.0</td>
<td>53.5</td>
</tr>
<tr>
<td>Cumulative contributions made</td>
<td>1,113.3</td>
<td>1,166.3</td>
<td>1,219.8</td>
</tr>
</tbody>
</table>

Labor Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>1,498</td>
<td>1,628</td>
<td>1,613</td>
</tr>
<tr>
<td>Retirement allowances</td>
<td>130</td>
<td>133</td>
<td>144</td>
</tr>
<tr>
<td>Legal welfare expenses</td>
<td>125</td>
<td>127</td>
<td>148</td>
</tr>
</tbody>
</table>

Win-Win Labor Relations

Since our inception, our tradition of labor relations has been founded upon the philosophy that management and labor are ‘partners building a better future’. Our first labor union was launched in 1988 and the Labor-Management Council in 1997, playing a leading role in representing the rights and interests of employees. Currently, the POSCO Labor Union under the Federation of Korean Trade Unions, the POSCO Branch of the Korean Metal Workers’ Union, and the Labor-Management Council are functioning as employee representative bodies. As a result of the unifying of negotiation channels for collective bargaining in October 2018, the POSCO Labor Union secured its status as a bargaining representative union in POSCO. This was followed by the smooth conclusion of the wage and collective bargaining negotiations between the Company and the bargaining representative union with both parties faithfully proceeding with negotiations in accordance with regulations and principles in 2019. Our labor and management pursue the sustainable development of the Company and the improvement of working conditions and treatment for employees through increases in base pay, income peak system improvements, and better treatment for daytime employees and maintenance staff. Furthermore, the Labor-Management Council serves to regularly discuss issues that interest our employees, including welfare & benefits, productivity gains, and health & safety.

At POSCO, both labor and management are dedicated to leading a corporate culture of trust and harmony based on stable labor relations, and have jointly declared the Charter of Corporate Citizenship while making wage donations to the POSCO 1% Foundation and joining other social contribution programs. In 2020, POSCO Labor Union and the Labor-Management Council launched talent donation groups for volunteering, acting on the philosophy of ‘Corporate Citizenship: Building a Better Future Together’.
PEOPLE

RESPECT FOR DIVERSITY Corporate culture that respects diversity for all

Last year, POSCO announced the ‘Charter of Corporate Citizenship’ to embody its commitment to ‘create a great workplace where diversity is respected and a healthy work-life balance can be realized’. Our Code of Ethics outlines the prohibition of discrimination on the grounds of ethnicity, nationality, education or gender as well as provision of equal opportunity, respect for diversity and cultural differences. In addition, our Employment Regulations stipulate equal treatment for men and women, and the Supplier Code of Conduct includes a ban on discrimination against suppliers. Meanwhile, we are working to pursue transformation with an aim to increase the recruitment of people with disabilities by 2021 on the POSCO Group level.

Respect for Diversity Policy

To protect the human rights of employees, prohibit discrimination and promote diversity, our Employment Regulations and Code of Ethics specify relevant details and wide-ranging programs are operated to respect diversity.

Charter of Corporate Citizenship
- We create a great workplace where diversity is respected and a healthy work-life balance can be realized.

Article 53 of the Employment Regulations (equal treatment for men and women)
- The Company does not discriminate on the grounds of gender in recruitment, assignment, promotion, wage, training, retirement, and other treatment issues.

Code of Ethics Practice Guidelines | 4: Respect and Equality
- We will not discriminate on the grounds of race, nationality, gender, age, educational background, religion, regional origin, disability, marital status, or sexual orientation.
- We will provide equal employment opportunities to all who possess the necessary qualifications and capabilities.
- We will maintain a work environment that respects diversity.

POSCO Group Supplier Code of Conduct
1. Respect for the basic human rights of employees
3) Prohibition of discrimination
- We will not discriminate on the grounds of race, skin color, religion, gender, sexual orientation, age, health conditions, political views, nationality, ethnicity, or marital status and provide equal treatment in such employment practices as recruitment, promotion, compensation, and training opportunities.

Increase in Employment for People with Disabilities

In March 2020, POSCO and group affiliates set plans to increase employment for people with disabilities as a way to promote diversity. Currently, the average employment of people with disabilities amounts to 2.3% among POSCO Group affiliates and we aim to increase this to 3.1% by 2021. To this end, we will review job categories and new businesses available for physically/mentally-challenged people while ensuring barrier-free conditions to create a work environment where people with disabilities are respected and given a chance to unleash their full potential.

Support for Employee Diversity

POSCO respects the diverse set of values, hobbies, and talents of its employees and encourages them to be involved in relevant gatherings and activities. Our ‘Donghodongrak’ program supports employees to pay membership fees to join up to two in-house hobby clubs per person, and we provide KRW 360 million every year on a matching basis concerning the club fees paid by employees. As of the end of 2019, a total of 1,063 such clubs are under operation and joined by 11,612 employees. In 2019, 19 locally-hired employees from nine countries – China, Japan, Indonesia, Mexico, Malaysia, India, the U.S., Thailand, and Vietnam – came to Korea for five months to strengthen their work capabilities and attend diverse learning programs.

Global Mobility Program

As a global company, we strive to assist employees with capacity building across multiple countries. Specifically, our Global Mobility Program (GMP) invites top-performers from overseas subsidiaries to Korea to offer them training opportunities. In 2019, 19 locally-hired employees from nine countries – China, Japan, Indonesia, Mexico, Malaysia, India, the U.S., Thailand, and Vietnam – came to Korea for five months to strengthen their work capabilities and attend diverse learning programs.

- Top-performing employees from overseas subsidiaries attending the GMP and visiting the Pohang Steelworks
Global Human Rights Management

POSCO is fully committed to protecting human rights to create a non-discriminatory workplace for all and grow together with local communities as a global corporate citizen. As a member of the UN Global Compact, we respect international standards on human rights and labor, and comply with the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises. Furthermore, we aspire to create a corporate culture and labor conditions that respect diversity and are free from any discrimination on the grounds of race, nationality, gender, age, educational background, religion, regional origin, disability, marital status or sexual orientation. Our Code of Ethics stipulates the guarantee of legal and humane employment conditions and the utmost effort to respect human rights in local communities. It also bans the discriminatory treatment of employees, ensures the provision of equal employment opportunities, and respects cultural diversity.

Human Rights Due Diligence

To fulfill its responsibility to respect human rights, POSCO performs annual human rights due diligence on its domestic/overseas worksites and business partners as a way to identify, prevent and mitigate any adverse impact on human rights. Our human rights due diligence spans the assessment of potential and actual impacts on human rights, the documentation of our countermeasures, and communication with stakeholders on how we addressed such impacts. To protect the human rights of our employees and business partners in a tangible and practical manner, we periodically implement the human rights due diligence process suggested by relevant international guidelines and faithfully report its outcomes to our stakeholders. This process follows the cycle of human rights impact assessment, impact identification, improvement target setting, grievance handling, monitoring, and external reporting and disclosure, and allows us to constantly manage any human rights impact that may occur at respective worksites.

Human Rights Risk Management Process

- Develop a human rights management policy
- Establish and implement a human rights management system
- Review and assess human rights risks
- Support the improvement of human rights risks
- Disclose the implementation status of human rights management

Human Rights Risk Assessment

- Assess human rights impacts
- Identify impacts
- Set improvement targets
- Proceed with grievance handling
- Monitoring
- Report and disclose

Human Rights Risk Assessment and Mitigation Measures

We appoint ‘managers’ to provide training and coaching to assist expatriates and locally-hired employees at representative subsidiaries across overseas regions in improving their business ethics mindset and executional capabilities. Furthermore, we ensure compliance through monitoring to prevent issues before they ever occur. For any report submitted on the violation of respect for human dignity at overseas subsidiaries, direct audits are performed depending on the severity of the issue concerned.

Human Rights Grievance Handling Process

1. Report
   - Stakeholders directly report through the online system*
   - e-mail, phone and post
   *Ethics Counseling Center
2. Receipt
   - Corporate Audit Office receives the report
3. Review
   - Person in charge reviews and handles the submitted report
4. Notice
   - Handling outcomes are communicated to the informant through the system or a notice
5. Resolution

*Achievement status in 2019, on a scale of 100%
**GOVERNANCE**

**BOARD OF DIRECTORS**

POSCO strives to establish an advanced corporate governance structure to improve long term shareholder value and promote the balanced promotion of stakeholder rights and interests. To this end, our management leverages expert knowledge and reasonable decision-making to conduct business responsibly while our Board of Directors (BOD), composed with a focus on independent outside directors, supports senior management through supervision and advice. This structure resulted in a ‘global professional management system’ with a harmonized check and balance system, and we widely announced our ‘Corporate Governance Charter’ to outline these corporate governance principles.

**BOD Composition**

POSCO’s Board of Directors (BOD) consists of seven outside directors and five inside directors. At the 52nd general shareholder meeting held on March 27, 2020, Seung-Wha Chang, Dean of Department of Law, Seoul National University was reappointed as an outside director, and In-Hwa Chang, Head of Steel Business Unit, Jung-Son Chon, Head of Global & Infra Business Unit, Hug-Dong Kim, Head of Steel Production & Technology Division, and Tak Jeong, Head of Marketing Division were reappointed as an inside director. At the BOD meeting hosted following this general shareholder meeting, the outside director Moon-Ki Chung was elected as the BOD Chair.

**BOD Performance Assessment and Remuneration**

Our directors are compensated in accordance with the criteria set by the BOD, taking into account their position and responsibility within the boundary approved at the general shareholder meeting. Further details on their compensation and relevant criteria are disclosed in the executive remuneration section of our business reports.

**Principles of BOD Composition**

**Independence of the BOD**

We follow an independent and transparent process in appointing outside directors. The Outside Director Candidate Recommendation Advisory Group composed of five socially-respected experts in their field, recommends three times the number of outside directors to be appointed. The Director Candidate Recommendation and Management Committee evaluates these candidates for their qualifications and nominates candidates, who are then finally approved at the general shareholder meeting. To engage more shareholders in the nomination process, we have been including those candidates recommended by shareholders in the outside director nomination process since 2018. We ensure that an outside director serves as the Chairman of the BOD to strengthen its independence, and all the special committees under the BOD are chaired by outside directors (except for the Executive Management Committee responsible for reviewing and deliberating on steel business matters) to place outside directors at the center of the BOD operational system. In addition, regular meetings are hosted for outside directors only as an institutional guarantee to gather the independent opinions of outside directors concerning BOD agenda items.

*POSCO was the first large business to adopt the outside director system back in 1997, and in 2006 we separate the BOD Chairman and the CEO (as representative of top management), as a way to ensure the independence of the BOD.*

**Diversity and Expertise of the BOD**

Our BOD members bring their extensive experience and expertise to the table and come from a range of backgrounds – industry, finance, academia, law, accounting, and the public sector – to assist senior management with reasonable and unbiased decision-making. In addition, two-day Strategy Sessions are held twice a year to strengthen the strategic role assumed by the BOD in setting the mid-long-term operational directions of the Company. Our outside directors also visit worksites in the steel business and other new businesses to elevate their expertise.

**Activities Undertaken to Improve the Expertise of Outside Directors**

- Outside director meetings held to report on BOD agenda items and collect feedback from them : Jun. 2019 / Oct. 2019
- Strategy Session held to gather feedback on the group’s new growth business strategy : Apr. 2019
- Strategy Session held to gather feedback on the group’s mid-term strategy and business plans for 2020 : Nov. 2019

**Limits of Director Compensation**

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of directors (No. of outside directors)</td>
<td>12 directors (7 directors)</td>
<td>12 directors (7 directors)</td>
</tr>
<tr>
<td>Total compensation or maximum limit</td>
<td>KRW 10 billion</td>
<td>KRW 10 billion</td>
</tr>
</tbody>
</table>

**APPENDIX**

- Stakeholder Engagement Policy
- Major Performance Data
- GRI
- SASB
- TCFD
- Assurance Statement
<table>
<thead>
<tr>
<th>Director</th>
<th>Name</th>
<th>Expertise</th>
<th>Role</th>
<th>Work Experience</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside Directors</td>
<td>Moon-Ki Chung</td>
<td>Finance and accounting</td>
<td>Chairman of BOD</td>
<td>Current Professor in Business Administration at Sungkyunkwan University</td>
<td>Mar. 2019 – Mar. 2022</td>
</tr>
<tr>
<td>Directors</td>
<td></td>
<td></td>
<td></td>
<td>Previous member of the Accounting Review Committee, Financial Supervisory Service</td>
<td>Date of first appointment: Mar. 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.A. in International Trade at Sungkyunkwan University, Ph.D. in Business Administration at Sungkyunkwan University</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Byong-Won Bahk</td>
<td>Finance and policy</td>
<td>Chairman of the Audit Committee</td>
<td>Previous Chairman of the Korea Enterprises Federation</td>
<td>Mar. 2018 – Mar. 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous Vice Minister of Strategy and Finance</td>
<td>Date of first appointment: Mar. 2015</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— LL.B./LL.M. at Seoul National University, M.A. in Economics at University of Washington</td>
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</tr>
<tr>
<td></td>
<td>Joo-Hyun Kim</td>
<td>Economy and industry</td>
<td>Chairman of the Director Candidate Recommendation and Management Committee</td>
<td>Previous President &amp; CEO of The Financial News</td>
<td>Mar. 2018 – Mar. 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous President of the Hyundai Research Institute</td>
<td>Date of first appointment: Mar. 2015</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.A. in English Literature and Linguistics at Yonsei University, Ph.D. in Business Administration at Arizona State University</td>
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<tr>
<td></td>
<td>Shin-Bae Kim</td>
<td>Industry</td>
<td>Chairman of the Evaluation and Compensation Committee</td>
<td>Previous Vice Chairman at SK Group</td>
<td>Mar. 2019 – Mar. 2022</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous CEO of SK Telecom</td>
<td>Date of first appointment: Mar. 2017</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.S. in Industrial Engineering at Seoul National University, MBA at University of Pennsylvania</td>
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<tr>
<td></td>
<td>Seung-Wha Chang</td>
<td>Law and international trade</td>
<td>Member of the Evaluation and Compensation Committee</td>
<td>Current Professor in Dept. of Law at Seoul National University</td>
<td>Mar. 2020 – Mar. 2023</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>Current 14th Chair of the Korea Trade Commission</td>
<td>Date of first appointment: Mar. 2017</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>— LL.B./LL.M. at Seoul National University, LL.M./J.D. at Harvard University</td>
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</tr>
<tr>
<td></td>
<td>Sung-Jin Kim</td>
<td>Industry and policy</td>
<td>Chairman of the Finance and Related Parties Transactions Committee</td>
<td>Previous President of Hankyung National University</td>
<td>Mar. 2018 – Mar. 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous Minister of Oceans and Fisheries</td>
<td>Date of first appointment: Mar. 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.A. in Economics at Seoul National University, M.A./Ph.D. in Economics at University of Kansas</td>
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</tr>
<tr>
<td></td>
<td>Heui-Jae Pahk</td>
<td>Industry and policy</td>
<td>Member of the Director Candidate Recommendation and Management Committee</td>
<td>Current Professor in Dept. of Mechanical and Aerospace Engineering at Seoul National University</td>
<td>Mar. 2019 – Mar. 2022</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous Head of the Office of Strategic R&amp;D Planning of the Ministry of Trade, Industry, and Energy</td>
<td>Date of first appointment: Mar. 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.S./M.S. in Mechanical Design Engineering at Seoul National University, Ph.D. in Mechanical Engineering at University of Manchester</td>
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</tr>
<tr>
<td>Inside Directors</td>
<td>Jeong-Woo Choi</td>
<td>Finance and policy</td>
<td>Chairman of the Executive Management Committee</td>
<td>Current CEO of POSCO</td>
<td>Jul. 2018 – Mar. 2021</td>
</tr>
<tr>
<td>Directors</td>
<td></td>
<td></td>
<td></td>
<td>Previous CEO of POSCO Chemtech Co., Ltd.</td>
<td>First date of appointment: Jul. 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.A. in Economics at Busan National University</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Iry-Hwa Chang</td>
<td>Industry and steel technology</td>
<td>Member of the Finance and Related Parties Transactions Committee</td>
<td>Current President, Head of Steel Business Unit</td>
<td>Mar. 2020 – Mar. 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous Head of Steel Production Division (Senior Executive Vice President)</td>
<td>Date of first appointment: Mar. 2017</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.S. in Naval Architecture and Ocean Engineering at Seoul National University, Ph.D. in Ocean Engineering at MIT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jung-Son Chon</td>
<td>Finance, accounting and policy</td>
<td>Member of the Director Candidate Recommendation and Management Committee</td>
<td>Current Head of Global &amp; Infra Business Unit (Senior Executive Vice President)</td>
<td>Mar. 2020 – Mar. 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous Head of Corporate Strategy &amp; Finance Center (Senior Executive Vice President)</td>
<td>Date of first appointment: Mar. 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— LL.B. at Korea University</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hag-Dong Kim</td>
<td>Technology and industry</td>
<td>Member of the Executive Management Committee</td>
<td>Current Head of Steel Production &amp; Technology Division (Senior Executive Vice President)</td>
<td>Mar. 2020 – Mar. 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous Head of Guangyang Works</td>
<td>Date of first appointment: Mar. 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.S. in Metallurgy Engineering at Seoul National University, M.S. in Materials Science and Engineering at Carnegie Mellon</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tak Jeong</td>
<td>Marketing and trade &amp; commerce</td>
<td>Member of the Executive Management Committee</td>
<td>Current Head of the Marketing Division (Senior Executive Vice President)</td>
<td>Mar. 2020 – Mar. 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Previous Head of the Steel Business Division (Senior Executive Vice President)</td>
<td>Date of first appointment: Mar. 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— B.A. in Arabic at Hankuk University of Foreign Studies</td>
<td></td>
</tr>
</tbody>
</table>
Composition of Special Committees

POSCO operates five special committees under the BOD: the Director Candidate Recommendation and Management Committee, the Evaluation and Compensation Committee, the Finance and Related Party Transactions Committee, the Audit Committee, and the Executive Management Committee. Aside from the Executive Management Committee responsible for performing reviews and deliberations on steel business investments, the other four committees are chaired by outside directors. The Audit Committee and the Compensation and Evaluation Committee are composed solely of outside directors to ensure that outside directors take the lead in operating special committees.

BOD Operation

In 2019, our BOD met 10 times in total, with 100% attendance by both inside and outside directors. Major decisions made at these meetings include the ‘appointment of the BOD Chairman’, ‘off-gas power generation and LNG terminal business reorganization plan’, ‘quarterly/fiscal year dividend payout (plans)’, ‘venture fund investment to discover new growth businesses’, and ‘mid-term business strategy and 2019 business plans’. Our ‘Outside Director IR’ system was initiated in 2018 to assist these directors in meeting major investors to discuss and communicate on key pending issues of the Company. In addition, we engage our shareholders and the BOD in direct discussions on major corporate policies and communicate on the operation and role of the BOD as a way to solidify the trust of our investors.

### Agenda Items Submitted to the BOD in 2019

<table>
<thead>
<tr>
<th>Meeting</th>
<th>Date</th>
<th>Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jan. 30</td>
<td>- Approval of the 51st business report and financial statements and the convening of the regular general shareholder meeting &lt;br&gt; - Disclosure of the closing report on the POSCO &amp; POSCO merger &lt;br&gt; - Appointment of the Compliance Officer &lt;br&gt; - Donation to help Indonesia recover from the tsunami damage</td>
</tr>
<tr>
<td>2</td>
<td>Feb. 20</td>
<td>- Agenda to be submitted to the 51st regular general shareholder meeting and the implementation of the electronic voting system &lt;br&gt; - Recommendation of inside director candidates (except for CEO)</td>
</tr>
<tr>
<td>3</td>
<td>Mar. 10</td>
<td>- Appointment of the BOD Chairman &lt;br&gt; - Appointment of special committee members &lt;br&gt; - Appointment of the CEO and appointment of the inside director status</td>
</tr>
<tr>
<td>4</td>
<td>Apr. 12</td>
<td>- Off-gas power generation and LNG terminal business reorganization planning &lt;br&gt; - Donation to help Gangwon Province recover from forest fires</td>
</tr>
<tr>
<td>5</td>
<td>May 10</td>
<td>- Payment of 2019 Q1 dividends &lt;br&gt; - Funding planning for 2019 &lt;br&gt; - Participation in capital increase at CSP in Brazil and extension of the payment guarantee period &lt;br&gt; - Related party transactions planning for 2019</td>
</tr>
<tr>
<td>6</td>
<td>Jun. 14</td>
<td>- Approval of the merger through division of off-gas power generation business</td>
</tr>
<tr>
<td>7</td>
<td>Jul. 29</td>
<td>- Payment of 2019 Q2 dividends</td>
</tr>
<tr>
<td>8</td>
<td>Sep. 6</td>
<td>- Disclosure of the closing report on the merger through division of off-gas power generation business &lt;br&gt; - Donation to the POSCO Educational Foundation &lt;br&gt; - Funding planning for the second half of 2019</td>
</tr>
<tr>
<td>9</td>
<td>Nov. 10</td>
<td>- Payment of 2019 Q3 dividends &lt;br&gt; - Investment in venture funds to discover new growth businesses &lt;br&gt; - Signing of the Lime Calcination Plant lease contract &lt;br&gt; - Improvement of the long-term incentive system payment method &lt;br&gt; - Revision of the BOD Operational Regulations</td>
</tr>
<tr>
<td>10</td>
<td>Dec. 11</td>
<td>- Mid-term business strategy and business plan for 2019 &lt;br&gt; - Capital increase to improve the business structure of POSCO SS VINA &lt;br&gt; - Donation to help the less-privileged at the year end</td>
</tr>
</tbody>
</table>
GOVERNANCE

CORPORATE CITIZENSHIP COMMITTEE

POSCO launched the Corporate Citizenship Committee with an aim to gather more diverse and objective input in putting its Corporate Citizenship management philosophy into action. Since its inception on March 15, 2019, the committee has regularly met to share on a range of ideas regarding the directions taken in pushing POSCO’s Corporate Citizenship activities forward as well as on ESG issues while publicizing such activities among external stakeholders and employees.

In March 2019, POSCO’s Corporate Citizenship Committee was established to ensure that POSCO becomes a corporate citizen respected and beloved by the general public. The committee serves as the highest strategic advisory group composed of POSCO’s inside and outside directors and external experts, and is mandated to discuss POSCO’s Corporate Citizenship management philosophy and the direction of relevant activities undertaken. In particular, external experts are responsible for relaying the various opinions voiced from stakeholders and the public and work to serve as public ambassadors for POSCO’s Corporate Citizenship activities. Meanwhile, the directors play a leading role in improving our internal executional capabilities to ensure that discussed policy options are seamlessly weaved into Corporate Citizenship activities and closely aligned to the overarching goal.

The committee meets quarterly to offer advice on Corporate Citizenship strategies and suggestions on changing ESG (Environmental, Social and Governance) trends and to review the progress made in Corporate Citizenship activities. To ensure that these suggestions and advice are translated into action, we operate group-wide-level consultative body. The Corporate Citizenship Committee, as the highest advisory group, announces discussion outcomes and suggestions for respective agenda items. This is followed by the Corporate Citizenship Strategic Meeting, chaired by the CEO, and attended by affiliate presidents to decide whether and how these suggestions will be implemented at respective group affiliates. To act on these suggestions, the Corporate Citizenship Council composed of affiliate executives in charge of Corporate Citizenship operations develops plans for working-level departments and shares the outcomes generated and necessary improvements. Our Corporate Citizenship Committee and these consultative bodies guide our endeavors to direct POSCO’s continued growth into becoming an even greater workplace and more beloved corporate citizen in its local community and to create a virtuous cycle of business activities and social value creation that truly reinforce each other.

Organization of the Corporate Citizenship Committee

Name: Corporate Citizenship Committee (CEO advisory group) / Chairman: Su-Keun Kwak

Organizational Structure

- BOD
- CEO
- Corporate Citizenship Committee
- Corporate Citizenship Office

Committee Members

- External Expert: Su-Keun Kwak (Professor in Business School at Seoul National University)
- Inside Director: Jung-Son Chon (Head of Global & Infra Business Unit)
- Outside Director: Seung-Wha Cho (Professor in Dept. of Law at Seoul National University)
- Sea-Jin Chang (Professor in Business Administration at KAIST and National University of Singapore)
- Heui-Jae Pahk (Professor in Dept. of Mechanical and Aerospace Engineering at Seoul National University)
- Hap-Dong Kim (Head of Steel Production & Technology Division)
- In-Hoe Kim (Professor in Infra Law School at Inha University)

Main Roles of the Corporate Citizenship Committee

- Advice on POSCO’s Corporate Citizenship strategy
  - Mid/long-term strategic advice on group-wide Corporate Citizenship activities
  - Advice on flagship Corporate Citizenship projects and their executional direction

- External communication
  - Communication with major external stakeholders regarding Corporate Citizenship activities

- ESG suggestion
  - Review on POSCO Group’s ESG performance
  - Suggestion on strategic responses to be made in line with changing ESG trends

- Support for progress reviews made on major Corporate Citizenship activities
  - Progress review made on values created through Corporate Citizenship activities
Corporate Citizen Committee's Main Activities in 2019

July 25, 2019 marked the declaration of the ‘Corporate Citizenship Charter’ created through the collection of opinions from our employees, the Board of Directors, the Corporate Citizenship Committee, and external experts in order to present the executional directions and principles of our Corporate Citizenship philosophy. On this day, the Chairman of the Corporate Citizenship Committee, Su-Keun Kwak, gave a special lecture on the topic of ‘POSCO’s future challenge in establishing the Corporate Citizenship management philosophy’, and again highlighted the core of this charter by noting that “As a member of society, companies need to move beyond a mere creation of economic profits and contribute to making this world a better place, and to put into action the Corporate Citizenship philosophy across the entire business conduct to create the value of co-prosperity in conjunction with all stakeholders, improving their corporate value in so doing”.

In an interview with a domestic media outlet, Chairman Kwak also mentioned, “With the declaration of the Corporate Citizenship Charter, POSCO will inevitably face the question of ‘Is this compliant with the charter?’ from both internal and external stakeholders in conducting business”. He went on to say that “POSCO’s top management should be able to answer the questions raised by shareholders and other stakeholders on the relationship between its business operations and the value of Corporate Citizenship that was explicitly stated by the Company itself”. The first Corporate Citizenship Committee meeting was hosted on April 8, 2019. This served to build consensus that “Businesses need to take on a proactive leading role in dealing with such emerging national challenges as youth unemployment and creation of a startup ecosystem” and “Promoting shared growth requires an organizational culture that ‘cares for and respects’ partner companies”. It was suggested that POSCO Group’s global network could be used to support SME ventures with their exports as a way to make long-term contributions to establishing an industrial ecosystem, and the consensus was to come up with detailed plans to make this happen.

Declaration of the Corporate Citizenship Charter on July 25

At the 2nd committee meeting on June 21, 2019, suggestions were made that “The ‘Corporate Citizenship Charter’ should be initiated to help all employees recognize the importance and concept of Corporate Citizenship and the ways it could be put into practice, and that this management philosophy should be weaved into the fabric of POSCO’s distinctive corporate culture” and that “Each and every employee needs to internalize both the letter and spirit of the Corporate Citizenship Charter both in their work and daily life”.

The 3rd committee meeting on Sep. 26, 2019 produced the idea that detailed measures were needed to integrate the Corporate Citizenship philosophy within POSCO’s management strategy to abide by the Corporate Citizenship Charter in business conduct. It was agreed that the manufacturing of artificial reefs out of slag was highly meaningful as a leading business in the environmental sector and that this should receive full support in its business execution. Furthermore, varied opinions were discussed on how to implement six major Corporate Citizenship programs.

On Dec. 20, 2019, the 4th committee meeting convened to invite leading experts to share their perspectives and to hold discussions on the emerging global sustainability management trends of ESG and the UN’s SDGs. Looking back on the achievements of the past year on Corporate Citizenship initiatives, committee members also discussed the effective implementation measures for 2020 from the ESG trend viewpoint. This served as the basis to create an ESG Group under the Corporate Citizenship Office to systematically respond to ESG demand and to establish a system to effectively and widely communicate Corporate Citizenship activities from the ESG perspective.
Ownership and Voting Rights

POSCO’s largest shareholder is the National Pension Service, owning 11.8% as of the end of December 2019, and institutional investors and minority shareholders hold 80.09%. We follow the one-share-one-vote rule and do not practice dual-class voting. In accordance with relevant regulations and the Articles of Incorporation, we assure all of our shareholders to practice their voting rights including cumulative voting. To make the voting process more convenient for shareholders, a postal voting system was adopted in 2004, followed by an electronic voting system in 2019.

Dividend Policy

POSCO’s annual dividend amounted to KRW 10,000 per share in 2019, which translates into 43.7% in consolidated payout ratio and 4.2% in dividend yield. In January 2020, the Board of Directors presented its mid-term dividend target of maintaining the 30% range in dividend payout ratios for the next three years. The payout ratio will be calculated based on the profit attributable to the owners of the controlling company with consolidated payout ratio of 22.9% and 47.3% as of the end of December 2019, and institutional investors and minority shareholders hold 80.09%. We follow the one-share-one-vote rule and do not practice dual-class voting. In accordance with relevant regulations and the Articles of Incorporation, we assure all of our shareholders to practice their voting rights including cumulative voting. To make the voting process more convenient for shareholders, a postal voting system was adopted in 2004, followed by an electronic voting system in 2019.

Dividends Paid

Type of Shares and Voting Rights

<table>
<thead>
<tr>
<th>Share Type</th>
<th>No. of Shares Issued</th>
<th>Ratio</th>
<th>Note</th>
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<tbody>
<tr>
<td>Preferred shares</td>
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<td>No voting rights</td>
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<tr>
<td>Common shares with voting rights</td>
<td>80,115,641</td>
<td>91.89%</td>
<td>With voting rights</td>
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<tr>
<td>Common shares - treasury shares</td>
<td>7,071,194</td>
<td>8.11%</td>
<td>No voting rights</td>
</tr>
<tr>
<td>Total</td>
<td>87,186,835</td>
<td>100.0%</td>
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Shareholders

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<tr>
<th>Shareholder</th>
<th>No. of Shares Owned</th>
<th>% Ownership</th>
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<tr>
<td>National Pension Service</td>
<td>10,291,670</td>
<td>11.80%</td>
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<tr>
<td>Institutional investors and minority shareholders</td>
<td>69,823,971</td>
<td>80.09%</td>
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<tr>
<td>Treasury stock</td>
<td>7,071,194</td>
<td>8.11%</td>
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Shareholder Voting System

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<td>Cumulative voting*</td>
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<td>Written voting</td>
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<tr>
<td>Electronic voting</td>
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<td>Mar. 2019</td>
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Credit Rating History

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<th>2019</th>
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<td>S&amp;P</td>
<td>BBB+(Stable)</td>
<td>BBB+(Stable)</td>
<td>BBB+(Positive)</td>
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<tr>
<td>Moody’s</td>
<td>Baa2(Positive)</td>
<td>Baa1(Stable)</td>
<td>Baa1(Stable)</td>
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</table>

* S&P revised its outlook on POSCO to BBB+(Stable) in January 2020.
As a corporate citizen, POSCO considers ‘compliance with tax laws, faithful fulfillment of its obligation to file and pay due taxes, and contribution to the national finance as well as to society through tax policy development’ as its top priority when it comes to tax policy. As such, we prevent tax risks and comply with relevant regulations through continuous assessments, institutional reviews and improvements.

Tax Management Policy

- POSCO files tax returns and pays taxes in good faith, not only under the law of Korea but under those of various countries where it engages in business activities, and performs, in good faith, its obligations under the law as a taxpayer, including the submission of relevant materials, in transparent relations with individual countries’ tax authorities.

- POSCO do not conduct transactions or contracts that transfer income between countries to take advantage of differences between different countries’ tax laws or loopholes in international tax systems. Furthermore, we allocate taxable income in a manner that is consistent with the value generated through business activities in each country.

- POSCO, as a company with an active business presence across the globe, is aware of differences in tax laws among nations, and endeavors to prevent tax risks and to conduct business within the boundaries of applicable tax regulations in making any and all business transactions.

Full version of Tax Management Policy

Tax Risk Management

To comply with applicable laws and regulations throughout the entire transaction process, we ensure that decisions are made on the basis of tax risk assessments and reviews. We duly file tax reports and make payments within the set deadlines while documenting and archiving proper supporting materials related to transactions. We also maintain transparent relations with competent tax authorities and respond to their request for information in a prompt and accurate manner. As for domestic transactions, we ensure that we pay fair prices in making transactions with third parties and related parties in conformity with applicable laws and regulations. Concerning transfer pricing for international transactions, we also follow the “arm’s length” price principle to prevent international taxation risks.

Community Development through Tax Management

Not only do we faithfully fulfill our role as a major tax payer and investor in local communities, we also contribute to creating jobs. In addition, we consume locally-manufactured products to the fullest possible extent to help revitalize the local economy. The income taxes and value-added taxes, withholding taxes, local income taxes, and acquisition taxes that we pay as a business all contribute to generating tax revenue and promoting the development of local communities.
**Tax Compliance**

To faithfully fulfill its role as a tax payer, POSCO is in thorough compliance with applicable tax laws and regulations in Korea and abroad in any and all transactions made to create economic and social value. As such, we accurately file our tax reports and make payments while disclosing relevant details to stakeholders. To ensure the appropriateness of the application of tax legal provisions, our tax filing is performed on the detailed items as defined by applicable tax rules by external accounting firms. In 2019, POSCO’s non-consolidated income before tax amounted to KRW 1.8312 trillion. We posted KRW 655.5 billion in reported taxes and 35.8% in reported tax rate while our cash taxes paid amounted to KRW 1.2218 trillion with 66.7% in cash tax rate. Over the past two years, our reported tax rate stood at 44.7% and our cash tax rate at 46.99% on average. In 2019, our cash tax rate was 30.9%p higher than our reported tax rate, which is primarily due to the difference in income tax payment due dates, effects from non-taxable income, effects from non-deductible expenses, effects from tax deduction and reduction, changes in unrealizable deferred taxes, additional income taxes paid and taxes refunded.

<table>
<thead>
<tr>
<th>Reason</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported taxes vs. cash taxes paid</td>
<td>4,733</td>
<td>Δ 5,663</td>
<td>Difference in taxes paid and accounting expenses</td>
</tr>
<tr>
<td>Difference in attributable period</td>
<td>3,642</td>
<td>Δ 5,800</td>
<td>Difference in corporate tax payment due date -2019: Paid in August 2019 and March 2020</td>
</tr>
<tr>
<td>Temporary differences</td>
<td>79</td>
<td>704</td>
<td>Differences to be temporarily added or subtracted - Net change in deferred income tax liabilities and assets</td>
</tr>
<tr>
<td>Tax deduction</td>
<td>119</td>
<td>74</td>
<td>Tax deductions made in accordance with the Corporate Tax Act and the Restriction of Special Taxation Act</td>
</tr>
<tr>
<td>Additional corporate taxes paid</td>
<td>842</td>
<td>Δ 656</td>
<td>Effects from tax audits and refunds made upon rectification requests - Differing views between tax authorities and POSCO</td>
</tr>
<tr>
<td>Other differences</td>
<td>51</td>
<td>17</td>
<td>- Differences in settlement and filing, etc.</td>
</tr>
</tbody>
</table>

*Based on consolidated financial statements*
GOVERNANCE

RISK MANAGEMENT

Proactive risk response for sustainable growth

As ever-present crises have become the new normal, from the spread of global trade protectionism and instability in the Middle East to degrading steel market conditions and the COVID-19 outbreak, POSCO is wholeheartedly committed to detecting risks before they even occur and properly responding to them. This will undoubtedly prepare us to swiftly adapt to the rapidly-shifting business landscape to prevent risks and maintain friendly relationships with stakeholders in order to secure the basis for sustainable growth.

Group Risk Management System and Governance

POSCO’s risk management system is organized to manage each risk by individual departments who are responsible for. We classify risks into ‘Business Risks’, ‘Non-Business Risks’, and ‘Disasters and Crises’. Business risks are managed by the five offices under the Corporate Strategy & Planning Division: the Corporate Strategy Office is responsible for strategy and competitor risks, the Investment Strategy Office for investment and overseas business risks, the Finance Office for FX, funds and other financial risks, the Global Infrastructure Business Management Office for major domestic affiliate risks, and the Business Assessment Office is charged with proactively responding to business risks through assessments made on underperforming or high-risk businesses. External business risks concerning the steel market, the financial market, the raw materials market and competitor strategies are constantly monitored by the POSCO Research Institute (POSRRI). Such monitoring results are periodically reported to POSCO or distributed group-wide through the Global Information Hub (GIH) – the Group information hub. Meanwhile, the Corporate Audit Office and the Legal Affairs Office play a leading role in addressing such non-business risks as business ethics, compliance and reputa­tion through the Risk Management System (RMS). In responding to disasters and crises, Safety & Environmental Planning Office established in 2020 and the Safety & Disaster Prevention Groups at both steelworks are taking the lead in delivering healthy and accident-free workplaces.

In particular, the Corporate Audit office reports risk-related issues directly to the CEO as an independent CEO organization. Accounting-related matters, such as the internal accounting management system in charge of the finance office, the internal audit results of the Corporate Audit office, information security and cybersecurity risks are reported to the Audit Committee, a specialized committee under the Board of Directors (BOD). And the internal and external investment risks of the groups reviewed by the Investment Strategy Office are reported to the Finance & Related Party Transactions Committee and BOD.
External Economic Risk Monitoring

In consideration of the steel industry’s inherent sensitivity to external economic risks, we constantly analyze and predict fluctuations in the economy and steel and raw materials markets while reflecting their outcomes as an essential component in our short/medium-term business plans. To this end, we perform detailed quarterly analyses and forecasts on the domestic and global economy and the conditions of the steel and raw materials markets. In particular, monthly forecasts are made on high-volatility factors, including currency rates in major countries, Chinese steel prices, and the prices of iron ores, coking coal, nickel and other raw materials in order to mitigate relevant risks. This also runs parallel with our endeavors to improve the accuracy of forecasts: we strengthen our networking with domestic and international experts and apply big data and AI technology to predict steel and raw material prices. In line with mounting uncertainties in the raw materials market, we raised the bar in monitoring iron ore supply risks, specifically following the mining dam collapse that hit the Brazilian miner Vale in early 2019. We have also developed and operated a warning model to preemptively identify coal supply risks that may occur due to abnormal weather conditions such as recurring La Niña events. Our Global Information Hub (GIH) serves to brief us on daily information regarding steel and other group businesses, new growth areas, the global economy, competitive and strategic country trends, and technology trends and to reinforce the constant monitoring of external economic risks.

Sensitivity Analysis and Scenario-based Management

The greatest external factors that affect our business performance include exchange rate fluctuations and variances in the prices of oil, iron ore and coal. As such, POSCO and other affiliates monitor potential changes in sales, costs, and profits at least once a month in line with fluctuations witnessed in the aforementioned factors while immediately developing and implementing response plans if business risks are expected as a result of these factors changing. In approving investment business plans, sensitivity analyses are conducted according to FX, selling prices, and fluctuations in primary material prices to reflect their outcomes in making investment decisions. Our investment management process was overhauled and its management organization was expanded to proactively address risks arising from changing business conditions in order to strengthen our capacity to monitor and address investment risks. Our business plans are established under the three scenarios of ‘continued low growth’, ‘deepening economic recession’, and ‘crisis’. Presently, we are following the ‘continued low growth’ scenario in reflection of the sustained low growth in Korea and global economy and the sluggish steel market conditions. In accordance with this scenario, we establish business goals, analyze business performance each month, and report the results to the group steering meeting.

External Risk Monitoring System

Risk Management System Framework
Internal Accounting Control System

The amendment of the Act on External Audit of Corporations at the end of 2018 highlighted yet again the importance of the internal accounting control system. POSCO was one of the first to adopt such a system when it was first introduced in Korea in 2001, and has updated the system through self-directed assessments each fiscal year. As we are registered on the U.S. Securities and Exchange Commission (SEC), we are subject to the Sarbanes-Oxley Act (SOX Act) and thus have received substantive testing performed by external auditors on our internal accounting control system since the fiscal year of 2006. In cooperation with this process, we have extended the scope of our internal accounting control system to major consolidated companies as well as on a non-consolidated basis to strengthen group-wide accounting controls.

The recently amended Act on External Audit of Corporations includes multiple measures to improve the effectiveness of the internal accounting control system. Notably, the level of examinations performed on the system by auditors has been upwardly adjusted from review to audit, which prompted us to overhaul the design of our internal control activities. In line with guidance from the Steering Committee of the Internal Accounting Management System, regulatory and institutional improvements were made concerning the creation of an internal accounting control department, the revision of relevant regulations and guidelines, the development and operation of training plans, and the link between internal accounting control assessment outcomes and performance compensation. We review the operational status of the internal accounting control system each fiscal year and CEO reports the outcomes at the general shareholder meeting, the Board of Directors and the Audit Committee. Operational status reviews are classified into testing of design and testing of control: the former looks at the adequacy and completeness of control designs to prevent and detect any erroneous or illegal practices concerning financial statements while the latter ensures that control activities are performed in exact alignment with the risk control matrix and that performance evidence can be confirmed. As to deficiencies identified through this evaluation process, improvements are made through consultations among external auditors, the responsible department, and employees in charge of concerned controls.

Mid-to-Long-term Risk and Opportunity

POSCO defined staunch nationalism, geopolitical risks, and emerging market risks as mid/long-term risks that may give rise to economic crises and preemptively established a scenario-specific emergency response system. Nationalism risks include the U.S.-China trade conflicts and the U.S.-EU tariff disputes while geopolitical risks include instability across the Middle East that mainly involve the U.S., Saudi Arabia, and Iran as well as Korea-Japan conflicts over trade and historical issues. Emerging market risks refer to mounting concerns over debts related to increasing financial volatility, aggravating borrowing conditions, request for bailout loans, and a shrinking domestic consumption.

In the face of such risks, we still expect to witness new business opportunities in the main business areas where we are focused in line with the advancement of AI technology and the spread of green trends as a result of the 4th Industrial Revolution. As neo-mobility business blooms in full, this will spark a demand for eco-friendly automotive steel sheets and secondary battery materials while the dissemination of AI technology will further upgrade our Smart Factory and bring productivity gains and strengthened cost competitiveness. The development of green business will also serve to create new value in LNG and other eco-friendly energy sectors that are the primary business focus of POSCO Group.
In order to advance ethics management, POSCO continuously takes action in an effective and substantial manner by developing relevant systems and infrastructure, operating a dedicated ethics management organization, and offering systemic training and public events.

Ethics Management Organization
At POSCO, Corporate Audit Office under the direct leadership of the CEO is responsible for ethics management. In addition, the Ethics Management Secretariat is charged with operating in-house business ethics compliance programs as well as campaigns, counseling and whistle-blowing.

Major issues and activities on ethics management are reported to senior management through the monthly executive meeting under the operation of the CEO. Furthermore, the performance of our ethics management that spans the entire year and plans for the following year are reported through the Audit Committee and to the CEO Council respectively at the beginning of the year as part of an objective review process.

Ethics Management Strategy
The philosophical foundation of POSCO's business ethics is "Doing the right things the right way". This means that we perform essential and meaningful work in an honest and fair manner under the banner of "business ethics" on the basis of the Three Quality Principles of Substance, Execution and Practicality.

<table>
<thead>
<tr>
<th>Operational Goal</th>
<th>Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prevent and eliminate unethical behaviors by elevating the level of ethics management</td>
<td>Prevent and eliminate unethical behaviors</td>
</tr>
<tr>
<td>2. Establish a corporate culture that respects human dignity to create a pleasant workplace</td>
<td>Establish a corporate culture that respects human dignity</td>
</tr>
<tr>
<td>3. Advance ethics management tailor-made for shop floor conditions on the basis of the field-oriented management</td>
<td>Disseminate ethics management to business partners to create the value of co-prosperity</td>
</tr>
<tr>
<td>4. Strengthen the prevention of human rights and ethical risks at overseas subsidiaries</td>
<td>Establish processes to reinforce the prevention and detection of violations of human dignity and to prevent their reoccurrence</td>
</tr>
</tbody>
</table>

Compliance with the Code of Ethics
Our 'Code of Ethics' sets forth ethical standards that should be observed by all employees, and we ensure that each and every one at POSCO considers ethics as their top priority in making value judgments.

CEO’s Message
The CEO’s firm commitment to the philosophy of ethics management and its faithful execution.

Ethics Standard
Preamble: Description of the Code of Ethics – its meaning, value, establishment and amendments, composition, etc.

Principles of Ethics: Duty of compliance with the Code of Ethics, role & responsibility of employees, and penalties for violations

Practice Guidelines
Detailed behavioral criteria for practicing the Code of Ethics.

Ethics Assessment
Ethics Sessions for Executives and Employees in Relevant Positions
To encourage our executives and supervisors to fully embrace their ethical roles and responsibilities, we conduct surveys and provide customized training accordingly. Behaviors in violation of respect for human dignity and business ethics, such as workplace/sexual harassment and abuse of power that are identified as a result of these surveys are monitored and then receive audits if deemed necessary.

Ethics Consulting Customized for Respective Departments
We offer effective ethics solutions and specialized development-level training on the basis of department-specific ethics assessments, employee feedback and monitoring data. Ethics consulting has been underway at the department/plant level since Q4 of 2019 and this will be further expanded to eight occasions in 2020. In 2019, ethics training was provided to newly-appointed unit staff and part leaders on six occasions and was attended by 146 employees who account for 87% of the total target employees.
On/Offline Ethics Training Provided at POSCO in 2019

**Online**

- All group employees: Mandatory e-learning course (ethics management/sexual harassment prevention)
  - Company-wide posting/pop-up of ethics management campaign (prevention of power or workplace harassment and abuse of power)
  - Delivery of E-mail Management Letter (prevention of power or workplace harassment, sexual harassment, and abuse of power)
  - Focus on field employees: E-mail training on workplace harassment

**Offline**

- Tailor-made ethics training offered in consideration of job levels and work characteristics
  - On-boarding training for department heads scouted from the outside
  - Training on corporate culture that respects human dignity for newly appointed steelworks supervisors
  - Introductory training for newly-hired office and production workers
  - Department-level training
  - Training for expatriates prior to their assignments
  - Ethics practice training for supplier employees
  - Training on human rights protection and business ethics compliance for expatriates and locally-hired staff across all overseas subsidiaries

Ethics Training Completion Rates over the Past 3 Years

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics training in 2019 (cumulative)</td>
<td>No. of</td>
<td>38,796</td>
<td>37,223</td>
<td>38,694</td>
</tr>
<tr>
<td>e-learning completion rate</td>
<td>%</td>
<td>100.0%</td>
<td>99.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Sexual harassment prevention</td>
<td>%</td>
<td>99.6%</td>
<td>98.6%</td>
<td>99.6%</td>
</tr>
<tr>
<td>Ethics management</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On/Offline Ethics Training Provided at POSCO in 2019

Ethics Pledge and Training

At POSCO, our CEO’s Message that highlights our commitment to ethics management is sent to every employee each January, and employees sign their ethics pledge to vow to comply with the Code of Ethics. In addition, on/offline ethics training programs are developed and operated for employees.

Operation of Whistleblowing Centers

We ensure the 24/7 operation of the Reporting Center for Unethical Behavior, Ethics with POSCO, and other systems for filing reports on abuse of power or workplace/sexual harassment. Whistleblowers may use a range of channels – phone, post, or the internet – to receive counseling and file their reports.

Actions Taken against Unethical Behaviors over the Past 3 Years

<table>
<thead>
<tr>
<th>Action Taken</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(53 actions)</td>
<td>(109 actions)</td>
<td>(105 actions)</td>
</tr>
<tr>
<td>Attention</td>
<td>58(25%)</td>
<td>103(28%)</td>
<td>134(45%)</td>
</tr>
<tr>
<td>Warning and caution</td>
<td>178(75%)</td>
<td>169(62%)</td>
<td>161(55%)</td>
</tr>
<tr>
<td>Total</td>
<td>236(100%)</td>
<td>272(100%)</td>
<td>301(100%)</td>
</tr>
</tbody>
</table>

*We strictly follow the ‘One Strike Out Rule’ in addressing the four major unethical practices of accepting bribes, embezzlement, violation of sexual ethics, and information manipulation.

Reports Filed to POSCO’s Reporting Center for Unethical Behavior Over the Past 3 Years

<table>
<thead>
<tr>
<th>Report</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports on unethical</td>
<td>303</td>
<td>340</td>
<td>412</td>
</tr>
<tr>
<td>Practices</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reports on corruption</td>
<td>76</td>
<td>95</td>
<td>112</td>
</tr>
<tr>
<td>and illegality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(personal corruption, waste of corporate assets, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complaints</td>
<td>146</td>
<td>185</td>
<td>235</td>
</tr>
<tr>
<td>(customer complaints, grievances raised by partner companies, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>81</td>
<td>66</td>
<td>65</td>
</tr>
<tr>
<td>(violation of respect for human dignity, etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operational Status of Counseling Centers (Business Ethics/Sexual Harassment) Over the Past 3 Years

<table>
<thead>
<tr>
<th>Channel</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face-to-face</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>E-mail</td>
<td>59</td>
<td>27</td>
<td>64</td>
</tr>
<tr>
<td>Online</td>
<td>2</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>Offline</td>
<td>39</td>
<td>58</td>
<td>82</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>109</td>
<td>150</td>
</tr>
</tbody>
</table>

Culture of Practicing Ethics

Compliance with the Anti-graft Law

The ‘Anti-graft Law Counseling Casebook’ which provides a summary of category-specific real-life counseling cases and related guidelines were developed and are posted or provided to employees during counseling. Guidance is also provided to ensure compliance with the anti-graft law at the POSCO Group level.

Clean POSCO System Operation

Any improper solicitation is documented and managed to create a corporate culture of transparency. In particular, the ‘One Strike Out Rule’ is fully observed in addressing the four major unethical practices of accepting bribes, embezzlement, violation of sexual ethics, and information manipulation.

Operational Performance of the Clean POSCO System (Solicitation Registry)

<table>
<thead>
<tr>
<th>Solicitations Received</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR (3), purchase (1), outsourcing (2), logistics (1), marketing (1), others (2)</td>
<td>13</td>
<td>2</td>
<td>1</td>
<td>16</td>
</tr>
</tbody>
</table>

Grievance Handling Process

1. Counseling and reporting - POSCO website, Business Ethics → ‘Reporting Center for Unethical Behavior’
   E-mail: unethical behavior and workplace harassment (ethics@posco.com), sexual harassment (humanrights@posco.com)

2. Investigation into factual grounds

3. Establishment of factual grounds, followed by the request to take HR actions when deemed necessary

4. Notice given to the whistleblower following the request for the HR department to take proper action

5. Follow-up management

Training to prevent workplace and sexual harassment, monitoring
POSCO Group Ethics Management

As a way to disseminate ethics management to other group affiliates, POSCO performs surveys to establish a corporate culture that respects human dignity on affiliate employees to supervise group-wide ethics management practices.

POSCO Group Survey on Respect for Human Dignity

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Target Respondent</th>
<th>Response Rate</th>
<th>HR Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSCO and group affiliates</td>
<td>2019: 18 companies</td>
<td>5.9%</td>
<td>6 employees</td>
</tr>
<tr>
<td></td>
<td>2018: 26 companies</td>
<td>5%</td>
<td>9 employees</td>
</tr>
<tr>
<td></td>
<td>2017: 26 companies</td>
<td>46%</td>
<td>42 employees</td>
</tr>
<tr>
<td>Overseas subsidiaries</td>
<td>2019: 30 companies</td>
<td>59%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2018: 62 companies</td>
<td>52%</td>
<td>2 employees</td>
</tr>
<tr>
<td></td>
<td>2017: 66 companies</td>
<td>40%</td>
<td>5 employees</td>
</tr>
</tbody>
</table>

The Business Ethics Index is published on group affiliates to encourage them to fully engage in business ethics practices.

Business Ethics Index – Evaluation Items

<table>
<thead>
<tr>
<th>Area</th>
<th>Description</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>①</td>
<td>Code of ethics and operational organization</td>
<td>Establish the Code of Ethics and guidelines to prevent sexual workplace harassment and operate dedicated organizations</td>
</tr>
<tr>
<td>②</td>
<td>Effective operation of systems</td>
<td>Offer preventive training and operate in-house whistleblowing/counseling systems</td>
</tr>
<tr>
<td>③</td>
<td>Monitoring and follow-up management</td>
<td>Perform continued monitoring and take action to stop diversity risks</td>
</tr>
<tr>
<td>④</td>
<td>Prevention of recurrence of violations</td>
<td>Take action to prevent recurrence and disseminate ethics management</td>
</tr>
</tbody>
</table>

Overseas Subsidiary Checklist Item

Development of a human rights management system
Non-discriminatory hiring practices
Retention of freedom of association and collective bargaining
Bar-on-forced labor
Bar on child labor
Protection of occupational safety
Protection of environmental rights
Responsible supply chain management

Protection of human rights for indigenous people
Protection of human rights for consumers
Prevention of workplace sexual harassment
Compliance with ethics standards
Special provisions on ethics practices
Communication and solidarity

In 2016, the ‘Guideline on Anti-Corruption Compliance’ was developed by supplementing the ‘Guideline on FCPA Compliance’ set forth in 2011. In so doing, this new guideline was granted status as a company rule and a basis in imposing penalties for violations. Furthermore, the scope of its application was extended to stakeholders as well as public officials to prevent corruption risks more stringently.

Ethics Management Guidelines

POSCO Human Rights Protection Guidelines

To prevent human rights infringements and advance human rights management, POSCO set forth the POSCO human rights protection guidelines on April 1, 2014 in accordance with the ‘UN Guiding Principles on Business and Human Rights’ and the POSCO Code of Ethics.

Action Guidelines on Conflict of Interest Prevention

On January 2, 2019, the ‘Action Guidelines on Conflict of Interest Prevention’ were developed to establish transparent and fair transaction practices with private stakeholders. Conflicts of interest are defined as unjustified favors requested of and fulfilled by current POSCO employees for private stakeholders including POSCO retirees. In early January of each year, all POSCO Group employees electronically sign a pledge to prevent such conflicts of interest.

Special Clause on Ethical Practice

The ‘Special Clause on Ethical Practice’ were established to comply with fair trade principles and create a culture of business ethics. In making transactions or signing contracts, these provisions are observed by both parties, whether they be POSCO, group affiliates, partner companies, clients or suppliers. In 2020, we aim to broaden the extent of support to provide our expertise in developing and operating business ethics infrastructure.

Guideline on Anti-Corruption Compliance

In 2016, the ‘Guideline on Anti-Corruption Compliance’ was developed by supplementing the ‘Guideline on FCPA Compliance’ set forth in 2011. In so doing, this new guideline was granted status as a company rule and a basis in imposing penalties for violations. Furthermore, the scope of its application was extended to stakeholders as well as public officials to prevent corruption risks more stringently.

Ethics Management for Partner Companies

We serve partner company employees once or twice per year to create a culture of cooperation between POSCO and our partner companies as equal partners and to build a broader consensus on respect for human dignity. This enables us to prevent any violation of respect for human dignity and to preemptively eliminate ethical risks and waste factors within work processes while making necessary improvements on violations and issues raised.

Respect for Human Dignity Survey on Partner Companies

<table>
<thead>
<tr>
<th>Category</th>
<th>Survey Target</th>
<th>Target Respondent</th>
<th>Respondent (No. of persons)/Response Rate</th>
<th>Personnel Measure</th>
<th>Work Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>96</td>
<td>33,218</td>
<td>16,527 (49.9%)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2018</td>
<td>95</td>
<td>17,520</td>
<td>4,504 (26%)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2019</td>
<td>97</td>
<td>31,075</td>
<td>8,211 (26.4%)</td>
<td>6 employees (3 cautions)</td>
<td>25 employees (15 improvements, 10 rejections)</td>
</tr>
</tbody>
</table>

*Action Taken (personnel measure): Personnel measures taken against POSCO employees
*Action Taken (work improvement): Between 2018 and 2019, improvements were made based on survey outcomes parallel with the undertaking of action tasks designed to create a culture of horizontal cooperation.

We provide all partner companies doing business with POSCO with theoretical information on the code of ethics that serves as the basis for ethics management as well as ethics infrastructure. Upon requests made by partner companies, we also offer customized consulting through the analysis of their needs. In 2020, we plan to provide such consulting services to suppliers and clients as well.

Regulation on Prohibition of Political Donations in Accordance with Anti-Corruption Guidelines

We also provide our partner companies with comprehensive guidelines and handbooks to prevent corruption in order to comply with the anti-corruption guidelines.
GOVERNANCE
FAIR TRADE
Our endeavors to disseminate exemplary trade practices

POSCO introduced its own ‘Fair Trade Compliance Program (CP)’ in 2002 to abide by fair trade regulations and uphold the principle of fair and free market competition. The annual message from the CEO serves to highlight the importance of fair trade, and we fully comply with applicable laws and regulations to faithfully fulfill our role as a corporate citizen.

Fair Trade Compliance Program

The Fair Trade Compliance Program refers to internal compliance systems independently developed and operated by businesses in accordance with ‘fair trade compliance norms’ with an aim to prevent any violation of fair trade regulations. POSCO’s compliance program includes an additional element of the Fair Trade Compliance Council as well as the eight CP components recommended by the Korean Fair Trade Commission. Presently, such compliance programs are operated at a total of 20 POSCO Group affiliates, and the POSCO Compliance Academy was created as a research group composed of employees in charge of CP operations to disseminate a culture of fair trade compliance.

POSCO Group’s Compliance Program (CP) Adoption

<table>
<thead>
<tr>
<th>Year of Introduction</th>
<th>Affiliate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>POSCO, POSCO E&amp;C, POSCO ICT</td>
<td>3</td>
</tr>
<tr>
<td>2006-2010</td>
<td>POSCO C&amp;C, POSCO MTECH, POSCO CHEMICAL, POSCO PLANTECH, POSCO O&amp;M, POSCO A&amp;K, POSCO ENERGY, SNNC</td>
<td>8</td>
</tr>
<tr>
<td>2011</td>
<td>POSCO INTERNATIONAL, eNoB</td>
<td>2</td>
</tr>
<tr>
<td>2013</td>
<td>PNR, SRDC, POSCO HUMANS, POSCO TERMINAL</td>
<td>4</td>
</tr>
<tr>
<td>2014</td>
<td>POSCO RESEARCH INSTITUTE, POSCO CAPITAL</td>
<td>2</td>
</tr>
<tr>
<td>2015</td>
<td>PMCTECH</td>
<td>1</td>
</tr>
</tbody>
</table>

20 affiliates in total

- Distribute CP manuals independently developed and operated by businesses in accordance with ‘fair trade compliance norms’ with an aim to prevent any violation of fair trade regulations
- Set and operate CP standards and procedures
- Publish and use CP manuals
- Operate the Fair Trade Compliance Program
- Appoint the Compliance Officer
- Develop an internal monitoring system
- Announce CEO’s commitment to and support for compliance
- Provide continuous and systemic training
- Establish ‘fair trade compliance guidelines for overseas subsidiaries’ (Dec. 2019)
- Establish ‘CP operational guidelines’ (Aug. 2002)
- Declare commitment to fair trade compliance through CEO’s message
- Offer advice/counseling while performing theme-based status reviews on weaknesses
- Operate the Fair Trade Compliance Council
- Support for compliance
- Sign the fair trade compliance pledge each year
- Set and operate CP standards and procedures
- Provide periodic fair trade training to working-level departments (purchases, sales)
- Provide penalty regulations according to the severity of regulatory violations
- Take prompt disciplinary action against regulatory violations
- Assess effectiveness and improve
- Operate the Fair Trade Compliance Council composed of 22 heads of departments related to fair trade
- 2018: Rated Most Excellent in fair trade agreement
- 2012-2015, 2017: Rated Most Excellent in fair trade
- 2006-2012: Rated AA in the CP rating assessments
- Offer advice/counseling while performing theme-based status reviews on weaknesses
- Appoint executives in charge of fair trade based on the decision made by the Board of Directors (Finance and Related Party Transactions Committee)
- Announce CEO’s commitment to and support for compliance
- Provide continuous and systemic training
- Establish ‘fair trade compliance guidelines for overseas subsidiaries’ (Dec. 2019)
- Establish ‘CP operational guidelines’ (Aug. 2002)
- Declare commitment to fair trade compliance through CEO’s message
- Offer advice/counseling while performing theme-based status reviews on weaknesses
- Operate the Fair Trade Compliance Council composed of 22 heads of departments related to fair trade
- Support for compliance
- Sign the fair trade compliance pledge each year
- Set and operate CP standards and procedures
- Provide periodic fair trade training to working-level departments (purchases, sales)
- Provide penalty regulations according to the severity of regulatory violations
- Take prompt disciplinary action against regulatory violations
- Assess effectiveness and improve
- Operate the Fair Trade Compliance Council composed of 22 heads of departments related to fair trade
Fair Trade Compliance Organization

At POSCO, the Legal Department is tasked with fair trade compliance to provide employees with fair trade training and counseling and perform relevant reviews. The Compliance Officer, the Head of the Legal Department, is responsible for designing and executing compliance programs.

Fair Trade Risk Management

In line with the Compliance Program (CP), we effectively operate our compliance system along the prevention-detection-response cycle to prevent risks and establish a corporate culture of fairness and transparency.

Management System

Prevention
Set CP policies and take preventive measures
Support CP operations at the executive level
Establish and revise compliance guidelines
Offer tailored training, counseling, and information

Response
Provide coaching on system improvement and follow-up measures
Resolve conflicts and prevent their recurrence
Network and cooperate, and assess CP activities
Prevent the recurrence of risks and ensure follow-up management

Detection
Perform constant monitoring
Review compliance risks
Perform self-reviews at the working level department
Monitor fair trade risks

Legal Actions Taken on Unfair Trade Practices of Anti-Competitive Behaviors and Monopoly & Oligopoly

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of violations</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fines Paid (KRW)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Fair Trade Training

In 2019, POSCO performed self-reviews and offered tailored training and coaching for overseas subsidiaries and group affiliates, and established fair trade compliance guidelines for overseas subsidiaries to proactively respond to the shifting global landscape.

Fair Trade Training Outcomes

(UNIT: No. of persons)

<table>
<thead>
<tr>
<th>Category</th>
<th>Course</th>
<th>Training Outcomes (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online training</td>
<td>All you need to know about fair trade, fair trade violation case study</td>
<td>POSCO: 238, Group Affiliate: 557, Total: 795</td>
</tr>
<tr>
<td>Collective training</td>
<td>Theme-based fair trade training, CP session training, disclosure training, etc.</td>
<td>POSCO: 2,157, Group Affiliate: 380, Total: 2,537</td>
</tr>
</tbody>
</table>

AI-enabled Fair Trade System

We have become the first Korean company to launch ‘POS-ComplAi’, an AI-enabled fair trade agreement system to lay the foundation for mutually-beneficial cooperation with our business partners. This system deploys intensive learning-based artificial intelligence to review our trade agreements with business partners to automatically detect any unfair provisions and prevent risks in so doing.
POSOCO’s dedicated information security organization, Information Security Bureau, has been leading a myriad of efforts to ensure continuous compliance with domestic and overseas regulatory requirements and international information security standards as well as ensuring implementation of controls and measures to protect core technologies and mission-critical data. The bureau is also responsible for change management programs designed to heighten security awareness across the organizations, and for analyzing information security regulations at home and abroad, business conditions, technological transformation, and the latest trends for proactive response to emerging security risks. Security assessment and consulting services of the bureau, which have so far been proffered exclusively to the Corporate Head Office, overseas subsidiaries and Group affiliates, have been extended to our partners and customers in line with our Corporate Citizenship philosophy.

### Information Security Governance

Information Security Governance

POSOCO has a dedicated enterprise-wide information security organization, Information Security Bureau at the corporate level, and a security management organization at the business level. POSOCO’s security officers (Chief Information Security Officer), are responsible for all areas of information security: establishment and management of information security management system; analysis, assessment and remediation of vulnerabilities; development of proactive information security protection measures and pre-dislosure security review; change management for information security practices; information leakage monitoring and incident response; prevention and response to information security incidents; physical access control and protected areas management; information security for process control system; provision of support for and assessment of information security activities at overseas subsidiaries and suppliers, and response to government agencies and external organizations.

### Protection of Core Technology

Protection of Core Technology

As we possess six national core technologies in the steel sector, we ensure that we comply with the standards used in the government organizations’ review on the status of national core technologies in the management of these core technologies. A relevant workforce, documents, facilities and assets type while the dedicated information security department plays a leading role in operating and managing a company-wide information security system. Security champions are also appointed at the department level to proactively perform department-specific security activities.

### Awareness and Training Programs

Awareness and Training Programs

We provide campaigns, training and security checks to help employees raise their security awareness and promote change management. We ensure that information security becomes a part of our employees’ daily work routines, and engage them in information security operations by offering rewards and benefits to top-performing employees.

| E-mail | Newsletters on latest security trends, case studies, security alerts |
| Groupware pop-up posting | Campaigns to prevent information leaks and breaches, best practices, guides |
| Company-wide posting | Changes in security systems, precautions to be taken by employees |
| Training | e-learning and classroom training on the security issues that require employee compliance |
| Poster | Security practices and rules for employees |

### Information Security Policy Operations Cycle

Information Security Policy Operations Cycle

Compliance with domestic and international information security regulations

To thoroughly comply with domestic and international information security regulations that apply to our business operations, including the Act on Promotion of Information and Communications Network Utilization and Information Protection’ and ‘Act on the Prevention of Industrial Technology Leaks and Protection of Such Technology’, we monitor the establishment and amendment of applicable regulations to preemptively incorporate required changes into our policies, standards and guidelines.

Cyber Security Breach Prevention

Our integrated security control center is under operation 24/7 throughout the year to prevent cyber information breaches. The center is responsible for preventing cyber attacks from the outside, ranging from analyzing and collecting cyber attack trends in Korea to real-time monitoring, detection, interception and response to such attacks. Furthermore, penetration testing is performed regularly to build a stronger response capability against cyber attacks.

Information Security e-learning Results for 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>No. of persons</td>
<td>17,200</td>
<td>17,334</td>
<td>17,548</td>
</tr>
<tr>
<td>Completion</td>
<td>No. of persons</td>
<td>17,028</td>
<td>17,059</td>
<td>17,448</td>
</tr>
<tr>
<td>Completion rate</td>
<td>%</td>
<td>99.0%</td>
<td>98.4%</td>
<td>99.4%</td>
</tr>
</tbody>
</table>
## Appendix

<table>
<thead>
<tr>
<th>Stakeholder Engagement Policy</th>
<th>102</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Performance Data</td>
<td>104</td>
</tr>
<tr>
<td>GRI</td>
<td>113</td>
</tr>
<tr>
<td>SASB</td>
<td>120</td>
</tr>
<tr>
<td>TCFD</td>
<td>122</td>
</tr>
<tr>
<td>Assurance Statement</td>
<td>123</td>
</tr>
</tbody>
</table>
POSCO, the first steelmaker to issue sustainability bonds

Issuance of ESG Bonds through Sustainable Financing

ESG bonds are issued to finance the undertaking of environmental projects, the resolution of social issues, and the improvement of governance, and are classified into green bonds, social bonds, and sustainability bonds. Green bonds serve the special purpose of funding green projects designed to preserve the environment in the areas of renewable energy, electric vehicles, and high-efficiency energy. Social bonds aim to raise funds to resolve social issues by promoting SMEs, creating jobs, supporting the less-privileged, and building social infrastructure. The sustainability bonds placed by POSCO, as special-purpose hybrid bonds that combine the features of green and social bonds, are better positioned in using the raised funds for more versatile purposes including environmental and social ones.

- On July 15, 2019, POSCO became the first global steelmaker to issue USD 500 million in sustainability bonds. This placement of ESG bonds reaped great success in effectively publicizing POSCO’s detailed and determined sustainability management goal and policy and drew interest from a large group of ESG investors.
- On January 17, 2020, POSCO issued its first-ever euro-denominated sustainability bonds valued at 500 million euros. The funds raised will finance the green and social projects qualified in accordance with POSCO’s Sustainable Financing Framework. Their allocation and impact will be disclosed in the sustainability report to be published in 2021.

<table>
<thead>
<tr>
<th>Type of ESG Bonds</th>
<th>Sustainable Financing</th>
<th>July 2019</th>
<th>January 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green bond</td>
<td>USD Sustainability Bond</td>
<td>July 2019</td>
<td>July 2019</td>
</tr>
<tr>
<td>Social bond</td>
<td>EUR Sustainability Bond</td>
<td>January 2020</td>
<td>January 2020</td>
</tr>
<tr>
<td>Sustainability bond</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **USY70750BL04 (Reg S)**
  - **US693483AE93 (144A)**
  - **15 July 2019 (5-year)**
  - **Senior Unsecured**
  - **144A/Reg S**
  - **T+105bps**
  - **2.750%**

- **XS2103230152 (Reg S)**
  - **XS2103230236 (144A)**
  - **17 January 2024 (4-year)**
  - **Senior Unsecured**
  - **144A/Reg S**
  - **MS+72bps**
  - **0.500%**
Allocation and Impact of ESG Bonds Issued

Green project  KRW 390.1 billion (USD 337 million) invested in lithium business
POSCO is conducting business in the lithium rechargeable battery materials sector which is growing rapidly in the EV era. In response, we acquired mining rights in a high-quality salt lake in Argentina in 2018, and are continuously investing in building demo plants and performing R&D. Direct lithium extraction technology independently developed by POSCO eliminates the need for large-size evaporation ponds that are normally required under conventional evaporation technology. It also reduces losses from lithium extraction to a minimal level, making this technology cost-effective and eco-friendly as the same amount of lithium can be extracted by using smaller quantities of saline water than does the existing technology. We plan to create a 25,000-ton annual lithium capacity for EV battery component production in Argentina by 2023, capable of manufacturing more than 250,000 EV battery units.

Social project  KRW 218 billion (USD 188 million) in win-win cooperation funds
POSCO’s win-win cooperation funds provide interest rates that are 1%-2% lower than commercial rates to help SMEs ease their financial burden. In conjunction with four banks, these KRW 516 billion funds (KRW 238 billion from POSCO) extend low interest rate loans. In 2019, 341 SMEs took out loans valued at KRW 472.7 billion (KRW 218 billion from POSCO) at low interest rates through these funds. In so doing, POSCO contributed to facilitating the formation and growth of SMEs as well as to improving their access to financial services.

Social project  KRW 30.8 billion (USD 27 million) for employment of people with disabilities
As Korea’s first subsidiary-type standard worksite that employs people with disabilities and as a social enterprise, POSCO HUMANS provides employment to the underprivileged who, due to disabilities or long-term career discontinuation, have a difficult time securing stable employment. Out of a total workforce of 671 employees, 267 of employees (39.8%) have disabilities, and our endeavors for inclusive employment were recognized by the Korea Employment Agency for the Disabled as we were named a top employer of people with disabilities in November 2019. POSCO HUMANS aims to become a corporate citizen that promotes the social and economic inclusion of all members of society regardless of disability, age, gender or any other discriminatory standard.

Social project  KRW 15 billion (USD 13 million) invested in the POSCO GEM No. 1 Fund
POSCO raised funds to nurture venture firms and SMEs to fulfill its role as a corporate citizen in Korea. We invested KRW 15 billion in the ‘POSCO GEM No. 1 Fund’ operated by POSCO CAPITAL to support venture firms conducting business in new growth areas. We plan to invest an additional KRW 35 billion on two more occasions, and this will surely contribute to creating quality jobs and supporting entrepreneurship, creativity and innovation.

Electric Vehicle Battery

<table>
<thead>
<tr>
<th>Electric Vehicle Battery</th>
<th>Allocated (USD)</th>
<th>Allocated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PosLX demo plant (R&amp;D)</td>
<td>564,802,466</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note (USD):
- 364,802,466
- 227,870,353

Support from POSCO (USD)
- 205,562,273 (KRW 238 billion)
- 188,312,571 (KRW 218 billion)
- 26,602,177

Support to SMEs' Growth

<table>
<thead>
<tr>
<th>Win-win cooperation funds</th>
<th>Allocated (USD)</th>
<th>Allocated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PosLX demo plant (R&amp;D)</td>
<td>336,932,113</td>
<td>59.7</td>
</tr>
</tbody>
</table>

Support to Underprivileged

<table>
<thead>
<tr>
<th>Employment of People with Disabilities</th>
<th>Employment of People with Disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>POSCO HUMANS</td>
<td>267 persons</td>
</tr>
<tr>
<td>Total</td>
<td>39.8%</td>
</tr>
</tbody>
</table>

Venture Investment & Incubation

<table>
<thead>
<tr>
<th>Venture Platform</th>
<th>Investment (USD)</th>
<th>Investee</th>
</tr>
</thead>
<tbody>
<tr>
<td>ThorDrive</td>
<td>12,955,605 (KRW 15 billion)</td>
<td>Established in 2015 at Seoul</td>
</tr>
</tbody>
</table>
APPENDIX

STAKEHOLDER ENGAGEMENT POLICY

POSCO always lends an attentive ear to the voice of wide-ranging stakeholders and integrate such feedback into its policies. To ensure that consultations with local stakeholders are included in our steelworks operations, we also explicitly stipulate relevant details.

Approach to community projects

POSCO comprehensively considers the physical, economic, and environmental impacts of local communities when conducting projects at domestic and overseas worksites. When conducting a migration program due to project or a new community project, POSCO comprehensively considers the following items.

- Comprehensive evaluation of the economic, environmental and social impacts on community
- Implementation of a project in a way that minimizes the local economic, environmental and social impact
- Development of a migration program for economic conditions and environmental changes during physical migration
- Establishment of local grievance mechanisms and community engagement policies
- Regular internal and external reporting on the status of community development and the progress of communication with local community

Procedure of Participation from Local Community

1. Identify needs of local community
2. Determine purpose of participation
3. Determine scope of participants
4. Determine procedure of participation
5. Confirm the procedure
6. Participation of local community
7. Collect comments from local community and analyze them
8. Reflect them in decision-making and disclose in public

Grievance Handling for Local Community

- Local Employment/Recruitment Training

In accordance with the Code of Ethics Practice Guidelines, POSCO fulfills its responsibility and obligations in the local communities where it is based by creating and maintaining stable jobs and faithfully paying its taxes. In particular, we provide employment security in the Pohang and Gwangyang regions where our steelworks are located. As a way to protect and respect human rights, we ensure equal employment opportunities for those who possess proper job qualifications and capabilities. 29% of new hiring in 2019 are locally employed from operating sites (Pohang and Gwangyang). And 29.1% of senior management level employees are consist of local people in 2019.

We also provide training to support youth employment and entrepreneurship in worksites. POSCO has decided on the three most necessary practical training for young people, from linking employment with the POSCO Group to fostering AI and Big Data experts and supporting Pre-entrepreneur to start their own business. In 2019, more than 1,100 students completed the course ‘For You Dream’, and 318 of the graduates successfully found a job and started their own business. Detailed information can be found on page 65 of the report. And we support for establishing social enterprises and offering training on employment and startups in the areas where our steelworks is located in Indonesia.

Example of Communication with Local Community

POSCO endeavored to improve the environment of local community by co-operating a Cooperative Consultative Body for improving air quality with local community in 2019. - Launching ceremony of Task Force for improvement of air quality by Pohang City and Pohang Steelworks (2019.6.17) - Launching ceremony and convention of Cooperative Consultation Body for improving air quality by Gwangyang City and Gwangyang Steelworks (2019.07.15)

Worksites and projects that need community consultation

APPENDIX

Stakeholder Engagement Policy
Major Performance Data
GRI
SASB
TCFD
Assurance Statement

POSCO Corporate Citizenship Report 2019
Preservation of Indigenous Peoples and Cultures

POSCO is committed to the preservation of indigenous peoples and local community cultures in accordance with the Code of Ethics Practice Guidelines.

Category
Relevant Provisions within the Code of Ethics Practice Guidelines

Confirm affected indigenous peoples
We will encourage participation and endeavor to communicate with interested parties in performing management activities that may affect the country and society.

Local community’s understanding of the engagement of indigenous people
We will respect local laws and regulations, as well as local culture and tradition, and endeavor for mutual development with the country and society.

Principle of the engagement of indigenous people
We will encourage participation and endeavor to communicate with interested parties in performing management activities that may affect the country and society.

Provision of information and timeframes for decision-making
We will communicate with the relevant interested parties regarding human rights related activities and results thereof.

Efforts to protect and preserve cultural heritage from the adverse effects of local activities
We will respect local laws and regulations, as well as local culture and tradition, and endeavor for mutual development with the country and society.

We will actively participate in social service activities, such as volunteer work and disaster relief work, and initiate non-profit activities in various fields, including culture, arts, sports, and education.

Grievance handling procedures
We will endeavor to find reasonable resolutions if, upon conclusion of the human rights due diligence, we believe our management activities have violated human rights or caused complaints.

Audit and evaluation of relocation/ settlement
We may, at our discretion, conduct due diligence on management activities that might violate human rights or cause complaints.

We will endeavor to find reasonable resolutions if, upon conclusion of the human rights due diligence, we believe our management activities have violated human rights or caused complaints.

We will communicate with the relevant interested parties regarding human rights related activities and results thereof.

Full version of the Code of Ethics Practice Guidelines

Engagement of Local Stakeholders
We lend an attentive ear to the voice of major institutions and social organizations in the vicinity of our steelworks through regular exchanges and meetings. In so doing, we ensure that we join hands in resolving community issues and pursue co-prosperity.

POSCO Corporate Citizenship Report 2019 103
## APPENDIX

### MAJOR PERFORMANCE DATA

#### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>64,366,848</td>
<td>64,977,777</td>
<td>60,655,100</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>58,116,495</td>
<td>57,005,396</td>
<td>52,299,189</td>
</tr>
<tr>
<td>Gross profit</td>
<td>6,250,353</td>
<td>7,972,381</td>
<td>8,355,911</td>
</tr>
<tr>
<td>Selling and administrative expenses</td>
<td>2,381,498</td>
<td>2,429,781</td>
<td>3,734,007</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3,848,855</td>
<td>5,542,600</td>
<td>4,617,934</td>
</tr>
<tr>
<td>Share of profit of equity-accounted investees, net</td>
<td>273,741</td>
<td>112,635</td>
<td>10,540</td>
</tr>
<tr>
<td>Finance income</td>
<td>-369,923</td>
<td>-538,446</td>
<td>-111,610</td>
</tr>
<tr>
<td>Other non-operating income</td>
<td>-719,397</td>
<td>-1,553,968</td>
<td>-341,072</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>3,053,278</td>
<td>3,562,821</td>
<td>4,179,692</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>1,870,641</td>
<td>1,670,757</td>
<td>1,206,223</td>
</tr>
<tr>
<td>Profit</td>
<td>1,182,637</td>
<td>1,892,064</td>
<td>2,973,469</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>146,468</td>
<td>-428,529</td>
<td>-561,158</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>2,329,105</td>
<td>1,463,535</td>
<td>2,412,311</td>
</tr>
</tbody>
</table>

#### Separate Statements of Comprehensive Income

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>30,373,511</td>
<td>30,659,425</td>
<td>28,553,814</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>26,700,874</td>
<td>25,728,291</td>
<td>23,832,803</td>
</tr>
<tr>
<td>Gross profit</td>
<td>3,672,637</td>
<td>4,931,132</td>
<td>4,721,011</td>
</tr>
<tr>
<td>Selling and administrative expenses</td>
<td>1,086,278</td>
<td>1,211,756</td>
<td>1,618,558</td>
</tr>
<tr>
<td>Operating profit</td>
<td>2,586,959</td>
<td>3,809,376</td>
<td>3,102,455</td>
</tr>
<tr>
<td>Share of profit of equity-accounted investees, net</td>
<td>-860,691</td>
<td>-730,284</td>
<td>52,796</td>
</tr>
<tr>
<td>Finance income</td>
<td>360,440</td>
<td>171,614</td>
<td>476,485</td>
</tr>
<tr>
<td>Other non-operating income</td>
<td>-254,859</td>
<td>-1,015,807</td>
<td>-76,993</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>1,831,249</td>
<td>2,234,899</td>
<td>3,354,741</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>655,537</td>
<td>1,162,307</td>
<td>809,056</td>
</tr>
<tr>
<td>Profit</td>
<td>1,175,712</td>
<td>1,072,592</td>
<td>2,545,685</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-65,599</td>
<td>-237,703</td>
<td>-70,637</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>1,110,113</td>
<td>834,889</td>
<td>2,475,048</td>
</tr>
</tbody>
</table>

#### Consolidated Statements of Financial Position

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>34,842,376</td>
<td>33,651,002</td>
<td>31,127,418</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>44,216,287</td>
<td>44,597,263</td>
<td>47,897,541</td>
</tr>
<tr>
<td>Total assets</td>
<td>79,058,664</td>
<td>78,248,265</td>
<td>82,024,959</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>16,323,699</td>
<td>18,937,985</td>
<td>18,946,016</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>14,940,264</td>
<td>12,550,729</td>
<td>12,614,935</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>31,263,964</td>
<td>31,488,714</td>
<td>31,560,951</td>
</tr>
<tr>
<td>Capital</td>
<td>482,403</td>
<td>482,403</td>
<td>482,403</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,376,251</td>
<td>1,416,551</td>
<td>1,412,585</td>
</tr>
<tr>
<td>Hybrid bonds</td>
<td>199,384</td>
<td>199,384</td>
<td>196,918</td>
</tr>
<tr>
<td>Reserves</td>
<td>-1,157,980</td>
<td>-1,404,368</td>
<td>-1,682,556</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>-1,508,303</td>
<td>-1,532,728</td>
<td>-1,533,054</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>45,680,117</td>
<td>44,216,018</td>
<td>43,056,600</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3,322,835</td>
<td>3,388,291</td>
<td>3,731,131</td>
</tr>
<tr>
<td>Total equity</td>
<td>47,974,707</td>
<td>46,759,551</td>
<td>47,464,008</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>79,058,664</td>
<td>78,248,265</td>
<td>82,024,959</td>
</tr>
</tbody>
</table>

#### Separate Statements of Financial Position

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>18,216,066</td>
<td>16,796,400</td>
<td>14,840,421</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>37,494,700</td>
<td>37,329,580</td>
<td>38,851,837</td>
</tr>
<tr>
<td>Total assets</td>
<td>55,710,766</td>
<td>54,125,980</td>
<td>53,682,956</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>3,331,446</td>
<td>3,895,973</td>
<td>3,570,148</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>6,765,135</td>
<td>4,957,905</td>
<td>4,180,665</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>10,096,581</td>
<td>8,853,878</td>
<td>7,750,303</td>
</tr>
<tr>
<td>Capital</td>
<td>482,403</td>
<td>482,403</td>
<td>482,403</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,252,220</td>
<td>1,154,775</td>
<td>1,056,429</td>
</tr>
<tr>
<td>Hybrid bonds</td>
<td>199,384</td>
<td>199,384</td>
<td>196,918</td>
</tr>
<tr>
<td>Reserves</td>
<td>-183,930</td>
<td>-207,191</td>
<td>-215,571</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>-1,787,777</td>
<td>-1,795,000</td>
<td>-1,810,494</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>45,372,411</td>
<td>45,175,459</td>
<td>44,665,108</td>
</tr>
<tr>
<td>Total equity</td>
<td>45,614,185</td>
<td>45,272,102</td>
<td>45,941,455</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>55,710,766</td>
<td>54,125,980</td>
<td>53,682,956</td>
</tr>
</tbody>
</table>
### Key Performance Indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>Evaluation Item</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>R&amp;D expenditures(^1)</td>
<td>KRW million</td>
<td>520,38</td>
<td>582,625</td>
<td>540,610</td>
</tr>
<tr>
<td></td>
<td>R&amp;D expenditures to sales ratio</td>
<td>%</td>
<td>0.86</td>
<td>0.90</td>
<td>0.84</td>
</tr>
<tr>
<td>HR</td>
<td>Total employees</td>
<td>No. of persons</td>
<td>17,055</td>
<td>17,150</td>
<td>17,503</td>
</tr>
<tr>
<td></td>
<td>Ratio of female employees out of the total employees</td>
<td>%</td>
<td>5.3</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td></td>
<td>Total No. of executives</td>
<td>No. of persons</td>
<td>67</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Ratio of female executives out of the total executives</td>
<td>%</td>
<td>1.5</td>
<td>1.4</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>Ratio of employees with disabilities (directly-operated + standard worksites that hire people with disabilities)</td>
<td>%</td>
<td>2.8</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>Training hours per employee</td>
<td>Hour</td>
<td>90.14</td>
<td>85.08</td>
<td>79.20</td>
</tr>
<tr>
<td></td>
<td>Training expenses per employee</td>
<td>KRW 1,000</td>
<td>1,180</td>
<td>1,560</td>
<td>1,630</td>
</tr>
<tr>
<td></td>
<td>Employee satisfaction(^2)</td>
<td>Point</td>
<td>78</td>
<td>67</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td>Years of service</td>
<td>Year</td>
<td>19.8</td>
<td>19.9</td>
<td>19.6</td>
</tr>
<tr>
<td></td>
<td>No. of resisters</td>
<td>No. of persons</td>
<td>267</td>
<td>659</td>
<td>669</td>
</tr>
<tr>
<td></td>
<td>No. of retirees</td>
<td>No. of persons</td>
<td>-</td>
<td>356</td>
<td>355</td>
</tr>
<tr>
<td></td>
<td>Resignation rate</td>
<td>%</td>
<td>1.5</td>
<td>3.8</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>Voluntary resignation rate</td>
<td>%</td>
<td>1.5</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>Total No. of employees who took childbirth leave</td>
<td>No. of persons</td>
<td>581</td>
<td>529</td>
<td>533</td>
</tr>
<tr>
<td></td>
<td>Female employees who took childbirth leave</td>
<td>No. of persons</td>
<td>70</td>
<td>78</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Male employees who took childbirth leave</td>
<td>No. of persons</td>
<td>511</td>
<td>471</td>
<td>473</td>
</tr>
<tr>
<td></td>
<td>Total No. of employees who took parental leave</td>
<td>No. of persons</td>
<td>94</td>
<td>98</td>
<td>101</td>
</tr>
<tr>
<td></td>
<td>Female employees who took parental leave</td>
<td>No. of persons</td>
<td>80</td>
<td>74</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Male employees who took parental leave</td>
<td>No. of persons</td>
<td>14</td>
<td>24</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Reinstatement from childcare leave(^3)</td>
<td>%</td>
<td>87.7</td>
<td>95.1</td>
<td>92.2</td>
</tr>
<tr>
<td></td>
<td>Family-friendly Business Certification</td>
<td>Yes/No</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Safety</td>
<td>Lost time injury frequency rate (total)</td>
<td>Per million hours</td>
<td>0.11</td>
<td>0.17</td>
<td>0.25</td>
</tr>
<tr>
<td></td>
<td>Lost time injury frequency rate (directly-operated worksite)</td>
<td>Per million hours</td>
<td>0.11</td>
<td>0.11</td>
<td>0.31</td>
</tr>
<tr>
<td></td>
<td>Lost time injury frequency rate (partner company)</td>
<td>Per million hours</td>
<td>0.11</td>
<td>0.24</td>
<td>0.18</td>
</tr>
<tr>
<td></td>
<td>Completion of occupational health and safety training</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Introduction of health and safety management system certifications (KOSHA 18001, OHSAS 18001, etc.)</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

1) R&D expenditures: The data was calculated on a POSCO-consolidated basis.
2) Employee satisfaction: Caution should be used in making yearly-based relative comparisons due to changes in the survey organization, survey questions and measurement methodology in 2018 and to adjustments made in score calculation methodology to assess the overall level of awareness on organizational culture in 2019.
3) Ratio of employees returning to work after parental leave: Since employees who resigned during their parental leave were considered as not returning to work, this ratio amounts to 100% when these resignees are excluded from the population parameter.
Key Performance Indicators

### Category: Social Contribution
- Volunteer hours per employee
- Social contribution expenditures

### Category: Energy
- Energy consumption
- Total GHG emissions
- Scope 1 GHG emissions (direct emissions)
- Scope 2 GHG emissions (indirect emissions)
- Adoption of ISO 50001 (energy management system certification)

### Category: Environment
- Water consumption
- Water recycled
- Sewage/wastewater discharge
- Waste generated
- Waste disposed of
- Waste recycled
- Adoption of ISO 14001 (environmental management system certification)
- Green purchases made (amount)

#### Evaluation Item
- Volunteer hours per employee
- Social contribution expenditures
- Energy consumption
- Total GHG emissions
- Scope 1 GHG emissions
- Scope 2 GHG emissions
- Adoption of ISO 50001
- Water consumption
- Water recycled
- Sewage/wastewater discharge
- Waste generated
- Waste disposed of
- Waste recycled
- Adoption of ISO 14001
- Green purchases made

#### Unit
- Hour
- KRW million
- T
- tCO₂e
- tCO₂e

#### Data
- **2017**
  - 31
  - 88,611
  - 352,313
  - 70,699,565
  - 67,743,438
  - 2,956,127
  - 100%
  - 140,000,000
  - 46,900,000
  - 67,400,000
  - 10,587,000
  - 386,000
  - 10,201,000
  - 100%
  - 143,867,000

- **2018**
  - 27
  - 48,650
  - 358,415
  - 72,489,000
  - 69,687,000
  - 2,802,000
  - 100%
  - 139,400,000
  - 48,000,000
  - 70,600,000
  - 11,295,000
  - 403,000
  - 16,333,000

- **2019**
  - 27
  - 48,841
  - 390,599
  - 73,759,000
  - 70,999,000
  - 2,760,000
  - 100%
  - 142,000,000
  - 50,900,000
  - 73,300,000
  - 16,714,000

#### Notes
- For a portion of data, its 2017 and 2018 values were recalculated due to the readjustment of the calculation scope and the mechanical errors that occurred in the internal calculation system.
- *Water consumption: Recalculations were conducted for water consumption in 2017 and 2018 through the exclusion and adjustment of duplicate values.*
- *Discharge of sewage/effluents: Recalculations were conducted as corrections were made on issues with the calculation system used in 2017 and 2018.*
Business Ethics Session Provided for Executives and Supervisors

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>92(65%)</td>
<td>84(54%)</td>
<td>92(88%)</td>
</tr>
<tr>
<td>Department heads</td>
<td></td>
<td>91(64%)</td>
<td>94(72%)</td>
</tr>
<tr>
<td>Part leaders</td>
<td></td>
<td></td>
<td>91(91%)</td>
</tr>
</tbody>
</table>

*Business ethics sessions for department heads initiated from 2018, and for part leaders from 2019.

Major Associations and Membership Fees Paid

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea Iron &amp; Steel Association (KOSA)</td>
<td></td>
<td></td>
<td></td>
<td>2,694,899</td>
</tr>
<tr>
<td>World Steel Association (WSA)</td>
<td></td>
<td></td>
<td></td>
<td>934,948</td>
</tr>
<tr>
<td>KOSA Steel Construction Center</td>
<td></td>
<td></td>
<td></td>
<td>422,000</td>
</tr>
<tr>
<td>KOSA STS Club</td>
<td></td>
<td></td>
<td></td>
<td>383,130</td>
</tr>
<tr>
<td>Korea Employers Federation (KEF)</td>
<td></td>
<td></td>
<td></td>
<td>318,050</td>
</tr>
<tr>
<td>Energy and Mineral Resources Development Agency of Korea</td>
<td></td>
<td></td>
<td></td>
<td>55,000</td>
</tr>
</tbody>
</table>

*1) KOSA : Promote global competitiveness and sustainability of the steel industry
2) WSA : Promote global steel industry and collect/analyze date of the steel companies
3) KEF : Support for a cooperative relationship between management and labor

Lost Time Injury Frequency Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly-operated worksites</td>
<td>0.11</td>
<td>0.11</td>
<td>0.31</td>
</tr>
<tr>
<td>Partner companies/ subcontractors</td>
<td>0.17</td>
<td>0.24</td>
<td>0.18</td>
</tr>
<tr>
<td>Total</td>
<td>0.11</td>
<td>0.17</td>
<td>0.25</td>
</tr>
</tbody>
</table>

*1) Lost time injury frequency rate = (Number of lost-time injuries / total work hours per year) X 1 million hours

Politics Contribution Policy

In accordance with Korea’s Political Funds Act and POSCO’s Code of Ethics and Anti-Corruption Compliance Guidelines, any donations or sponsorships made through corporate assets or budget for political purposes are strictly prohibited. Over the recent three years (2017~2019), there have been no political contributions made.

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions made</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Injury rate = (number of injured employees / number of employees) X 100
*Annual work hours (as of 2019): Total (48,141,939 hours), directly-operated worksites (42,587,013 hours), partner companies (38,554,026 hours)
*2019 Lost Time Injury Frequency Rates (LTIFR) based on the 200,000 work hours stipulated by the U.S. Occupational Safety and Health Administration (OSHA): 0.05 (total), 0.06 (directly-operated worksites), and 0.04 (partner companies)
*4(5) Data is calculated based on all 100% domestic worksites
Awards

<table>
<thead>
<tr>
<th>Category</th>
<th>Date</th>
<th>Award</th>
<th>Granted by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>Jan. 9, 2019</td>
<td>Received the Most Excellent Job Creator in the New Industry Award at the Employment Awards</td>
<td>Ministry of Trade, Industry Energy</td>
</tr>
<tr>
<td></td>
<td>Jun. 21, 2019</td>
<td>Received the Most Excellent Organization Award at the Excellent SME Consortium Organization Awards</td>
<td>Ministry of Employment and Labor</td>
</tr>
<tr>
<td></td>
<td>Sep. 27, 2019</td>
<td>POSCO 1% Foundation honored with the Minister of Culture, Sports and Tourism Award at the Korea Space Culture Awards</td>
<td>Ministry of Culture, Sports and Tourism</td>
</tr>
<tr>
<td></td>
<td>Oct. 7, 2019</td>
<td>Received the Presidential Citation for the successful hosting of the 2018 Pyeongchang Winter Olympics</td>
<td>Korean government</td>
</tr>
<tr>
<td></td>
<td>Oct. 18, 2019</td>
<td>Ranked 1st in the steel industry sector of the Korea Sustainability Index (KSI)</td>
<td>Korean Standards Association</td>
</tr>
<tr>
<td></td>
<td>Nov. 27, 2019</td>
<td>POSCO O&amp;M honored with the Overall Grand Prize at the Korea Environmental Energy Awards</td>
<td>Ministry of Environment</td>
</tr>
<tr>
<td></td>
<td>Dec. 4, 2019</td>
<td>POSCO E&amp;C honored with the Overall Grand Prize at the Construction Cooperation Promotion Awards 2019</td>
<td>Construction Association of Korea</td>
</tr>
<tr>
<td></td>
<td>Dec. 17, 2019</td>
<td>Received the plaque of appreciation from the Korean Commission for Corporate Partnership Chairman as a top performer in sharing hope with youth among large businesses and SMEs</td>
<td>Korea Commission for Corporate Partnership</td>
</tr>
<tr>
<td></td>
<td>Mar. 15, 2019</td>
<td>Pyeongchang With POSCO Residence honored with the Gold Award at the IF Design Award 2019</td>
<td>IIF(International Forum)</td>
</tr>
<tr>
<td></td>
<td>Jun. 27, 2019</td>
<td>Ranked first for 10 consecutive years in the global steelmaker competitiveness assessments made by World Steel Dynamics (WSD)</td>
<td>WSD(World Steel Dynamics)</td>
</tr>
<tr>
<td></td>
<td>Sep. 14, 2019</td>
<td>Listed on the Dow Jones Sustainability Index World</td>
<td>DJS(Dow Jones Sustainability Index)</td>
</tr>
<tr>
<td></td>
<td>Oct. 14, 2019</td>
<td>Received the Innovation of the Year Award with ProArt at the Steeie Awards 2019</td>
<td>WSA(World Steel Association)</td>
</tr>
<tr>
<td></td>
<td>Dec. 19, 2019</td>
<td>Received the Most Excellent CSR Performance Award as a Korean company based in China in 2019</td>
<td>KOTRA: Korea Chamber of Commerce in Korea and KOTRA</td>
</tr>
</tbody>
</table>

Green Purchases Made

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>Amount (KRW million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eco-Labeled products</td>
<td>194</td>
<td>174</td>
<td>2,793</td>
</tr>
<tr>
<td>Good-Recycled products</td>
<td>11</td>
<td>15</td>
<td>33</td>
</tr>
<tr>
<td>e-Labeled products (energy-saving products)</td>
<td>1,213</td>
<td>1,160</td>
<td>10,239</td>
</tr>
<tr>
<td>RoHS (Restriction of Hazardous Substances) products</td>
<td>5,038</td>
<td>5,103</td>
<td>130,812</td>
</tr>
<tr>
<td>Total</td>
<td>6,456</td>
<td>6,452</td>
<td>143,867</td>
</tr>
</tbody>
</table>

Charity and Donation

Any political donations or sponsorships are prohibited under POSCO's Anti-Corruption Compliance Guidelines. In accordance with the regulations of the Board of Directors, the Company is obliged to deliberate and decide on donations over KRW 100 million and KRW 1 billion and less while performing preliminary reviews and deciding on donations over KRW 1 billion. The external sponsorships approved by the BOD in 2019 are as follows.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Description</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation to help Indonesia recover from the tsunami damage</td>
<td>USD 500,000</td>
<td>Joint donations made by POSCO Group(POSCO USD 300,000, PT. KP USD 100,000, other group affiliates USD 100,000)</td>
<td>Decided by the BOD on Jan. 30, 2019</td>
</tr>
<tr>
<td>Donation to help Gangwon Province recover from forest fires</td>
<td>KRW 1 billion</td>
<td>Support for victims to recover from forest fires and return to normal life</td>
<td>Decided by the BOD on Apr. 12, 2019</td>
</tr>
<tr>
<td>Donation to the POSCO Educational Foundation</td>
<td>KRW 18 billion</td>
<td>Financial support for elementary/middle/high schools operated under the foundation</td>
<td>Decided by the BOD on Sep. 6, 2019</td>
</tr>
<tr>
<td>Donation to help the less-privileged at the year end</td>
<td>KRW 10 billion</td>
<td>Joint donations made by POSCO Group(POSCO KRW 8 billion, group affiliates KRW 2 billion)</td>
<td>Decided by the BOD on Dec. 13, 2019</td>
</tr>
</tbody>
</table>
POSCO's Compliance with Corporate Governance Best Practices

<table>
<thead>
<tr>
<th>Best Practice Recommendations</th>
<th>POSCO's Compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduce the corporate governance charter</td>
<td>Yes</td>
<td>Mar. 2004</td>
</tr>
<tr>
<td>Introduce the code of ethics for employees</td>
<td>Yes</td>
<td>Jun. 2003</td>
</tr>
<tr>
<td>Adopt and announce the cumulative voting system</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Compose the board of directors in a way that outside directors constitute the majority</td>
<td>Yes</td>
<td>5 outside directors, 7 inside directors</td>
</tr>
<tr>
<td>Separate the company CEO from the BOD chairmanship or appoint the outside director as the BOD chair</td>
<td>Yes</td>
<td>BOD Chairman appointed among outside directors</td>
</tr>
<tr>
<td>Announce detailed activities of the BOD, attendance, and agreement or disagreement on key agendas</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Organize the Committee for recommendation of directors</td>
<td>Yes</td>
<td>3 outside directors, 1 inside director</td>
</tr>
<tr>
<td>Organize the Audit Committee (solely composed of outside directors)</td>
<td>Yes</td>
<td>4 outside directors</td>
</tr>
<tr>
<td>Introduce regulations on the roles and operational procedures of the BOD and its subcommittees</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Purchase liability insurance for directors at the expense of the company</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Evaluate the activities of the BOD</td>
<td>No</td>
<td>Dec. 2010</td>
</tr>
<tr>
<td>Maintain the independence of external auditors</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Certify the accuracy and integrity of the financial reports made by the CEO and the CFO</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Explain differences from best practices</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Announce the audit report and important and timely disclosures in Korean and English</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Establish the code of ethics for outside directors</td>
<td>Yes</td>
<td>Oct. 2010</td>
</tr>
</tbody>
</table>

Social Performance KPI

<table>
<thead>
<tr>
<th>Category</th>
<th>KPI</th>
<th>Unit</th>
<th>Current Level</th>
<th>Target</th>
<th>Target year</th>
<th>Indicator definition and calculation formula</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>No. of major injuries</td>
<td>No. of persons</td>
<td>0</td>
<td>0</td>
<td>2020</td>
<td>No. of employees sustaining major injuries</td>
<td>POSCO considers safety as its top priority in business conduct and strives to create a globally recognized culture of safety. With the 2020 goal of reaching zero in the number of major injuries as a critical safety KPI, we are fully committed to providing a safe workplace.</td>
</tr>
<tr>
<td>Supply chain sustainability</td>
<td>Win-Win Index</td>
<td>Rating</td>
<td>Excellent</td>
<td>Most excellent</td>
<td>2020</td>
<td>Definition: Win-Win Index evaluation outcomes supervised by the Korean Commission for Corporate Partnership Formula: Ratings published each year by the commission *Most excellent, excellent, good, standard, substandard The Korean Commission for Corporate Partnership, a private-sector consultation body created to promote mutually-beneficial cooperation between large businesses and SMEs, evaluates large businesses for their efforts to advance win-win cooperation and publishes the outcomes each year. The Win-Win Index is calculated based on the evaluations made by the Fair Trade Commission on fair trade agreement compliance as well as on the surveys performed on SMEs on their experienced benefits.</td>
<td></td>
</tr>
<tr>
<td>Diversity</td>
<td>POSCO Group affiliates</td>
<td>%</td>
<td>2.3</td>
<td>3.1</td>
<td>2021</td>
<td>Employment of people with disabilities by POSCO and POSCO Group affiliates</td>
<td>POSCO and group affiliates set plans in March 2020 to increase the employment of people with disabilities as a way to practice the value of diversity. Currently, the average employment of people with disabilities at POSCO Group affiliates amounts to 2.9%, and our plan is to raise the ratio to 3.1% by 2021.</td>
</tr>
</tbody>
</table>
Operational Status of Talent Development Programs

Our professional position training is focused on internalizing corporate citizenship mindset and developing leadership skills at respective job levels to enable performance in line with new business conditions. Engineers at our steelworks primarily receive training on smart factory and other emerging technology to lead the field operations as well as on essential job capabilities. In 2019, blended learning and feed-forward system were upgraded with a focus on employee’s self-directed learning and behavioral changes in the workplace. In 2020, plant leader candidate development program will be created to help our engineers nurture leadership skills early on in the areas of safety, labor, and organizational culture to generate business outcomes. Meanwhile, our employees in manufacturing positions training mainly aims to strengthen field-level technology and revitalize our corporate culture. In 2019, technical staff development training was reinforced to maintain and further develop the technical skills of highly-experienced staff in the field.

Training Outcomes

<table>
<thead>
<tr>
<th>Category</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training hours per employee&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Hour</td>
<td>90</td>
<td>85</td>
<td>79</td>
</tr>
<tr>
<td>Training expenses per employee&lt;sup&gt;2&lt;/sup&gt;</td>
<td>KRW million</td>
<td>1.18</td>
<td>1.56</td>
<td>1.63</td>
</tr>
<tr>
<td>Trainee satisfaction&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Point</td>
<td>4.77</td>
<td>4.64</td>
<td>4.66</td>
</tr>
<tr>
<td>Behavioral change &amp; Implementation&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Point</td>
<td>94.2</td>
<td>95.5</td>
<td>93.6</td>
</tr>
</tbody>
</table>

*In addition to employee training, POSCO provides: youth employment/startup programs (POSCO Youth Dream) / Steel Bridge / Corporate Citizenship Culture Concert / Customer invitation training / CPR training / Overseas benchmarking for SMEs / SME innovation FT / Two-day Camp with Daddy / Couple meditation camp

Manufacturing position (E position)

<table>
<thead>
<tr>
<th>Position</th>
<th>Mandatory Course(14)</th>
<th>Nurturing Course(14)</th>
<th>Optional Course(14)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Technical Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New hire Initial Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Leader</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Vice President</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>President</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Newly added in 2020*
BOD Policy

BOD Support Organization

In accordance with the Board of Directors (BOD) operational regulations, a secretary (Head of Corporate Strategy Office/Executive Vice President) serves to support the general operations of the BOD, and a dedicated organization, composed of two officer-level employees (Vice President, Section Leader) and two manager-level employees (manager), is up and running under the Corporate Strategy Planning Group.

Director Composition

POSCO ensures that outside directors account for the majority of the BOD in conformity with Chapter 5 of the Articles of Incorporation and Article 27 of the BOD regulations that specifies the number of directors. Presently, our BOD consists of 12 directors, and seven of them are outside directors (58% of the total).

Director Appointment

Our directors are appointed at the general shareholder meeting, and director candidates are nominated by the BOD (inside directors) and the Director Candidate Recommendation and Management Committee (outside directors) to the general shareholder meeting. In addition, when shareholder proposal rights are exercised concerning the nomination of director candidates in conformity with relevant regulations, the Director Candidate Recommendation and Management Committee proposes such candidates at the general shareholder meeting.

Director Performance Appraisal

POSCO’S Board of Directors has operated a BOD performance appraisal system since 2010 to identify improvements to be made on its operation and elevate the external credibility of the Company's governance. Self-initiated appraisals are conducted every February and outcomes are reported to the BOD in May. All BOD members are required to respond to the questionnaire that consists of quantitative and qualitative items on the BOD in general and their respective subcommittees. This allows us to assess BOD's performance concerning its system and operational level, including the role of the BOD, its structure and operation. Appraisal outcomes are reported to the BOD and consultations are made to use such outcomes in improving the operation of the BOD.

Independence of the BOD

Korea's Commercial Law includes provisions on the independence of outside directors (Clause 3 Article 382 of the Commercial Act), and POSCO appoints outside directors in accordance with this Act (Clause 3 Article 382 of the Commercial Act) as stipulated by its Articles of Incorporation (Article 31 on the qualifications of outside directors).

Director Qualifications (Corporate Governance Charter 3-3 Director Qualifications)

- Directors shall possess exemplary ethics, professionalism, and integrity, and pursue a balanced representation of the long-term value enhancement for all shareholders and the rights and interests of stakeholders.
- Inside directors, as members of the senior company management, shall develop abundant experience and expertise in relation to the Company's business conduct as well as reasonable judgement and leadership.
- Outside directors shall possess extensive expert knowledge and experience in relation to industry, finance, academia, law, accounting, or the public sector and be free from any material interests in the Company and capable of making decisions independent of top management and specific shareholders.
- To ensure diversity in the composition of the BOD, external directors are appointed in consideration of their gender, nationality, age, academic achievement, and expertise.

Director Responsibilities (Corporate Governance Charter 3-3 Director Responsibilities)

- Directors, as managers acting in good faith, shall fulfill their fiduciary duties in their operation to serve the interest of the Company and shareholders, and shall not expose any information acquired in the course of work to third-parties nor use it for personal gain.
- Directors, as members of the Company, shall abide by the 'POSCO Code of Ethics' and the 'Code of Ethics for Outside Directors', and the Board of Directors shall supervise their compliance with the behavioral norms specified in the Code of Ethics.
- Directors, when violating governmental regulations or the Articles of Association or failing to fulfill relevant duties, shall be held liable for compensating any losses suffered by the Company and for compensating third-parties as well for any ill-intended actions or gross negligence that occurred. Their management decisions, however, that are made in accordance with appropriate procedures and sincere and reasonable judgement, shall be respected.
- The Company shall purchase liability insurance plans at its expense to establish effectiveness in holding directors accountable and to recruit competent individuals as directors.
- Directors shall resign if their conflict of interest with the Company is not resolved, and shall not engage themselves in any discussions or decisions that may impact their own personal or professional interest.

Code of Ethics for POSCO Outside Directors

We, the outside directors of POSCO, shall lead the ethics management of the Company and fulfill our role and responsibility as an outside director and hereby resolve as follows.

- We are non-executive directors appointed by POSCO shareholders who entrust the management of the Company to management professionals. We shall take a fair and clear stance in serving our duties for the profit of the Company and the common interest of the shareholders.
- We value the independence of outside directors and shall execute professional judgement to the fullest for the continuous development of the professional management system which focuses on competence and results.
- We shall assist POSCO in fulfilling its social responsibility in a way that befits its history and founding spirit to contribute to national development by way of the conducting steelmaking business.
- We shall put to use our utmost good faith and sincerity to establish a corporate culture that encourages all members of the BOD to cooperate with one another for the sake of the Company.
- We shall not pursue our personal interest with respect to our job as POSCO outside directors, inappropriately intervene in personnel affairs or business operations, nor use the information acquired during the course of our work for personal advantage.
- We shall respect POSCO's Code of Ethics and observe the code along with other employees of the Company. Under this Code of Ethics, we shall play a leading role in creating an exemplary corporate culture.
CEO-to-Employee Pay Ratio

<table>
<thead>
<tr>
<th>Total CEO Remuneration</th>
<th>Average Employee Remuneration</th>
<th>Ratio*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,617</td>
<td>97</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

*Ratio: Total CEO remuneration/average employee remuneration

CEO Remuneration

<table>
<thead>
<tr>
<th>Type of Remuneration</th>
<th>Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay</td>
<td>901</td>
</tr>
<tr>
<td>Incentive</td>
<td>709</td>
</tr>
</tbody>
</table>

In accordance with the set director remuneration criteria, performance-based annual salary pay can be made on the basis of the assessment performed on management performance for the concerned fiscal year.

- Performance-based annual salary: Payments were made on two occasions per year (KRW 469 million) based on the quantitative assessments made on operating profit, EPS, operating cash flow, and sales as well as the qualitative assessments made on the expansion of premium products through product/service differentiation, the establishment of a new business execution system, and the acceleration of the growth of the rechargeable battery material business.

Stock Ownership of the CEO and Other Executive Committee Members

<table>
<thead>
<tr>
<th>Position</th>
<th>No of Shares*</th>
<th>Base Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>911</td>
<td>KRW 801 million</td>
</tr>
<tr>
<td>Average ownership of top management†</td>
<td>703</td>
<td>KRW 493 million</td>
</tr>
</tbody>
</table>

*Average share ownership of inside directors excluding the CEO
†Reference date: Dec. 31, 2019
‡Average base pay of inside directors excluding the CEO

Long-term Incentives for Top Management

In accordance with the set director remuneration criteria, performance-based annual salary as short-term management performance bonuses can be paid based on the management performance evaluations made for the concerned fiscal year. Long-term incentives can be paid as long-term management performance bonuses based on the long-term management performance evaluations made for the period of three years.

Long-term Incentive Calculation Criteria

- In Korea, it is stipulated that those who serve as an outside director for more than six years at listed companies or for more than nine years at listed companies and their affiliates should be disqualified as an outside director at the concerned listed companies. (Clause 5, Article 34 of the enforcement ordinance of the Commercial Act which took effect in February 2020)

- In Korea, those serving as a director, an auditor or an executive at more than two other companies in addition to the concerned listed company are limited from serving as an outside director. (Article 34 of the enforcement ordinance of the Commercial Act)

Board Tenure and Directors Holding Multiple Positions

<table>
<thead>
<tr>
<th>Director</th>
<th>Name</th>
<th>Tenure (No. of years)</th>
<th>Directors Holding Multiple Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outside director</td>
<td>Moon-Ki Chung</td>
<td>5</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Byong-Won Bahnk</td>
<td>5</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Joo-Hyun Kim</td>
<td>3</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Shin-Bae Kim</td>
<td>3</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Seung-Wha Chang</td>
<td>3</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Sung-Jin Kim</td>
<td>2</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Heui-Jae Pahk</td>
<td>2</td>
<td>●</td>
</tr>
<tr>
<td>Inside director</td>
<td>Jeong-Woo Choi</td>
<td>2</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>In-Hwa Chang</td>
<td>2</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Jang-Son Chon</td>
<td>2</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Hag-Dong Kim</td>
<td>1</td>
<td>●</td>
</tr>
<tr>
<td></td>
<td>Tak-Jeong</td>
<td>1</td>
<td>●</td>
</tr>
</tbody>
</table>

Average tenure (No. of years) 2.58

* Ratio: Total CEO remuneration/average employee remuneration
† Average share ownership of inside directors excluding the CEO
‡ Average base pay of inside directors excluding the CEO
Human Rights Management Policy

- POSCO respects the human rights of all its employees and protects their human dignity.
- POSCO endorses and respects the human rights and labor standards proposed by the UN, ILO and other international organizations working in the labor area, and does not discriminate on the grounds of gender, race, nationality, religion, or age.
- POSCO takes proactive measures to prevent stakeholders from suffering any human rights infringement, and factors in human rights in the entire business conduct from product development and production to sales and service offerings.
- POSCO identifies human rights risks in any and all communities where it operates, and takes the lead in practicing the value of respecting human rights.

Detailed Guidelines of Human Rights Management

- Respect for human rights: We respect the human dignity of each and every employee, and endeavor to prevent any form of human rights infringement from ever occurring.
- Ban on compulsory labor: We do not compel any employee to work against their free will by any form of psychological or physical confinement, including slavery or human trafficking, and do not demand that employees surrender any government-issued identification cards, passports or work permits as a condition of employment.
- Ban on child labor and youth employment: We do not employ children and youth under the age of 15 years old. For youth under 18 years old, their employment is in full compliance with labor laws and regulations and does not involve any risky or hazardous work.
- Work hours and wages: We comply with national or regional labor laws and regulations with respect to regular work hours and overtime hours. We also ensure that we pay our employees above the minimum threshold stipulated by national or regional labor laws and regulations.
- Anti-discrimination: We do not discriminate against our employees in relation to employment as well as wages, promotions and other labor conditions on the grounds of gender, race, nationality, ethnicity, or religion.
- Freedom of association: We guarantee our employees the freedom of association and the rights to collective bargaining in accordance with national or regional labor laws and regulations, and do not cause our employees to be disadvantaged for their involvement with a labor union or attempting to organise one.
- Workplace safety and environment: We ceaselessly endeavor to create a pleasant work environment and prevent safety incidents from occurring through compliance with international standards, applicable laws and regulations concerning labor conditions.
- Protection of personal information: We protect the personal information of stakeholders, including customers, in conformity with applicable regional laws and regulations as a way to protect the human rights of all stakeholders. We do not use such information without the prior consent of the concerned individual(s), and ensure that such information is put to use for intended purposes only.

Code of Ethics

POSCO’s business operations comply with the Code of Ethics which embodies the Company’s commitment to holding itself to the highest-possible business ethics in reflection of its corporate values. The Code of Ethics provides standard behavioral guidelines to follow for directors, employees, contractors, suppliers and other business partners doing business in cooperation with POSCO, its subsidiaries, and related companies. POSCO’s Code of Ethics encompasses the key factors of its applicable policies and standard frameworks, including the issues outlined below.

- Environment, health and safety
- Conflict of interest
- Diversity policy
- Anti-bribery and anti-corruption policy
- Human rights policy
- Anti-trust/anti-competitive practices
- Anti-discrimination, equal opportunity, and sexual and workplace harassment policy
- Whistleblowing system
- Information protection
- Money laundering
- Insider trading/dealing

Rule on Anti-Corruption Compliance

Bribery and corruption degrades lawfully-conducted business operations and distorts the competitive landscape to eventually expose businesses and their employees to severe risks. POSCO takes a zero-tolerance approach to any form of bribery and corruption, and commits to cooperate with governments and other organizations to prevent corruption at society at large.

Our executives in charge of corporate governance are tasked with supervising our compliance with applicable laws and regulations and executing anti-bribery and anti-corruption standards. Employees found to have violated anti-bribery and anti-corruption laws or standards are subject to dismissal and other disciplinary measures. Audit Committee is responsible for supervising all internal issues related to bribery and corruption as well as whistleblowing reports and their investigation. POSCO set forth the ‘Anti-Corruption Compliance Guidelines’ in 2016 in a move to prevent bribery and corruption. These guidelines include provisions stipulated by key global anti-corruption laws and standards such as the Foreign Corrupt Practices Act of the U.S., the Bribery Act of the U.K., the OECD Anti-Bribery Convention, and the UN Global Compact.

Article 6 Entertainment and Benefits

6.1 General Principle

POSCO employees do not offer or receive money or valuables with respect to entertainment and benefits to domestic/overseas public officials, counterparts, or any other stakeholders for unjustifiable pursuit of business profits. ‘Valuables’ may include the following:

- Securities, real estate, dinner, gifts, golf playing
- Right to use products and services or receive discounts on them
- Time-off accommodations and entertainment expenses
- Right to use products and services or receive discounts on them
- Political contributions
- Takeover or cancellation of debts, provision of employment, giving of rights and privileges, and other tangible/intangible economic gains
Independence of the BOD

We follow an independent and transparent process in appointing outside directors. The Outside Director Candidate Recommendation Advisory Group, composed of five socially-respected experts in their field, recommends three times the number of outside directors to be appointed. The Director Candidate Recommendation and Management Committee evaluates these candidates for their qualifications and nominates candidates, who are then finally approved at the general shareholder meeting. To engage more shareholders in the nomination process, we have been including those candidates recommended by shareholders in the outside director nomination process since 2018.

We ensure that an outside director serves as the Chairman of the BOD to strengthen its independence, and all the special committees under the BOD are chaired by outside directors (except for the Executive Management Committee responsible for reviewing and deliberating on steel business matters) to place outside directors at the center of the BOD operational system. In addition, regular meetings are hosted for outside directors only as an institutional guarantee to gather the independent opinions of outside directors concerning BOD agenda items.

Article 31 of our Articles of Incorporation defines the qualifications of outside directors as ‘those who qualify in accordance with applicable laws and regulations’, and Article 382 and Article 542-8 of Korea’s Commercial Act and Article 34 of the enforcement ordinance of this Act stipulate that outside directors should be independent of a company’s largest shareholders and Article 31 of our Articles of Incorporation defines the qualifications of outside directors as ‘those who qualify in accordance with applicable laws and regulations’, and Article 382 and Article 542-8 of Korea’s Commercial Act and Article 34 of the enforcement ordinance of this Act stipulate that outside directors should be independent of a company’s largest shareholders and senior management.

In addition to complying with provisions with respect to the independence of outside directors as set forth in applicable laws and regulations and the Articles of Incorporation, POSCO also receives the ‘confirmation of outside director qualifications’ and ‘director/auditor candidate confirmations’ from outside director candidates to verify their compliance and qualifications, and disclose such information through the Korea Exchange.

Korean Commercial Act

Article 382 (Appointment of Directors, Relationship with Company and Outside Directors)

Outside directors are directors who are not engaged in regular business of the company concerned, and do not fall under any of the following subparagraphs. Where outside directors fall under any of the following subparagraphs, they shall be removed from their offices:

1. Directors and employees who are engaged in regular business of the company concerned, or directors, auditors and employees who have been engaged in regular business of the company concerned within two years;
2. The principal, his spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
3. Directors, auditors and employees of the corporation, in cases where the largest shareholder is a corporation;
4. Spouses, lineal ascendants, and lineal descendants of directors and auditors;
5. Directors, auditors and employees of a parent company or a subsidiary company of the company concerned;
6. Directors, auditors and employees of a corporation which has a significant interest in the company concerned, such as business relations with the company;
7. Directors, auditors and employees of another corporation for which directors and employees of the company concerned work as directors.

Article of Incorporation

Article 31. Qualification for Candidate for Outside Directors

An Outside Director must have sufficient and professional knowledge or experience in the areas of industry, finance, education, law, accounting and public administration and also must be qualified under the relevant laws.

POSCO Corporate Citizenship Report 2019
Tax Management Policy

POSCO files tax returns and pays taxes in good faith, not only under the law of Korea but under those of various countries where it engages in business activities, and performs, in good faith, its obligations under the law as a taxpayer, including the submission of relevant materials, in transparent relations with individual countries’ tax authorities.

POSCO do not conduct transactions or contracts that transfer income between countries to take advantage of differences between different countries’ tax laws or loopholes in international tax systems. Furthermore, we allocate taxable income in a manner that is consistent with the value generated through business activities in each country.

POSCO, as a company with an active business presence across the globe, is aware of differences in tax laws among nations, and endeavors to prevent tax risks and to conduct business within the boundaries of applicable tax regulations in making any and all business transactions.

POSCO's employees handling its tax matters perform their job based on the principle of performing, in good faith, POSCO's obligation to file tax returns and pay taxes under applicable laws and maintain transparent relations with tax authorities.

POSCO appoints external experts to deal with regulations such as the duty to prepare and submit BEPS(Base Erosion and Profit Shifting)-related reports in each country, and it implements BEPS risk analysis and documentation projects in overseas offices.

POSCO’s tax information is disclosed through external notification in a transparent way. The financial statement and the footnotes of the audit report contain information on corporate tax calculation standards, deferred tax assets, liabilities, composition and rate of corporate tax. Transparency and objectivity are ensured by an external audit.

External Stakeholder Engagement Policy

The POSCO’s external stakeholder engagement process includes procedures and contents for external stakeholder engagement.

1) Scope
   - The stakeholder engagement process provides guidelines for establishing and maintaining good relationships with local stakeholders, including communities, NGOs, local authorities, customers, partners, academia and other institutions.

2) Purpose
   - The POSCO’s external stakeholder engagement process is established to maintain trust and respect for external stakeholders and to manifest its active leadership in stakeholder engagement.

3) Contents
   - 1) Compliance
      - When implementing this process, each worksite complies with all applicable local laws and regulations regarding stakeholder engagement and community consultation.

   - 2) Stakeholder identification, analysis, and participation
      - Stakeholder identification: Identify the company’s stakeholders and identify their interests by considering various factors such as age, gender, and community. POSCO listens to the opinions of various stakeholders and reflects them in corporate management. POSCO's stakeholders can be categorized into employees, customers, partners/suppliers, and community shareholders/investors. For more information, see Stakeholder Engagement Partners in the report(page 19).

   - Stakeholder interest analysis: Identify stakeholders and interests on a regular basis and incorporate them into the company’s decision-making process.

   - Stakeholder engagement: POSCO operates stakeholder engagement programs through formal and informal events. The stakeholder participation can be done in various ways such as information sharing, feedback, dialogue, partnership, and co-project.

   - 3) Disclosure of information
      - Provide information in a manner and language that are accessible to stakeholders.

   - 4) Grievance
      - Establish a grievance mechanism accessible to stakeholders so that they can be aware of it.

   - 5) Department in charge
      - Designate a department in charge of stakeholder engagement in worksites to manage relevant activities.

   - 6) Communication
      - Establish and manage an annual stakeholder engagement plan.

   - 7) Stakeholder identification: Identify the company’s stakeholders and identify their interests by considering various factors such as age, gender, and community. POSCO listens to the opinions of various stakeholders and reflects them in corporate management. POSCO’s stakeholders can be categorized into employees, customers, partners/suppliers, and community shareholders/investors. For more information, see Stakeholder Engagement Partners in the report(page 19).

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### Occupational Health and Safety

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<td>Assessment of the health and safety impacts of product and service categories</td>
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<td>GRI 416-2</td>
<td>Incidents of non-compliance concerning the health and safety impacts of products and services</td>
<td>6.7.4</td>
<td>No violations occurred</td>
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<td>GRI 417-2</td>
<td>Incidents of non-compliance concerning product and service information and labeling</td>
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<td>No legal sanctions imposed</td>
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<td>Substantiated complaints concerning breaches of customer privacy and losses of customer data</td>
<td>6.7.1-6.7.2, 6.7.7</td>
<td>No complaints received</td>
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<td><strong>Socio-economic Compliance</strong></td>
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<td>Non-compliance with laws and regulations in the social and economic area</td>
<td>4.6, 6.7.1-6.7.2, 6.7.6</td>
<td>p491, p492, Business Report</td>
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APPENDIX

OVERVIEW
Charter of Corporate Citizenship
POSCO at a Glance
Letter to Stakeholders
Management Speak
ESG Maturity Analysis
Stakeholder Engagement
Flagship Corporate Citizenship Projects

MANAGEMENT PERFORMANCE
BUSINESS
Marketing
Quality Management
Technology Development
New Growth Business
Venture Platform
Environmental Management
Climate Change
Shared Growth
Supply Chain Management

SOCIAL
Social Contribution
Approach to Enhancing Fertility
Support for Youth Employment
Becoming Global Citizens

GOVERNANCE
Board of Directors
Corporate Citizenship Committee
Investor Relations
Tax Policy
Risk Management
Business Ethics
Fair Trade
Information Security

APPENDIX
SASB

Sustainability Disclosure Topics & Accounting Metrics

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<th>Unit of Measure</th>
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<td>Greenhouse Gas Emissions</td>
<td>EM-IS-110a.1</td>
<td>Quantitative</td>
<td>(1) Gross global Scope 1 emissions, (2) Percentage covered under emissions-limiting regulations</td>
<td>Metric tons (t), Percentage (%)</td>
<td>(1) 79,447,000 (2) 109%</td>
</tr>
<tr>
<td></td>
<td>EM-IS-110a.2</td>
<td>Discussion and Analysis</td>
<td>Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets</td>
<td>-</td>
<td>In 2010, POSCO announced the goal of reducing its GHG emissions (Scope 1+2) from its steelworks: to reduce emissions per ton of steel produced by 9% from 2.20 tCO₂/t-S, the average between 2007 and 2009 (2.20 tCO₂/t-S), to the 2.00 tCO₂/t-S range by 2020. To this end, we improved the energy efficiency of our products, developed innovative CO₂-mitigating technology, and achieved low-carbon certifications on our thick plate and hot-rolled products, which enabled us to attain the set goal in 2019. In 2020, we are setting plans for long-term reduction targets to be attained by 2050.</td>
</tr>
<tr>
<td>Air Emissions</td>
<td>EM-IS-120a.1</td>
<td>Quantitative</td>
<td>(1) NOx emissions (excluding N2O)</td>
<td>Metric tons (t)</td>
<td>41,012</td>
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<tr>
<td></td>
<td>EM-IS-120a.2</td>
<td>Quantitative</td>
<td>(2) SOx emissions, (3) Particulate matter (PM10) emissions, (4) CO emissions, (5) MnO emissions, (6) Lead (Pb) emissions, (7) Volatile organic compounds (VOCs) emissions, (8) Polycyclic aromatic hydrocarbons (PAHs) emissions</td>
<td>-</td>
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<tr>
<td>Energy Management</td>
<td>EM-IS-130a.1</td>
<td>Quantitative</td>
<td>(1) Total energy consumed, (2) Percentage grid electricity, (3) Ratio of using renewable energy</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>390,599,051</td>
</tr>
<tr>
<td></td>
<td>EM-IS-130a.2</td>
<td>Quantitative</td>
<td>(1) Total fuel consumed, (2) Coal consumption, (3) Natural gas consumed, (4) Consumption of renewable fuel</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>376,548,557</td>
</tr>
<tr>
<td>Water Management</td>
<td>EM-IS-140a.1</td>
<td>Quantitative</td>
<td>Total fresh water consumed, Water recycled, Percentage of water consumed in regions with High (40%-60%) or Extremely High (&gt;60%) Baseline Water Stress</td>
<td>Thousand cubic meters (m³), Percentage (%)</td>
<td>142,038</td>
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POSCO's Response:
- POSCO's primary business is to manufacture steel products by separating and refining iron from iron ores at high temperatures through the blast furnace. This steel making process generates such air pollutants as SOx, NOx, and dust and we report their emissions. As to substances other than those aforementioned, their data is not collected nor calculated.
Activity Metric

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<th>Accounting Metric</th>
<th>Unit of Measure</th>
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<tr>
<td>EM-IS-000.A</td>
<td>Quantitative</td>
<td>Raw steel production, percentage from: (1) basic oxygen furnace processes, (2) electric arc furnace processes</td>
<td>Metric tons (t), percentage (%)</td>
<td>The concerned data was calculated based on all of POSCO's domestic worksites (Non-consolidated) (1)Production volume: 36,710,000, ratio: 96.6% (2)Production volume: 1,300,000, ratio: 3.4%</td>
</tr>
<tr>
<td>EM-IS-000.B</td>
<td>Quantitative</td>
<td>Total iron ore production</td>
<td>Metric tons (t)</td>
<td>This metric is not applicable and is not reported as POSCO does not own any mines.</td>
</tr>
<tr>
<td>EM-IS-000.C</td>
<td>Quantitative</td>
<td>Total coking coal production</td>
<td>Metric tons (t)</td>
<td>This metric is not applicable and is not reported as POSCO does not own any mines.</td>
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APPENDIX

TCFD

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<td>a) Describe the board's oversight of climate-related risks and opportunities</td>
<td>P45-46 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C1.1</td>
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<td><strong>Strategy</strong></td>
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<td>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term</td>
<td>p.24-26 (FOCUS 02), p.45 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C2.1, C2.2c, C2.3a, C2.4a, C3.1c</td>
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<td>b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning</td>
<td>p.24-26 (FOCUS 02), p.45 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C2.3, C2.5, C2.6, C3.1a</td>
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<tr>
<td>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</td>
<td>p.24-26 (FOCUS 02), p.45 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C3.1a</td>
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<tr>
<td><strong>Risk Management</strong></td>
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<tr>
<td>a) Describe the organization's processes for identifying and assessing climate-related risks</td>
<td>p.45-46 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C1.2a, C2.2b</td>
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<td>b) Describe the organization's processes for managing climate-related risks</td>
<td>p.45-46 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C2.2d</td>
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<tr>
<td>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management</td>
<td>p.45-46 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C2.2</td>
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<td><strong>Metrics and Targets</strong></td>
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<tr>
<td>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</td>
<td>p.46-48 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C4.1b</td>
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<tr>
<td>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</td>
<td>p.46-48 (climate change), Corporate Citizenship Report 2019</td>
<td>CDP_C4.1b</td>
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Independent Assurance Report

To the Management of POSCO

We have been engaged by POSCO (the “Company”) to review the information presented in the POSCO Corporate Citizenship Report 2019 (the “Report”). Management is responsible for the preparation of this Report, and our responsibility is to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements (“ISAE”), on the Report and to express a conclusion on the presentation of the Report based on the evidence we have obtained.

Responsibilities of the Company and Ernst & Young Han Young

The Company is responsible for collecting and presenting the data within the Report. This responsibility includes designing, establishing, and maintaining internal controls that are relevant to the preparation of the Report, such that it is free from material misstatement, whether due to fraud or error. Our responsibility, in accordance with our contract with the Company, is to perform a “limited level of assurance with respect to selected quantitative/qualitative performance presented in the Report.” We shall have no responsibility whatsoever to any other purpose, individual, or organization in respect to the result of the limited level of assurance. The decision made by the third party based on the Report, other than the Company, is the sole responsibility of the third party.

Description of procedures performed

We conducted our engagement in accordance with ISAE30001 and the requirements of a Type 2 assurance engagement as defined by AA1000AS(2008)2.

We performed the following procedures to form our conclusion on the Report:

- Identified the Company’s processes for stakeholder engagement.
- Identified the Company’s processes for determining material issues of stakeholder groups.
- Read media coverage of the Company’s environmental, social and governance (“ESG”) issues during the reporting period.
- Analyzed recently reported ESG issues of the Company’s global competitors.
- Conducted interviews with respective personnel regarding the Company’s ESG activities and reporting process during the reporting period.
- Inspected data regarding the Company’s ESG performance, supporting evidence for assertions, and intranet source data.
- Identified the Company’s process for collecting and consolidating ESG performance data.

We conducted a limited assurance engagement in accordance with ISAE 3000, which corresponds to the ‘Moderate Level’ of assurance defined in AA1000AS(2008). Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

The result of our review is outlined below.

- Application of AA1000 Accountability Principles

Inclusivity

Has the Company demonstrated commitment to including its stakeholders’ in its approach to development and implementation of the Company’s ESG performance on its overall business operations?

- Nothing has come to our attention that causes us to believe that the Company has not applied the principle of inclusivity in developing its approach to ESG.

Materiality

Has the Company communicated material issues concerning the Company’s ESG performance in a balanced manner?

- Nothing has come to our attention that causes us to believe that there was any material issues concerning the Company’s ESG performance that were excluded from the Report.

- Nothing has come to our attention that causes us to believe that the Company has not applied the process for determining material issues to be included in the Report.

Responsiveness

Has the Company appropriately reflected the stakeholders’ concerns?

- Nothing has come to our attention that causes us to believe that the Company has not applied the principle of responsiveness in considering the matters to be included in the Report.

Level of assurance

We conducted our limited assurance engagement in accordance with ISAE 3000, which corresponds to the ‘Moderate Level’ of assurance defined in AA1000AS(2008). Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Limitation of our procedures

The use of proceeds from ESG bond issuance was not a subject matter of our limited assurance engagement, and we did not include the ESG performance data prior to 2018 in our subject matter. We checked the financial performance data based on the Company’s 2019 audited financial statements.

Reliability of Performance Information

How complete and accurate does the Report disclose its ESG performance information?

- Nothing has come to our attention that causes us to believe that there was any fundamental error in information and explanations regarding key assertions in this Report related to the Company’s ESG performance.

- Nothing has come to our attention that causes us to believe that there was any significant error regarding the completeness and accuracy of the Company’s ESG performance data.

Observations and opportunities for improvements

We believe the following matters require attention for improving the Company’s future ESG reporting process. Our conclusion is not modified in respect of this matter.

- Considering the increase in the geographical scope of overseas subsidiaries as well as their sales volume, the importance of communications with local stakeholders is increasing progressively. With respect to this, it is necessary for the Company to expand the communication channels as well as to enhance the system to reflect such results in management decisions.

- Regarding the performance related to the major ESG issues that are linked to the corporate citizenship activities, it is necessary for the Company to consider establishing quantitative goals and report the results in a form of progress status compared to the goal.

Our independence

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics issued by the International Federation of Accountants.

Our engagement team

This assurance engagement was performed by the engagement team with extensive assurance experience and competence in the ESG area.

Ernst & Young Han Young

April 21, 2020
Ernst & Young Han Young

Ernst & Young Han Young
Independent assurance report on POSCO’s Carbon Reporting

To the Management of POSCO

Scope

We have undertaken a limited assurance engagement with regards to POSCO’s (the “Company”) carbon reporting on pages 45 through 50 of the 2019 Corporate Citizenship Report on the basis that the Company, having elected to have an assurance report on its greenhouse gas emissions ("GHG") reduction and emissions reduction activities, agrees to have an assurance report on these activities. This report (the “Report”) comprises of the following subject matter:

- Direct (Scope 1) and indirect (Scope 2) GHG reductions and emissions per ton of crude steel production for the year ended December 31, 2019 as described on page 46 and page 47 of the Report
- The Company’s carbon footprint and GHG reduction activities in the year ended December 31, 2019 as described on page 47 and page 48 of the Report
- The Company’s carbon footprint for the year ended December 31, 2019 as described on page 47 and page 48 of the Report

We read the other information included in the Report and considered whether it was consistent with the Subject Matter. We considered the implications for our report in the case that we became aware of any apparent misstatements or material inconsistencies with the Subject Matter.

Criteria applied by the Company

In preparing the Subject Matter, the Company applied the Guidelines on Greenhouse Gas Emissions Reporting and Verification of Korea Emission Trading Scheme (Ministry of Environment Notice No.2018-73) (the “Guideline”) and POSCO Carbon Reporting Procedures as set out in the Global Reporting Initiative Standards (the “GRI Standards”) Core option (collectively, the “Criteria”). The Guideline is publicly available on website of the Ministry of Environment. The GRI Standards can be accessed on the Global Reporting Initiative website.

The Company’s responsibilities

The Company’s management is responsible for selecting the Criteria, and for presenting the Subject Matter, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on our report. Our engagement was conducted in accordance with the International Standard on Assurance Engagement 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000") and in respect of direct (Scope 1) and indirect (Scope 2) CO2 emissions per ton of crude steel production, International Standard on Assurance Engagements 3410: Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410") issued by the International Auditing and Assurance Standard Board, and the terms of reference for this engagement as agreed with the Company on March 16, 2020. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Conclusion Based on our procedures and evidence obtained, our conclusion is as follows:

We are not aware of any material modifications that should be made to the direct (Scope 1) and indirect (Scope 2) CO2 emissions and emissions per ton of crude steel production for the year ended December 31, 2019, in order to be in accordance with the Guideline.

We are not aware of any material modifications that should be made to the Company’s data in the GHG reduction activities on social GHG reduction activities and GHG reduction activities through its products and the amount of the Company’s investments in energy saving R&D for the year ended December 31, 2019, in order for it to be in accordance with the POSCO Carbon Reporting Procedures as set out in the GRI Standard core option.

Ernst & Young's responsibilities

We are responsible for expressing an independent assurance conclusion in the assurance report based on our procedures and evidence obtained. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would have been required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We have undertaken a limited assurance engagement with regards to POSCO’s climate change information on pages 45 through 50 of the POSCO Corporate Citizenship Report 2019 (the “Report”) comprising of the following subject matters (hereinafter, collectively referred to as the “Subject Matter”):