



POSCO CORPORATE CITIZENSHIP REPORT 2019

ECONOMIC, ENVIRONMENTAL,
SOCIAL & GOVERNANCE PERFORMANCE

POSCO CORPORATE CITIZENSHIP REPORT 2019

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ABOUT THIS REPORT



Cover Image

Symbolic representation of co-existence among Business, Society, and People, the three focus areas of POSCO's Corporate Citizenship

Past reports are downloadable in PDF format.

Contact

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Seoul, 06194, South Korea

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.

Past Reports (based on the year of publication)

1995-2003	Environmental Report
2004-2011	Sustainability Report
2012-2013	Integrated Report (combination of annual reports and sustainability reports)
2014-2018	POSCO Report
2019-present	Corporate Citizenship Report

Reporting Principles

This Report was prepared in accordance with the Global Reporting Initiative (GRI) standards Core option. As POSCO serves as a member of the UN Global Compact, the Report contains the actions taken by the Company to endorse the 10 UN Global Compact Principles in the areas of human rights, labour, the environment, and anti-corruption and to attain the UN Sustainable Development Goals (SDGs). In addition, the Sustainability Accounting Standards Board (SASB)'s industry-specific standards were taken into account to select major issues to report in consideration of characteristics of the industry POSCO is conducting business in, and the Task Force on Climate-related Financial Disclosure (TCFD) recommendations were reflected as well.

Reporting Period

This Report primarily outlines POSCO's activities and achievements for the period from January 1, 2019 to December 31, 2019. Some of the data spans the period that ends at the last part of March 2020, which is before the publication of this Report. As to quantitative performance, three-year trend data between 2017 and 2019 was included.

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 AA1000AS Type II requirements.

Assurance Statement

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.

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◆ 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.

1

We nurture a robust business ecosystem with business partners.

- 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

2

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

3

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



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POSCO AT A GLANCE

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

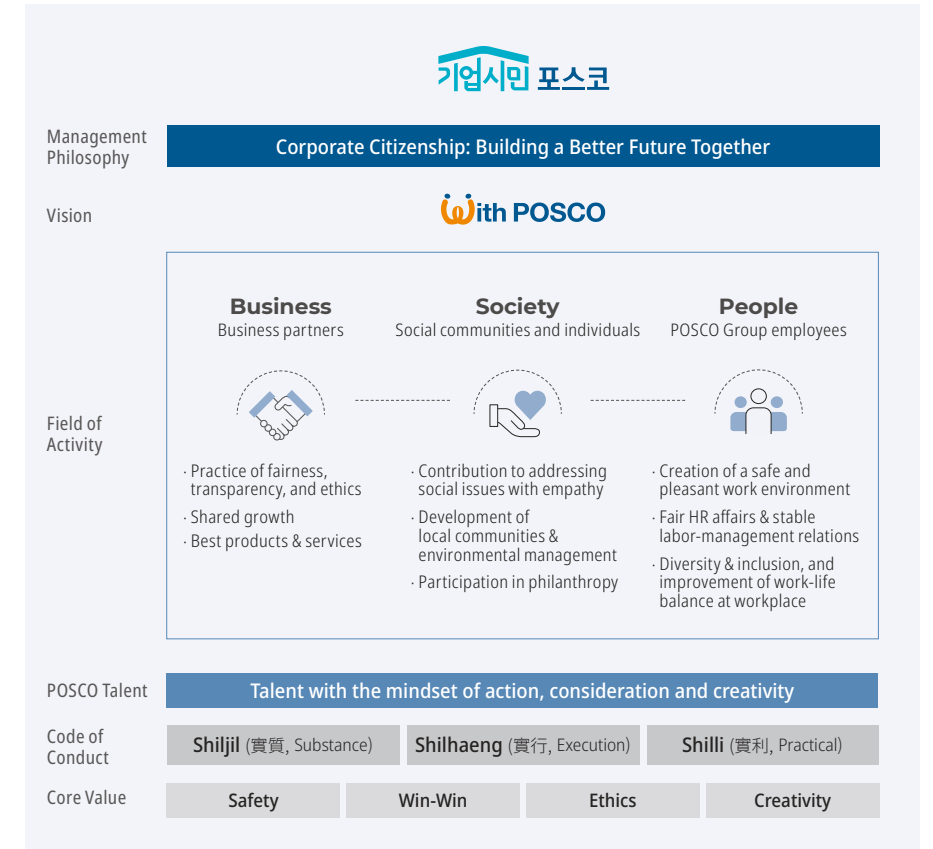
▶ Domestic

AA+ (Positive)

▶ International

S&P **BBB+** (Stable)

Moody's **Baa1** (Stable)

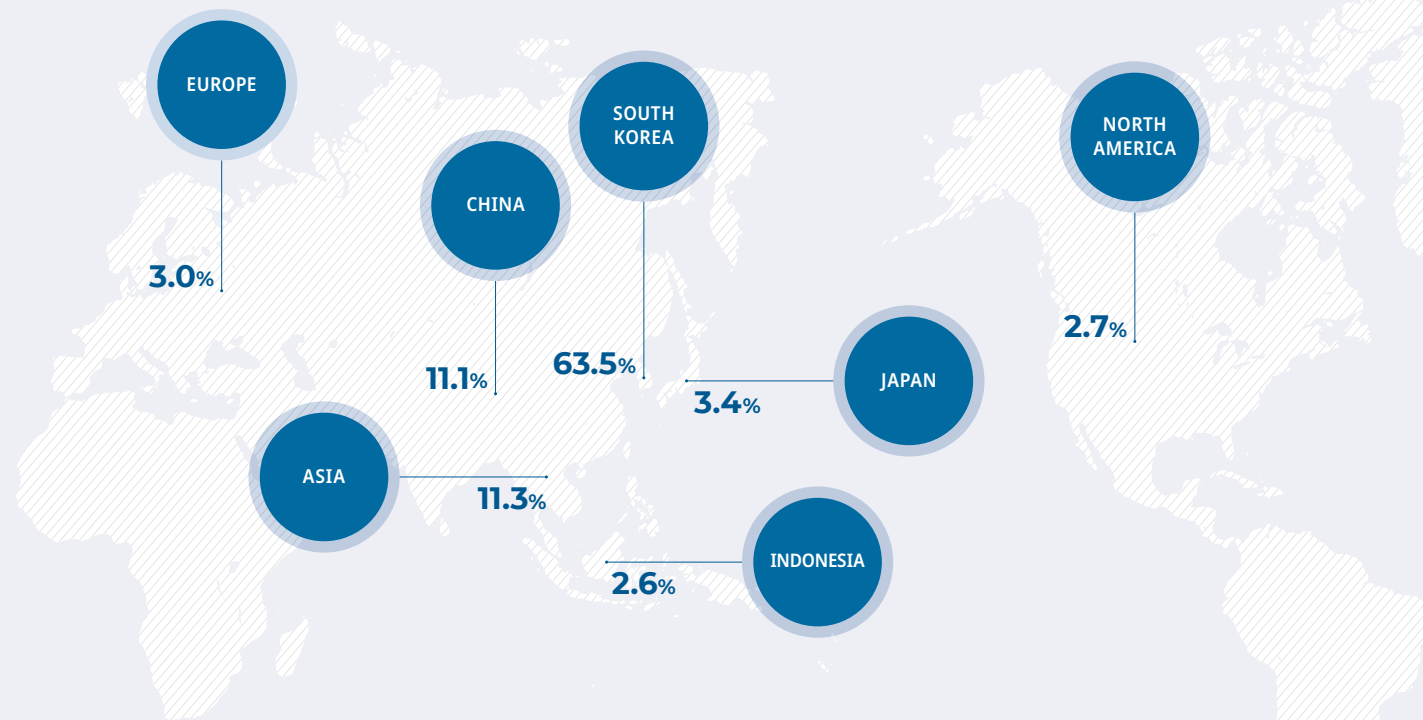


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GLOBAL BUSINESS

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.

POSCO's Global Presence



Europe	Africa	Asia	Oceania	Americas
Processing center : 4 Other subsidiary : 3 Overseas office : 1	Regional representative subsidiary : 1	Regional representative subsidiary : 6 Manufacturing subsidiary : 18 Processing center : 19 Other subsidiary : 4 Overseas office : 1	Regional representative subsidiary : 1 Other subsidiary : 1 Overseas office : 1	Regional representative subsidiary : 1 Manufacturing subsidiary : 3 Processing center : 3 Other subsidiary : 2 Overseas office : 2

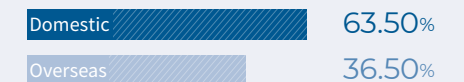
Revenue by business area (unit: KRW million)

Business	Sales
Steel	32,078,453
Trade	22,157,131
Construction	6,944,629
Others	3,186,635
Total	64,366,848

Revenue by geographic area (Unit: KRW million)

Region	Sales
Domestic	40,890,972
Overseas	23,475,876
Japan	2,202,075
China	7,165,271
Indonesia	1,704,493
Asia (others)	7,272,100
North America	1,711,859
Europe	1,937,829
Other regions	1,482,249
Total	64,366,848

Global Sales



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Consolidated Statements of Financial Position

(Unit: KRW million)

Item	2019	2018	2017
Current assets	34,842,374	33,651,002	31,127,418
Non-current assets	44,216,287	44,597,263	47,897,541
Total assets	79,058,661	78,248,265	79,024,959
Current liabilities	16,323,690	18,937,985	18,946,016
Non-current liabilities	14,940,264	12,550,729	12,614,935
Total liabilities	31,263,954	31,488,714	31,560,951
Share capital	482,403	482,403	482,403
Capital surplus	1,376,251	1,410,551	1,412,565
Hybrid bonds	199,384	199,384	996,919
Reserves	-1,157,980	-1,404,368	-682,556
Treasury shares	-1,508,303	-1,532,728	-1,533,054
Retained earnings	45,080,117	44,216,018	43,056,600
Non-controlling interests	3,322,835	3,388,291	3,731,131
Total equity	47,794,707	46,759,551	47,464,008
Total liabilities and equity	79,058,661	78,248,265	79,024,959

Separate Statements of Financial Position

(Unit: KRW million)

Item	2019	2018	2017
Current assets	18,216,066	16,796,400	14,840,421
Non-current assets	37,494,700	37,329,580	38,851,837
Total assets	55,710,766	54,125,980	53,692,258
Current liabilities	3,331,446	3,895,973	3,570,148
Non-current liabilities	6,765,135	4,957,905	4,180,655
Total liabilities	10,096,581	8,853,878	7,750,803
Share capital	482,403	482,403	482,403
Capital surplus	1,252,220	1,154,775	1,156,429
Hybrid bonds	199,384	199,384	996,919
Reserves	-183,930	-207,191	233,390
Treasury shares	-1,508,303	-1,532,728	-1,533,054
Retained earnings	45,372,411	45,175,459	44,605,368
Total equity	45,614,185	45,272,102	45,941,455
Total liabilities and equity	55,710,766	54,125,980	53,692,258

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

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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.

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.

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

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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

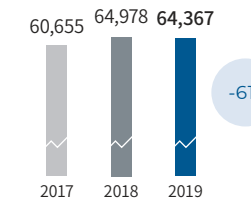
In 2019, global economic growth plummeted into the mid-2% range from the previous year due to a drop in international trade spurred on by the full-fledged U.S.-China trade conflicts and the sluggish growth of China and other emerging countries. In Korea, the economy witnessed the ripples of reduced international 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.

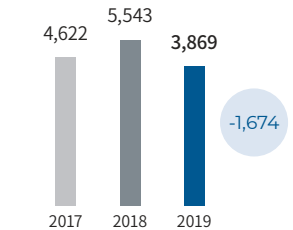
The downswing in the global steel economy deteriorated the profitability of steel exports, further pressuring Korean steel businesses both internally and externally. Amid such challenging business conditions, however, POSCO remained focused on reinforcing the group-wide business portfolio, systemizing 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

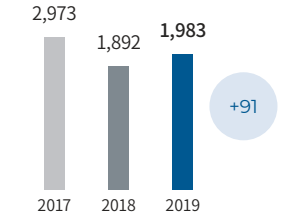
Revenue (unit: KRW billion)



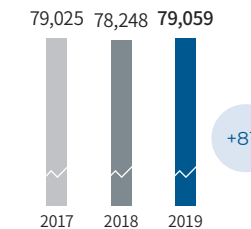
Operating Profit (unit: KRW billion)



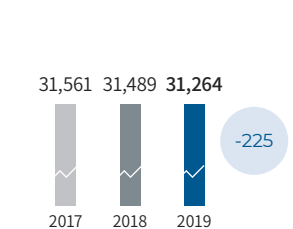
Profit (unit: KRW billion)



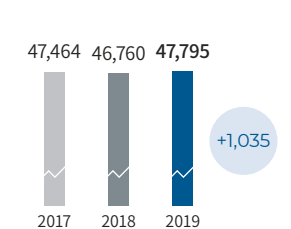
Assets (unit: KRW billion)



Liabilities (unit: KRW billion)



Equity (unit: KRW billion)



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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.

*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

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 to POSCO. This enabled us to establish the 'Gas to Power' system ranging from LNG production to electricity production to generate group-wide synergy. In the construction business, O&M business operations were integrated 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.

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.

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

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.

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▶ 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 invitees 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.

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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 capacity, workforce, and marketing capacity and strengthen R&D on next-generation products. Leveraging our Australian lithium mine and Argentinean 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 small 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.

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FOCUS 01

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.



➤ Funds Created to Prevent the Spread of COVID-19 and Support Early Recovery in Korea

KRW 5 billion



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 before coming to work, and we installed thermal imaging cameras across all 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.



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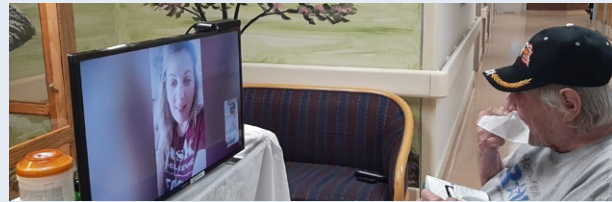
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Donating Video Call Devices to a Medical Center in the U.S.

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 on-going 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.



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.



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.

➤ **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**



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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.



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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 had been consistently making environmental and social investments. As our steelworks are located along the shore in the vicinity of urban areas, 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-tailored 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 POSCO reach full consensus on the importance of ESG and voluntarily act on ESG principles.

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.

In accordance with the practice principles stipulated in the Charter of Corporate Citizenship that POSCO will create a robust industrial ecosystem with its business partners, we will fully support our suppliers in performing their work and delivering their products in conformity with external ESG standards. We are also developing a system to proactively cater to the ESG requirements of our customers.

Internally, our top priority is to create a safe and pleasant workplace for our employees who are the members of Corporate Citizen POSCO. 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.

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.

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Economic and environmental performance



Social performance



Governance



Develop premium products



New eco-friendly products



Operate and manage quality certification systems



Create smart factories



Conduct secondary battery materials business



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



Operate the Board of Directors and the Corporate Citizenship Committee



Investor relations and tax policy



Risk management



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



Business ethics



Fair trade



Information security



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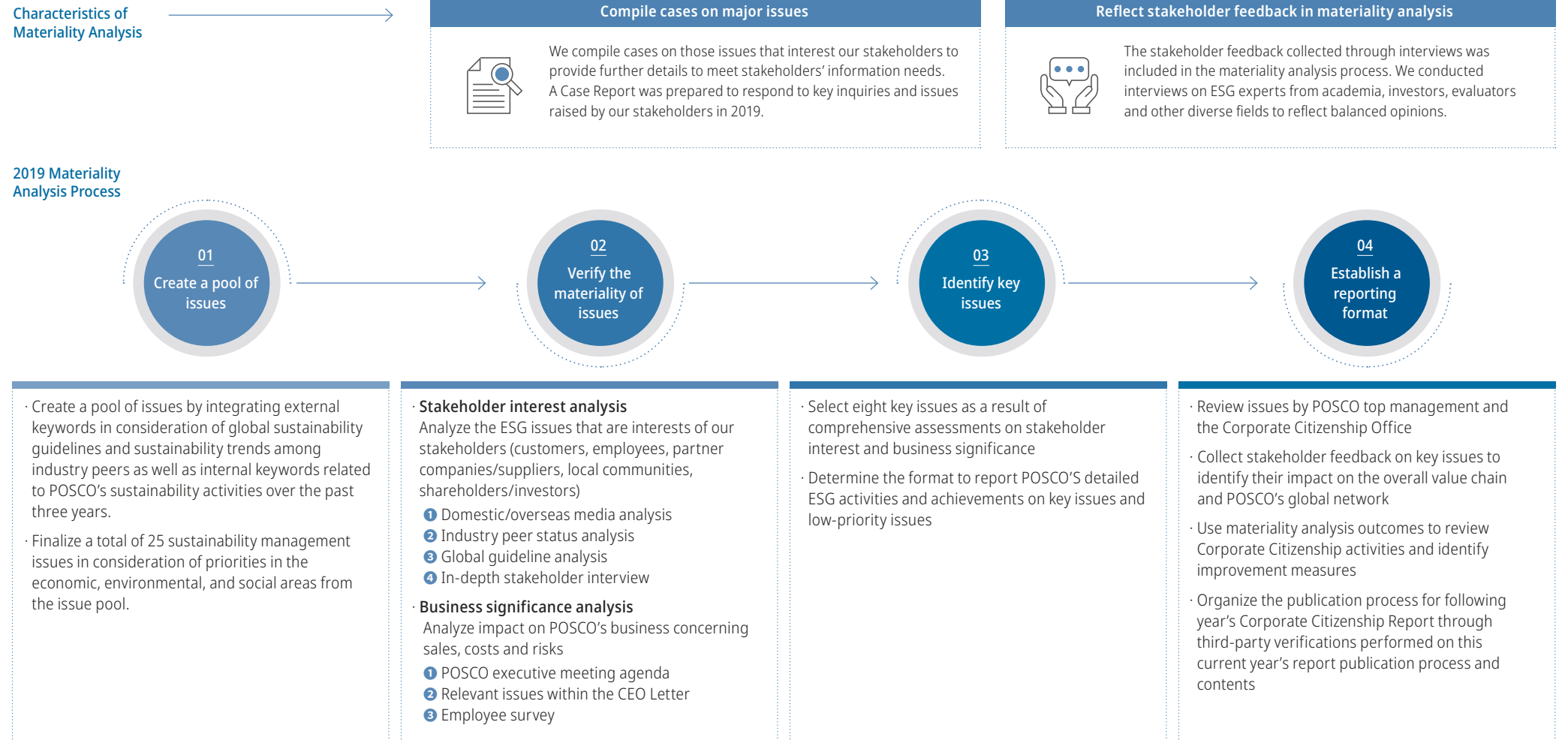
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ESG MATERIALITY ANALYSIS

‘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.



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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.

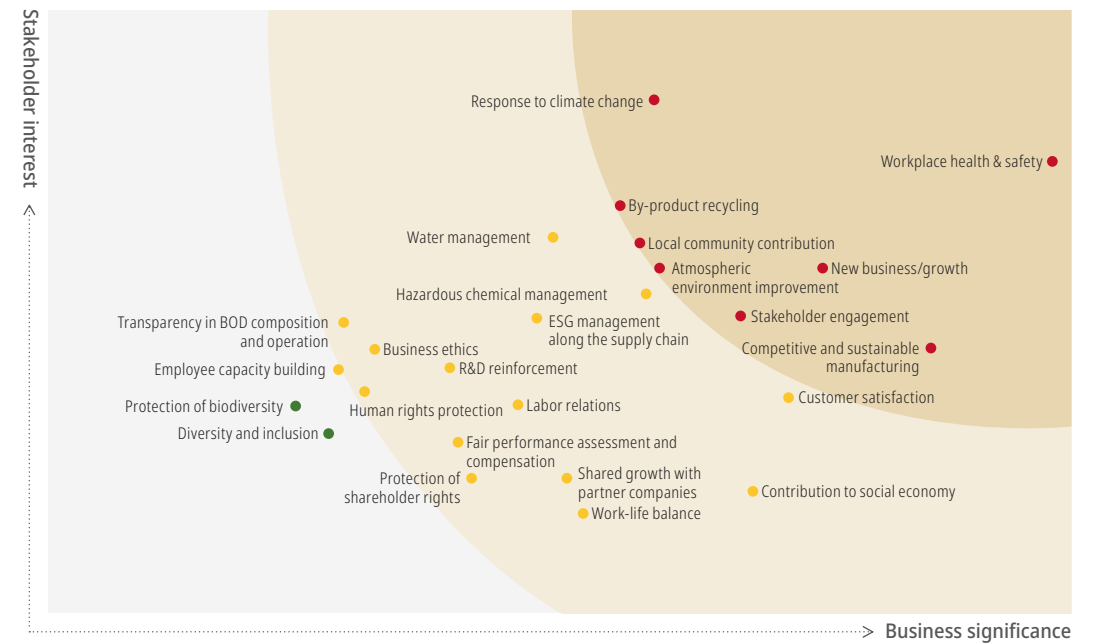
2019 Materiality Analysis Outcomes

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 Issue Identification Matrix



Key ESG Issues	Global Reporting Framework				Stakeholder Impact					Business Impact		
	GRI	SASB	TCFD	UN SDGs	Employee	Customer	Partner Company/Supplier	Local Community	Shareholder/Investor	Cost	Sales	Risk
1. Workplace health & safety	●	●		SDG 3, 8	●	○	●	○	●	●	○	●
2. Competitive and sustainable manufacturing	●		●	SDG 12	●	●	●	○	●	●	○	●
3. Response to climate change	●	●	●	SDG 3, 12, 13, 17	○	●	○	●	●	○	○	○
4. New business/growth	●		●	SDG 8, 9	●	●	●	●	●	●	●	●
5. By-product recycling	●	●	●	SDG 6, 11, 12, 15	○	○	●	●	○	●	○	●
6. Stakeholder engagement	●			SDG 11	●	●	●	●	●	●	●	●
7. Local community contribution	●			SDG 4, 8, 10, 11, 14	○	○	○	●	○	○	○	○
8. Atmospheric environment improvement	●	●	●	SDG 3, 11, 12	●	○	○	●	○	●	○	●

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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.

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Key ESG Issue	Why is it important?	How we responded to the issues
 <p>Workplace health & safety</p>	<p>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.</p>	<p>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.</p> <p>POSCO Charter of Corporate Citizenship  Healthy & safety </p> <p>▶ 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)</p>
 <p>Competitive and sustainable manufacturing</p>	<p>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.</p>	<p>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.</p> <p>POSCO, building a sustainable future with raw material suppliers  Cost risk management and monitoring </p> <p>▶ 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)</p>

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Key ESG Issue	Why is it important?	How we responded to the issue
 <p>Response to Climate Change</p>	<p>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.</p>	<p>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 2009 to 2.0 tons by 2020. To reach this goal, we invested KRW 93.3 billion in 2019 to research on improving CO₂ recovery from the 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 Gwangyang LNG power plant, and we installed dust collection inverters at our Pohang FINEX plant to improve on our energy recovery equipment and process.</p> <p>Climate change </p> <p>▶ 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).</p> <p>*A new 2050 goal is under development</p>
 <p>New business /growth</p>	<p>The political and economic tensions caused by the spread of global protectionism and the U.S.-China trade conflicts are giving rise to significant decreases in exports among Korean companies. Furthermore, the unexpected turn of events such as the recent outbreak of COVID-19 adds to the burden on corporate management, leading to the protracted low growth and contraction of the domestic economy. Meanwhile, a stronger push towards green policy initiatives across the globe is fueling the rapid growth of the electric vehicle industry, and rechargeable batteries, one of the key EV parts, are posting more than 30% in annual average market growth rates. Any business that wishes to stay competitive under such circumstances needs to continuously identify and develop new technology and be the first mover to deliver core value (e.g. eco-friendliness) in the future.</p>	<p>To secure sustainable growth engines, we continue to increase the share of high value-added steel products such as high-tensile 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 realigned our established group business with a focus on our distinctive capabilities and established their profit model. In the LNG business, we set a 'Gas to Power' framework spanning from LNG production to power generation.</p> <p>A Message from the CEO  New growth business  Placement of EV-related sustainability bonds </p> <p>▶ 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)</p>
 <p>By-product recycling</p>	<p>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.</p>	<p>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.</p> <p>Environmental management </p> <p>▶ Mid/long-term goal (2024): Reach 98.9% in byproduct recycling (by-products recycled/by-products generated X 100) (Incorporate into the evaluation of Head of Safety & Environmental Planning Office)</p>

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Key ESG Issue	Why is it important?	How we responded to the issue
 <p>Stakeholder engagement</p>	<p>A company's raison d'être and role have evolved from the pursuit of profits and greatest-possible shareholder value to the creation of value for all stakeholders, including customers, employees, partner companies, communities, and shareholders, which emphasizes the diversity of communication channels to engage stakeholders. In particular, the steel industry has inseparable interests with partner companies, customers, and the local communities where it is based and thus its sustainable competitiveness originates from the sound communication it has with its stakeholders.</p>	<p>POSCO categorizes its stakeholders into customers, employees, partner companies/suppliers, local communities, and shareholders/investors. We operate communication channels that cater to their respective characteristics to contribute to the paradigm shift towards the sharing of profits with our stakeholders. In 2019, we arranged a 'venue for direct communication' with shareholders and outside directors to present our commitment to advancing the steel business, investing in new business, and promoting transparency in risk management. In the Pohang and Gwangyang regions where our steelworks are located, we transparently disclose environmental information and work with private-sector councils to improve the local community environment. Joint discussions and interviews are also hosted with customers, suppliers, investors, and evaluators to officially gather their feedback.</p> <p>A Message from the CEO  Stakeholder engagement and interview  Environmental management  Climate change  Social contribution </p> <p>▶ Mid/long-term goal (2022): Establish global-level stakeholder communication channels and host an 'ESG performance briefing' (2nd half of 2020) (Incorporate into the evaluation of Head of Global & Infra Business Unit)</p>
 <p>Local community contribution</p>	<p>A sustainable and respected company and its business operations make meaningful contributions to the community where they operate. Notably, the manufacturing industry will inherently find the local community where it is based as the foundation that supports the livelihood of its employees and the company itself. As such, steelmakers launch multi-faceted social-giving programs in their surrounding communities to provide educational opportunities and quality cultural experiences and work to create industrial infrastructure in addition to the revitalization of the local economy.</p>	<p>Since the early days of its establishment, POSCO has always considered mutual growth with local communities as its corporate social responsibility and has aspired to become a good global citizen through continued communication with its stakeholders. Under the management philosophy of 'Corporate Citizenship: Building a Better Future Together', we embrace the less privileged, provide quality educational opportunities for future generations, and help resolve community issues for a better tomorrow. In the Pohang and Gwangyang regions where our steelworks are based, we operate joint programs for the less-fortunate and promote the local economy, and undertake philanthropic programs to contribute to the development of these local communities. To explore new growth business opportunities, revitalize the local economy, and help create jobs, we signed MOUs with relevant partners in 2019 to raise venture funds and invest KRW 140 billion into a total of seven funds. We will also leverage our industry-academia-research infrastructure to establish Venture Valley as startup infrastructure by 2022. Furthermore, No. 1 (OPAL) and No. 2 (EMERALD) GEM Funds were launched as one-on-one matching funds with overseas raw material suppliers in November 2019 and February 2020 respectively to create social value in bilateral local communities and along the mining-steel industry value chain.</p> <p>Social contribution  Venture Platform  POSCO, placing sustainability bonds for the first time as a steelmaker  Stakeholder engagement policy </p> <p>▶ Mid/long-term goal (2024): Assist 5,500 youth in securing employment and starting a business for five years (Incorporate into the evaluation of Head of Management Support Division)</p>
 <p>Atmospheric environment improvement</p>	<p>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.</p>	<p>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 Daegu 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.</p> <p>Environmental management </p> <p>▶ Mid/long-term goal (2024): Reduce air pollution emissions by 35% from 2016 (Incorporate into the evaluation of Head of Safety & Environmental Planning Office)</p>

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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					
Stakeholder Group	Shareholder/Investor	Customer	Partner/Supplier	Local Community	Employee
Communication Channel	 <ul style="list-style-type: none"> · IR sessions (quarterly) · Disclosures · Face-to-face Meetings · Outside director IR events · Regular credit rating consultations 	 <ul style="list-style-type: none"> · Customer Relationship Management (CRM) system · Customer satisfaction surveys · Early Vendor Involvement (EVI) forums 	 <ul style="list-style-type: none"> · Information exchange seminars with suppliers · Roundtables with POSCO Honored Partners (PHP) · Information exchange meetings with partners 	 <ul style="list-style-type: none"> · Local presentations and discussions · Exchanges with NGOs · Environmental Improvement Council · Corporate Citizen Love Letters 	 <ul style="list-style-type: none"> · 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.

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Customer

[LG Chem](#)

Kang Jae-chul,
CSR Team Leader



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.

ESG Consulting Firm

[ECO&PARTNERS 2'C](#)

DaeWoong Lim,
CEO



As organizations that develop international financial systems have institutionalized 'sustainable finance' in recent days, it has become mandatory for businesses to disclose their climate change-related information. Notably, it is through the Task Force on Climate-related Financial Disclosures (TCFD) that financial institutions grasp the data pertinent to a businesses' climate change risks and opportunities. **In short, climate change is no longer a non-financial value; in fact, it now concerns financial value in a very substantial way, and those who fail to prepare for it will undoubtedly suffer financial losses. This highlights the need for POSCO to proactively respond to the TCFD as well.** This will lead to a cost burden in the short-term as it requires additional investments and efforts to reduce emissions; however, over the long haul, the sum of such endeavors will surely create an unbridgeable gap between POSCO and its industry peers.

Customer

[Ørsted](#)

Rasmus Skov,
Head of Sustainability



Ørsted's vision is a world that runs entirely on green energy, which is necessary to limit global warming to 1.5°C. **We're the world's largest offshore wind developer and target a carbon neutral supply chain by 2040.** Steel is a significant component of offshore wind farms and our supply chain, but it's carbon intensive to manufacture. That's why we're asking steel suppliers to increase use of green energy in their production and reduce carbon emissions. **Making carbon reductions central to business strategy supports global climate goals, while helping improve business competitiveness.** We look forward to collaborating with POSCO on our supply chain decarbonization programme.

Stakeholder Interview

ESG Research Firm

[Sustinvest](#)

RYU Youngjae,
CEO



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 management. **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.

Employee

[POSCO](#)

Kim Hee-gon,
Manager



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 such 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 paving the way to become a sustainable company.

Opinion Leader

[Korea University](#)

Rhee, Jay Hyuk,
Professor



Global ESG trends show that it is already considered a mandatory responsibility for businesses to disclose their ESG indicators. In Korea, companies are increasingly interested in ESG disclosures and ESG management levels. Given the current situation, **POSCO has sent an important message by declaring its Corporate Citizenship management philosophy and creating the Corporate Citizenship Department under the direct leadership of the CEO, demonstrating its commitment to ESG performance and sustainable management.** Even though different stakeholders have different purposes in looking at POSCO, it is desirable that the company systematically leverages widely-used objective items and universally-accepted indicators. As POSCO objectively presents its advantages over industry peers and communicates such advantages with its stakeholders in a proactive and systemic manner, the company will positively illustrate its achievements in practicing the Corporate Citizenship philosophy to the outside world, and the facts will vividly speak for themselves.

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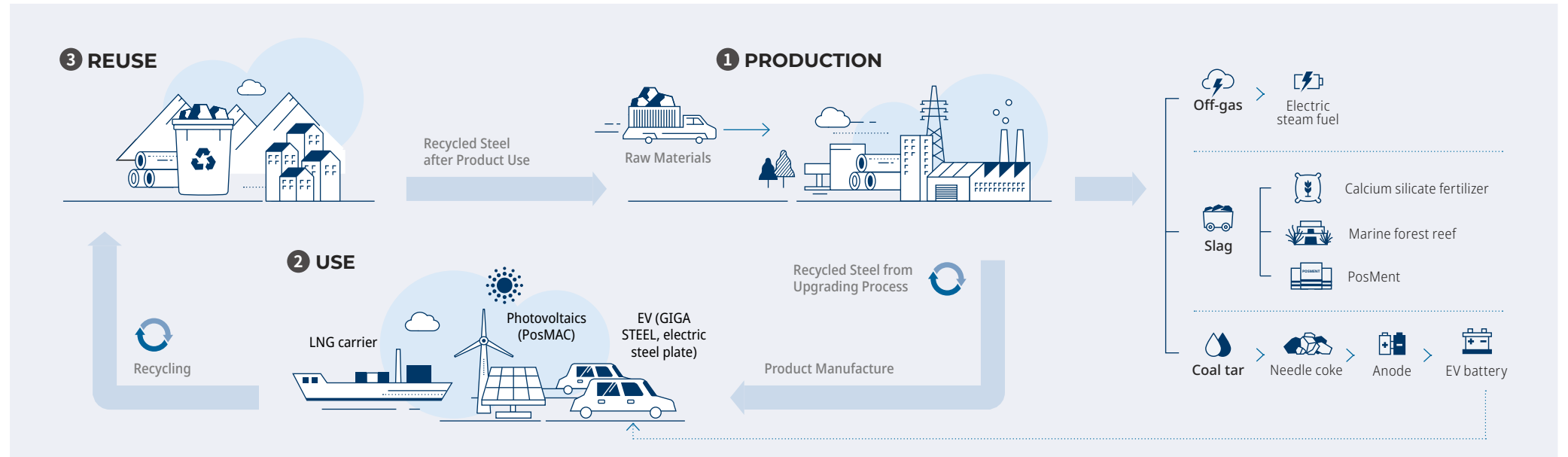
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LIFE CYCLE OF STEEL

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.



PRODUCTION 1

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.

LEARN MORE

Video on the eco-friendliness of steel: Go to POSCO TV

USE 2

Lightweight steel POSCO's cutting-edge high-strength steel sheet GIGA STEEL delivers exceptional safety, and helps reduce the weight of automobiles to improve fuel efficiency*, mitigating GHG emissions generated during driving.

*A 10% reduction in automobile weight leads to 5%~8% improvement in fuel efficiency (Vehicle Technologies Office, U.S. Department of Energy) and reduces CO₂ emissions in so doing.

Longer service life The use of steel with high corrosion resistance increases the service life of marine structures and offshore photovoltaic power generators exposed to such corrosive conditions and contributes to minimizing resource consumption and pollutant generation that may occur due to the reconstruction of structures.

Reuse-Recycling 3

Reuse POSCO A&C's relocatable steel modulars are manufactured at the factory and then assembled onsite, and they are reusable as they can be easily disassembled and moved. In fact, this mobile relocatable modular construction was used to build the Media Residence during the 2018 Pyeongchang Winter Olympic Games.

Recycling Steel is inherently attracted to magnets, which makes it easier to separate and recover steel from other waste, and contains only a minimal amount of impurities to allow for virtually infinite recycling and remarkable recyclability.

Scrap recycling rate by industry: 85% in construction, 90% in automobile, 90% in machinery, and 50% in home appliances (source: World Steel Association's steel FACTS)

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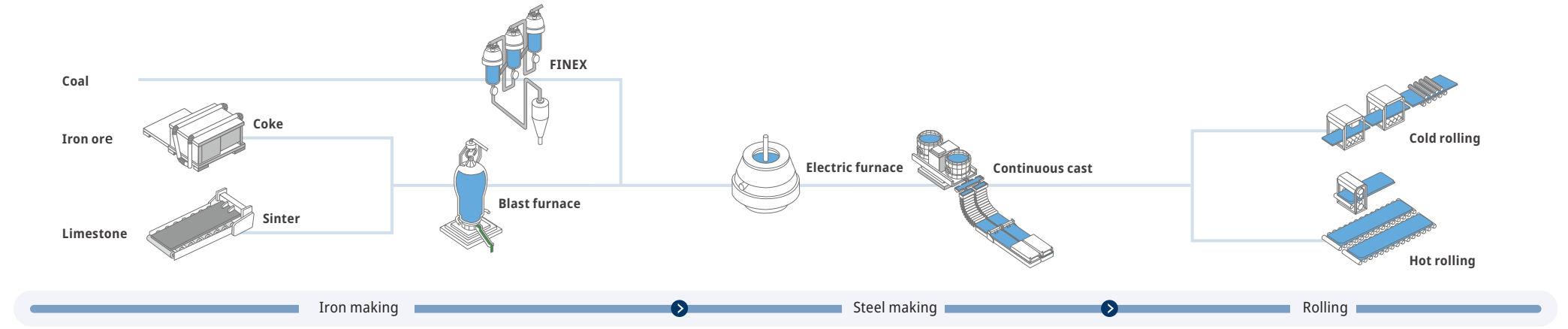
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OVERVIEW Circular Economy and The Future Of Steel

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

Coke, 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 in 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' steel 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.

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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



[LEARN MORE](#)

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



[LEARN MORE](#)

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



[LEARN MORE](#)

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



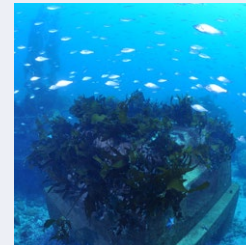
[LEARN MORE](#)

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



[LEARN MORE](#)

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.



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FOCUS 02

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.

*e.g.) The height of wind towers, including blades, should be 330M or higher to generate 9MW of wind power.

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.



POSCO Corporate Citizenship Report 2019

Green Product Development

Reduction of hazards



17 products

- Free from environmentally hazardous substances, reduction of electromagnetic waves/noise/vibration
- No consumption of fossil fuel

Energy saving



81 products

- Lightweight automobiles, elimination of processes and thermal treatment
- Improvement in energy efficiency and processability

Longer life cycle



33 products

- Improvement in corrosion resistance, fatigue resistance and durability for longer service life

*No. of steel products are on a cumulative basis between 2014 and 2019

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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

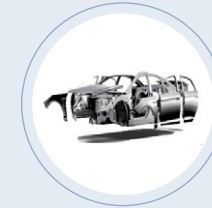
· **'GIGA STEEL' for lightweight yet powerful automobiles:** These ultra-high-tensile strength steel sheets can withstand more than 100kg per 1mm². The price and processing cost is 3.5 times and 2.5 times lower than that of aluminum. It is also capable of reducing an automobile's cumulative CO₂ emissions 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)

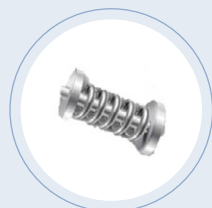
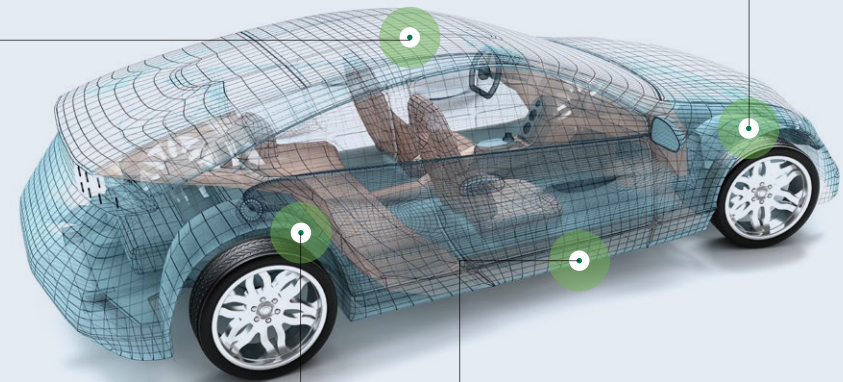
· **Proactive development of optimal EV concepts:** Lightweight body concept for EVs (PBC-EV, POSCO Body Concept - Electric Vehicle), lightweight suspension concept for EVs (PSC-EV, POSCO Suspension Concept - Electric Vehicle), lightweight battery pack concept for EVs (PBP-EV, POSCO Battery Pack - Electric Vehicle), traction motor concept for EVs, etc.



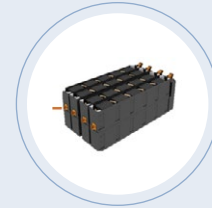
› Ultra-high-strength steel sheets for a lightweight automotive body
 › Lightweight body concept for EVs (PBC-EV, POSCO Body Concept - Electric Vehicle)



› Low core loss electrical steel sheets for high-efficiency motors
 › Traction motor concept for EVs



› Wire rods for high-strength chassis springs
 › Lightweight suspension concept for EVs (PSC-EV, POSCO Suspension Concept - Electric Vehicle)



› High corrosion resistance/ultra-high-strength steel sheets for battery
 › Lightweight battery pack concept for EVs (PBP-EV, POSCO Battery Pack - Electric Vehicle)

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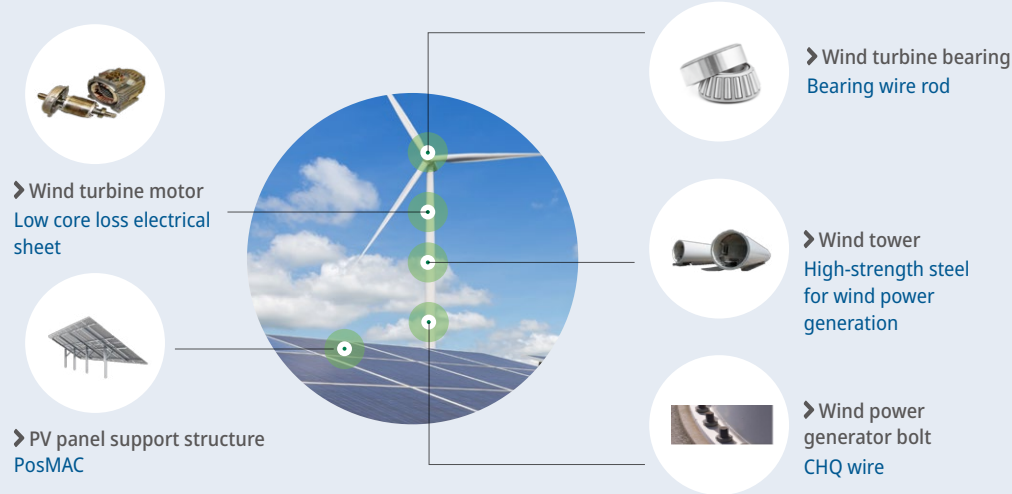
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Eco-friendly Energy Industry

The Korean government's 3020 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

Major components of wind and PV power generation and POSCO's steel products



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.

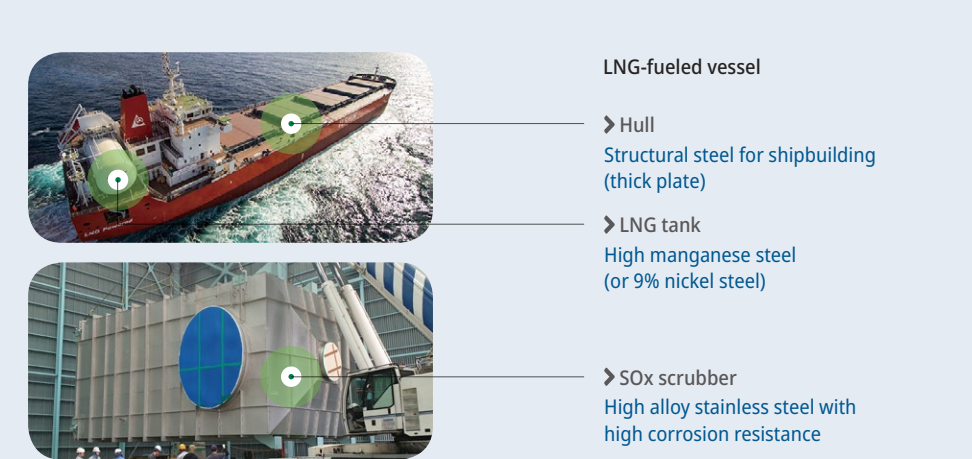
Eco-friendly Shipping

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.

Major components for eco-friendly ships and POSCO's steel products



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01

BUSINESS

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

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BUSINESS

MARKETING

Our endeavors and achievements in strengthening eco-friendly product line-ups

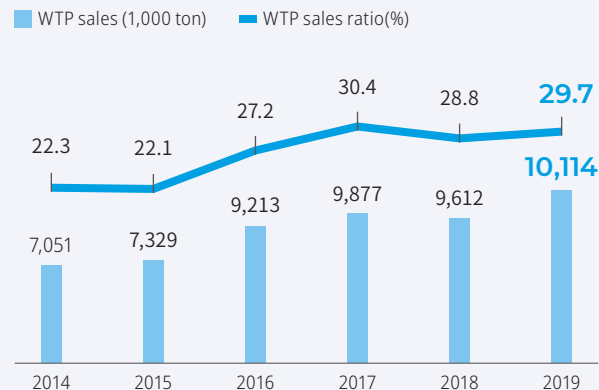


The mega trends expected to exert a heavy influence on the steel industry include the emergence of green mobility (such as electric vehicles and hydrogen-powered vehicles), a rapid increase in wind power, photovoltaics and other renewable energy sources, and the expansion of high-rise buildings and long 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.

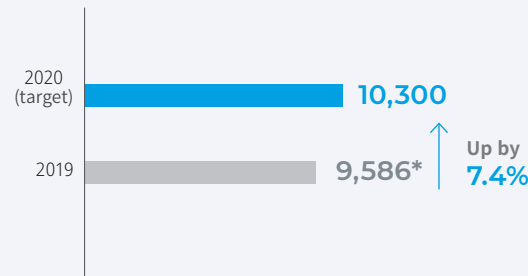
World Top Premium (WTP) Products

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.

WTP product sales and their sales ratio (2014-2019)



WTP sales target for 2020



*In accordance with the modification made on the WTP product category in 2020, WTP sales in 2019 amounted to 9,586 tons excluding the sales of a portion of the products, as a result of the recalculation made based on the revised WTP criteria.

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.

[LEARN MORE](#) | POSCO PRODUCTS

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BUSINESS

FUTURE-DRIVEN MARKETING STRATEGY

GIGA STEEL

Next-generation automotive steel sheets

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

Highly corrosion-resistant 'iron that does not rust'

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.

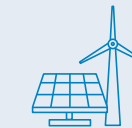
*WTP: WTP stands for World Top Premium and refers to POSCO's world-class premium products. As of 2019, POSCO's WTP portfolio included approximately 280 premium products.



New Mobility



- Electric vehicle body and chassis
- Electric vehicle traction motor and battery
- Hydrogen fuel cell



Eco Energy



- Wind power generation
- Photovoltaic power generation
- LNG carrier/storage tank



Mega City



- High-rise building, long span bridge
- Steel model house
- Hyperloop

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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 Truis on 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.

Customer Satisfaction Survey Results

(unit: point, out of 100)

Description	2017	2018	2019
Domestic	85	89	90
Overseas	78	76	78
Overall	81	82	84

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

▶ 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 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 PosCable92. 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.



View details

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 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 Building to create this new brand that embodies our commitment 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, Let's INNOVILT', 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.



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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



- Physical property (positioning)
- Component application (side wall)

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.



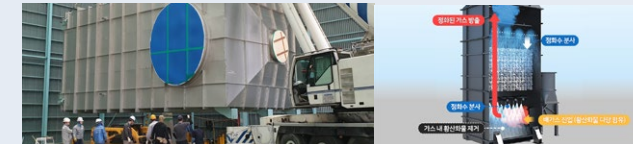
- Heat exchanger at a thermal power
- Major performance data
- Component application (Fin Tube) plant

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 (SO_x), 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 SO_x scrubbers designed to desulfurize ship emissions. Since the interior of SO_x scrubbers is exposed to sulfuric acid with dissolved SO_x 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 SO_x scrubbers.



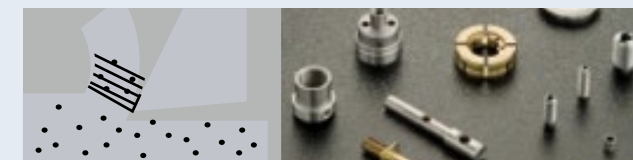
- SO_x scrubber structure

Wire Rod

(Graphite Free-Cutting Steel)

Eco-friendly steel with exceptional cuttability

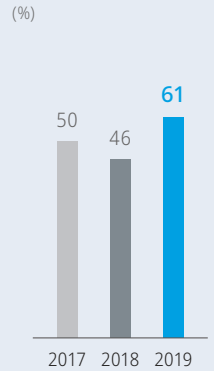
Free-cutting steel improves the ease and efficiency of the cutting process and is thus used in manufacturing precision components. The most widely used free-cutting steel contains hazardous lead substances, generates fumes that are harmful for the human body during the cutting process, and may pollute 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.



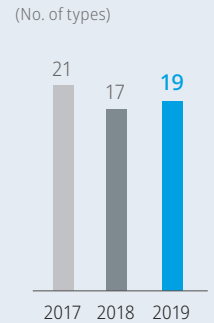
- Cutting process diagram of graphite free-machining steel
- Component application (precision electronic components)



Eco-friendly product ratio



Types of new eco-friendly steel products



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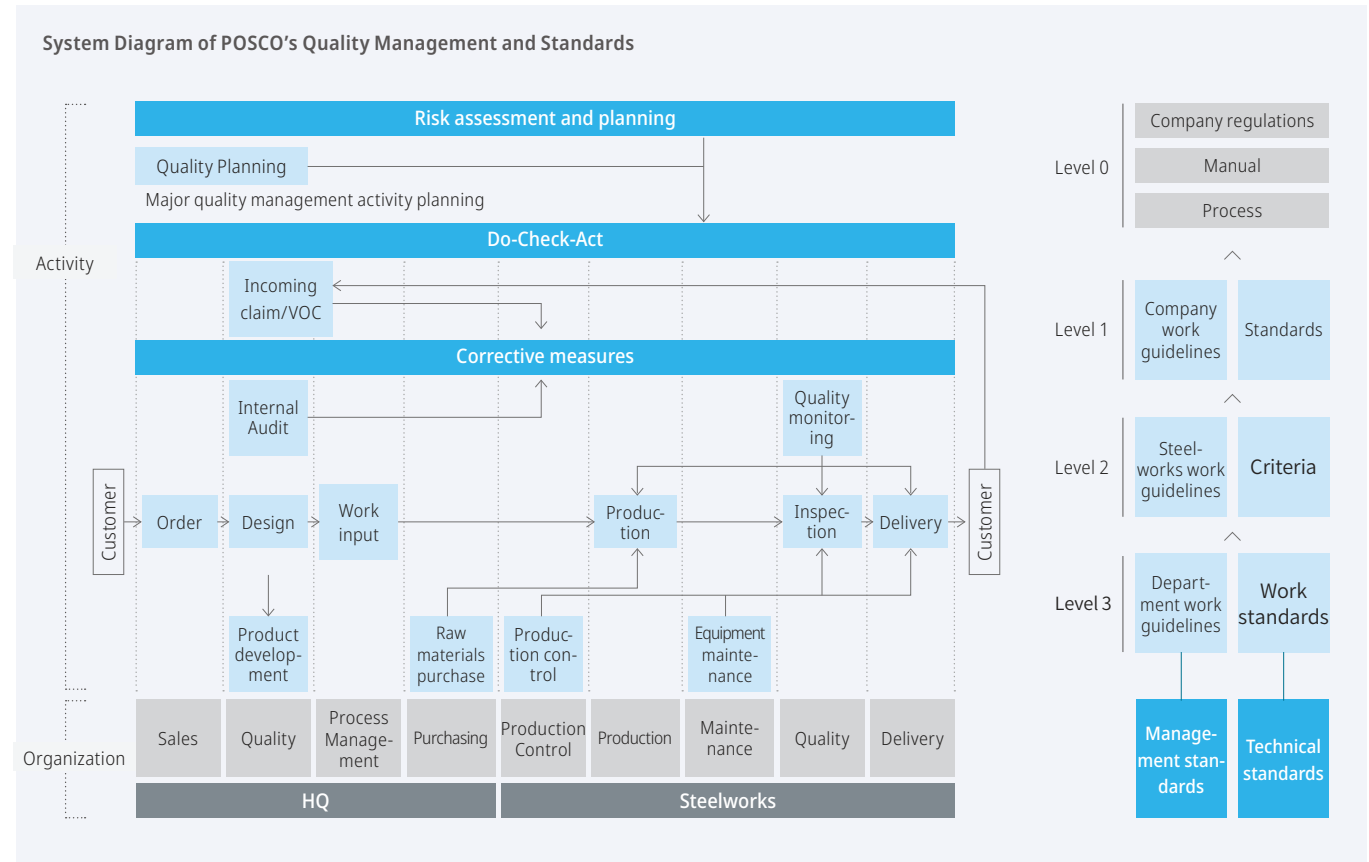
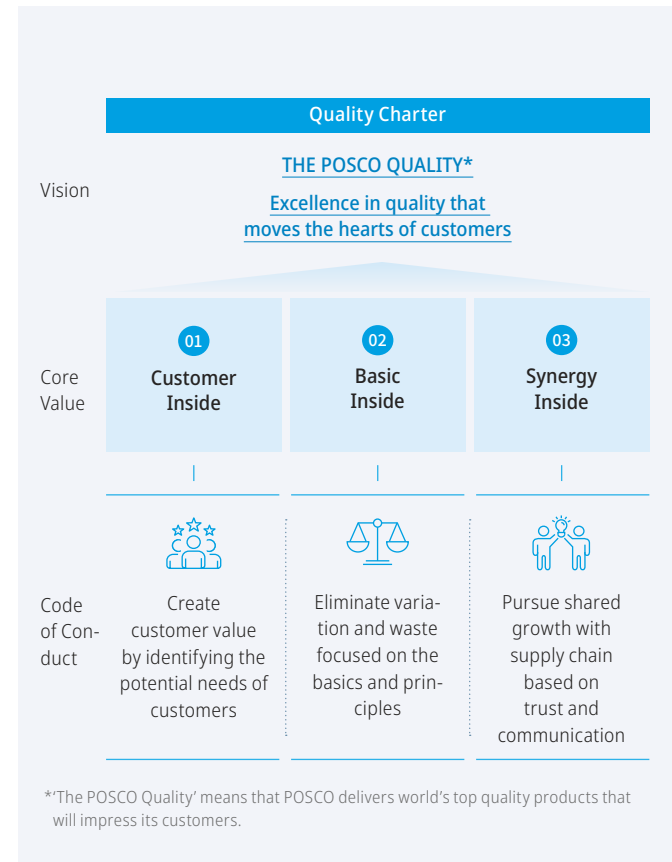
BUSINESS QUALITY MANAGEMENT

Our endeavors and achievements in maintaining top quality



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



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01 Customer Inside

Product Standard 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

Type of Standards	Name of Standard
International standards (2 standards)	ISO9001, IATF16949
National standards in 7 countries (135 standards)	KS(Korea), JIS(Japan), MS(Malaysia), SNI(Indonesia), BIS(India), TISI(Thailand), TCVN(Vietnam)
Collective standards in 8 organizations (102 standards)	ACRS(Australian Certification Authority for Reinforcing and Structural Steels), AD2000(Pressure Vessel Directive and Standard, Germany), API(American Petroleum Institute), BC1(Building and Construction Authority, Singapore), CIDB (Construction Industry Development Board, Malaysia), CPR (Construction Products Regulation, Europe), KEPIC(Korea Electric Power Industry Code), PED(Pressure Equipment Directive, Europe)



02 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

Category	Awardee	Achievement
POSCO	Pohang) Hot Rolling Dept. Hot Rolling Plant No.1 Gwangyang) Cold Rolling Dept.Cold Rolling Plant No.3	Excellent performance in improving quality failure rates
Overseas Subsidiary	POSCO-VST	Excellent performance in improving quality defects through statistics-based quality management
Materials Supplier	Kwangwoo	Improvement in quality defect rates through an innovative quality data management system
	Daedong Heavy Industry	0% defect rates posted for products supplied to POSCO through the adoption of a quality assurance measurement device management system
Partner Company	POROLL Tech	Excellent performance in reducing roll quality variations
Toll Processing Company	POSCO INTERNATIONAL'S Thick Plate Processing Division	Excellent performance in improving quality assurance capabilities through the adoption of a quality assurance item automation system

03 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

(unit: No. of companies)

Company	2014	2015	2016	2017	2018	2019
Companies evaluated	58	66	62	77	99	80
Companies rated Q3 or higher	31	56	56	67	91	76



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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.

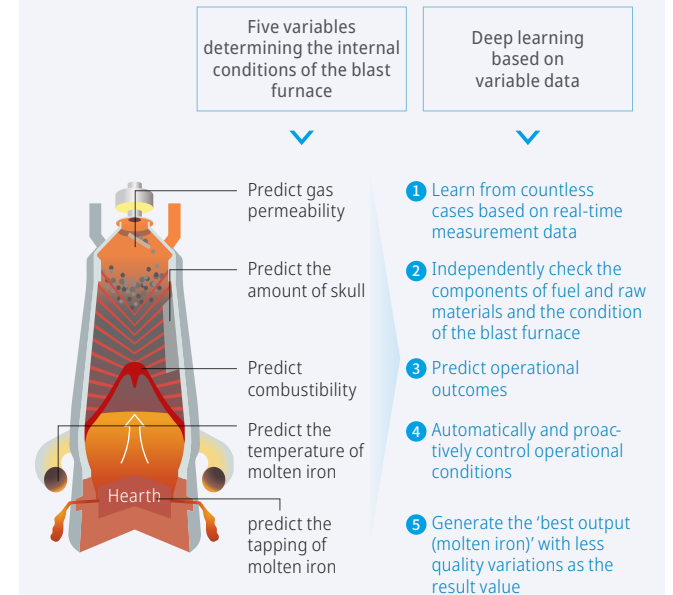


POSCO's independently-developed smart factory technology used to collect and analyze data for operation



Performance verification performed on high-manganese steel, a new type of product developed by the POSCO Steel Solution Research Lab

How POSCO's AI-enabled Blast Furnace Works



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Key Achievements in Technology Development

IRON MAKING



▶ Smart BF for Increased Production Output

A Smart BF leverages artificial intelligence to autonomously 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 autonomously 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

Steel making 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.

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NEW GROWTH BUSINESS

Secondary Battery Material Business to Tap into New Markets



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 a 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.

*PosLX(Posco Lithium eXtraction): POSCO's proprietary lithium extraction technology with 80% or higher in the recovery of battery-grade high-quality lithium



Saline water-based lithium demo plant in Argentina

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.



Cathode plant in Zhejiang, China

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.



No. 2 anode plant in Sejong City

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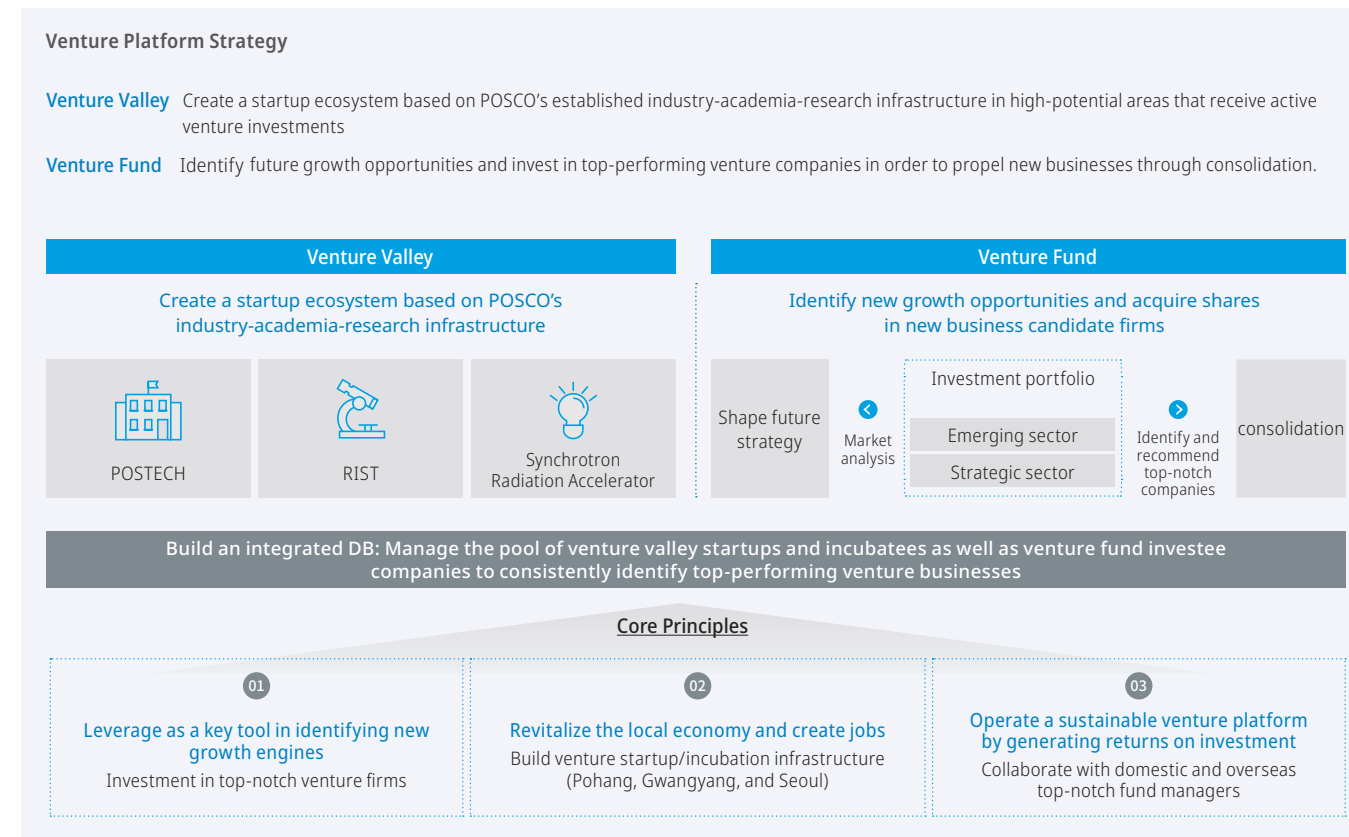
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BUSINESS

VENTURE PLATFORM Laying the basis for exploring new growth drivers to become a centennial company

'POSCO Venture Platform', a platform that incorporates incubating infrastructure(Venture Valley) and startup investment(Venture Fund) will play a pivotal role in POSCO'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 POSCO Group identify new growth engines and contribute to creating jobs to revitalize the national economy.

POSCO Venture Platform



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 POSCO to form Venture Fund and create Venture Valley to identify venture businesses in promising areas and POSCO'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, POSCO 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)

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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 commercial development of new pharmaceuticals. In June 2020, POS-TECH will establish Bio Open Innovation Center (BOIC) in Pohang, an incubation center for bio-related startups. Our smart city-factory initiative will be undertaken in the course of 2020 based on the preliminary research conducted to build a data ecosystem-based ICT startup infrastructure.

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.

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, Gwang-yang 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



Operation: Korea Business Angels Association (under the leadership of the Ministry of SMEs and Startups)

Facility Size: 5 buildings (S1-S5) / 3,836 pyeong, 660 employees working with 85 operators and startup teams (S5 created jointly by the Ministry of SMEs and Startups and Gangnam-gu Office)

Construction Method: Spaces created through renovation following building lease

Complete the world's best startup infrastructure by 2030 on the basis of Venture Valley established in 2022

Create a virtuous cycle within Venture Valley connecting the 'R&D hub in Pohang and Gwangyang with the business hub in the metropolitan area'



Venture Valley total construction completion rate (%) = Σ Industry-academia-research cooperation system (25%) + startup infrastructure (45%) + support program (30%)

In-house Venture Program POVentures

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.

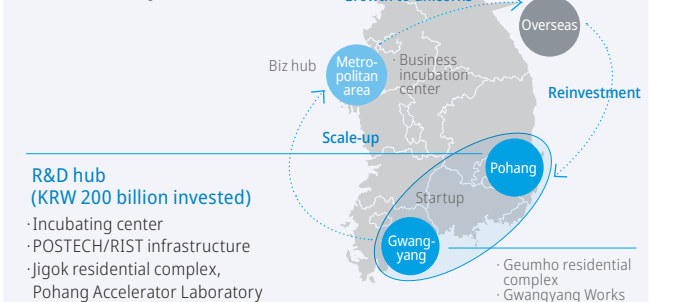
Venture Valley in 2022

Industry-academia-research cooperation system	<ul style="list-style-type: none"> Large-scale technology (valued at KRW 100 million or higher) transfer contract: 5 contracts/year Industry-Academia-Research Convergence Research Institute under operation (2022-) Graduate-level student entrepreneurs: 10 persons/year
Startup infrastructure	<ul style="list-style-type: none"> Bio-new pharmaceuticals startup infrastructure established Data ecosystem-based ICT startup infrastructure established Incubating centers established in Pohang, Gwangyang, and Seoul
Support program	<ul style="list-style-type: none"> No. of incubating and tenant companies: 300 No. of companies whose corporate value rose 100 fold: 2 Alignment with follow-up investments using the VC network: 10 cases/year

2030 Ambition

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

Virtuous Cycle within Venture Valley



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BUSINESS

ENVIRONMENTAL MANAGEMENT

Our endeavors and achievements in creating eco-friendly steelworks



The international community and stakeholders constantly demand that businesses advance their environmental management in response to global warming, climate change, and resource depletion. Since the early days of its establishment, POSCO has been clearly aware of its social responsibility to care for the environment and has undertaken wide-ranging environmental management activities, including but not limited to reducing the emission of air pollutants, increasing the recycling of wastewater, and using by-products for eco-friendly purposes.

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.

POSCO Group Integrated Environmental and Energy Management Policy

POSCO Group follows the policies below to realize a sustainable low-carbon eco-friendly economy as a Corporate Citizen Building a Better Future Together.

- ✓ We establish an integrated environment and energy management system and comply with relevant regulations in accordance with ISO 14001/50001.
- ✓ We set the goal for our environmental and energy management and provide the resources necessary to attain this goal to constantly improve our integrated environmental and energy management system and its performance.
- ✓ We increase the use of clean energy and introduce low-carbon process technology to reduce GHG emissions and minimize the impact of climate change.
- ✓ We preserve resources and protect the environment throughout the entire business process by efficiently using natural resources and by-products and developing eco-friendly products.
- ✓ We minimize the discharge of pollutants through the adoption of eco-friendly manufacturing processes and optimal prevention technology.
- ✓ We periodically review our integrated environmental and energy management system and its performance, and report relevant outcomes to top management while communicating with our stakeholders.

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.

Environmental Investment Expenditures

(unit: KRW 100 million)

Item	2017	2018	2019
Total investments	19,799	16,172	16,698
Environmental investments	1,964	1,511	4,613
- Air	1,008	1,028	3,619
- Water	507	189	397
- By-product	449	294	597
Return on Investment	2,847	3,352	3,483

*Investment expenditures were calculated based on asset acquisition, which differs from the Company's investment execution criteria.

POSCO CORPORATE CITIZENSHIP REPORT 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.

POSCO ISO 14001 Certification

Worksite	Certification Body	Certification Period
Head Office (Seoul Office)	Lloyd's Register	Nov. 1, 2017 – Oct. 31, 2020
Pohang Works	Lloyd's Register	Nov. 1, 2017 – Oct. 31, 2020
Gwangyang Works	Lloyd's Register	Nov. 1, 2017 – Oct. 31, 2020

*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

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

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-S, down by 40% from 2.96 kg/t-S 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.

Atmospheric Environment Improvement Performance and Goal (unit: kg/t-S)

Category	Performance			Goal	Formula
	2000	2009	2019	2024	
Atmospheric emission intensity	2.96	1.98	1.78	1.24	(dust + SOx + NOx emissions in total) / steel produced

*t-S : ton Steel

*Coverage : 100% of POSCO 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 increase 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

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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.

COD¹⁾ Concentration in Effluents (unit : mg/l)

Category	Target	2017	2018	2019
Discharge concentration	15	10	10	10
Legal threshold (Gwangyang, Pohang)	-	70, 90	70, 90	70, 90

*Coverage: 100% of POSCO's domestic worksites

T-N²⁾ Concentration in Effluents (unit : mg/l)

Category	Target	2017	2018	2019
Discharge concentration	15	11	12	12
Legal threshold (Gwangyang, Pohang)	-	60	60	60

1)COD (Chemical Oxygen Demand): COD refers to organic matters

2)T-N: Total Nitrogen

*Coverage: 100% of POSCO's domestic worksites

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 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 unrecyclable 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 : %)

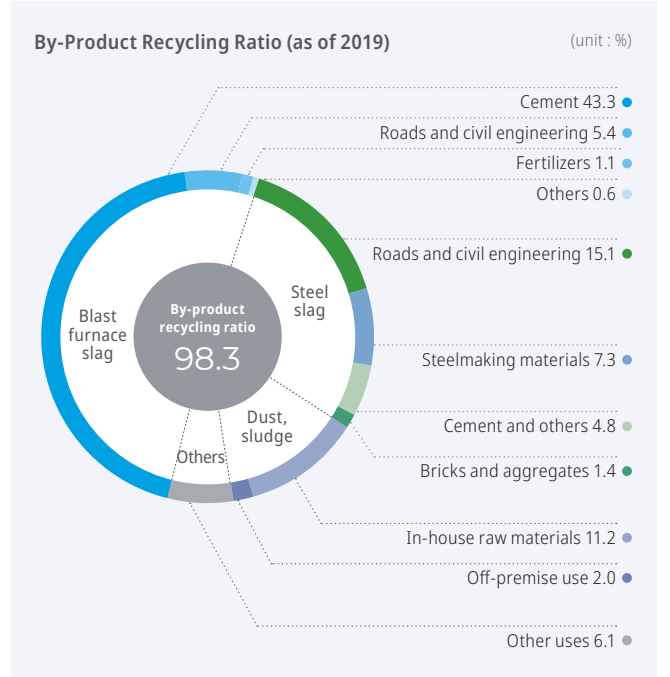
Category	Performance			Target	Formula
	2017	2018	2019	2024	
By-product recycling ratio	98.4	98.3	98.3	98.9	Amount of by-products recycled / amount of by-products generated X 100

*Coverage: 100% of POSCO's domestic worksites

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

Category	2017	2018	2019
Generation	23,760	24,227	24,566
Recycling/sale	23,370	23,814	24,156
Disposal (landfill, incineration, etc.)	390	413	410

*Coverage : 100% of POSCO's domestic worksites



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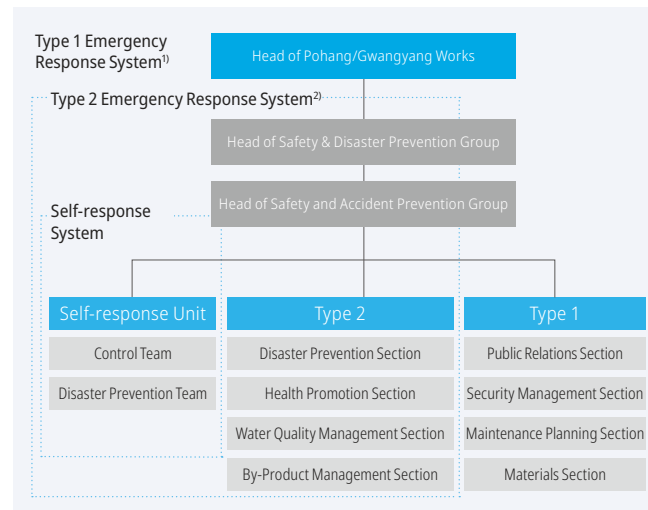
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Chemical Substances Management

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 toxicity 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



Atmospheric improvement task force launching ceremony jointly hosted by Pohang City and our Pohang Works



Joint atmospheric environment improvement council launching and agreement ceremony hosted by Gwangyang City and our Gwangyang Works

Environmental Performance Data

POSCO constantly manages its environmental performance in line with its environment management activities.

Indicator	unit	2017	2018	2019	
Air pollutant emissions	Sulfuric oxides	1,000 ton/year	25.0	24.2	23.2
	Nitrogen oxides	1,000 ton/year	36.1	39.2	41.0
	Dust	1,000 ton/year	3.3	3.2	3.5
Water consumption and discharge	Water consumption	million m ³ /year	140.1	139.4	142.0
	- Treated urban sewage water	million m ³ /year	29.2	28.6	28.8
	- Desalinated water	million m ³ /year	8.1	7.2	7.3
	- Surface water	million m ³ /year	96.2	97.0	100.0
	- Underground water	million m ³ /year	6.6	6.6	5.9
	Sewage and wastewater discharge	million m ³ /year	67.4	70.6	73.3
Waste generation and disposal	Wastewater recycling	million m ³ /year	46.9	48.0	50.9
	Waste generation	1,000 ton/year	10,587	11,295	16,714 ¹⁾
	Waste recycling	1,000 ton/year	10,201	10,892	16,333
	Waste disposal	1,000 ton/year	386	403	381
	- Landfill	1,000 ton/year	321	340	326
- Incineration	1,000 ton/year	65	63	55	
Chemical discharge	ton/year	81	93	101	
Environmental facility investments	Air	KRW billion	100.9	102.9	361.9
	Water	KRW billion	50.7	18.9	39.7
	Recycling and others	KRW billion	44.9	29.4	59.7
Environmental expenditures	Environmental facility operation/recycling	KRW billion	801	838	858
	Depreciation	KRW billion	189	203	223
	General maintenance ²⁾	KRW billion	6	8	12
	R&D: Environmental R&D	KRW billion	13	13	20

1)Reclassifying granulated slag producing facilities into waste recycling facilities in reflection of the governmental interpretation of waste that was declared in 2019, and including the amount of granulated slag excluded until 2018 into the calculation of waste for reporting purposes

2)Excluding transportation costs that occur from the sale of granulated slag
*Coverage: 100% of POSCO's domestic worksites

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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.

Types of TRITON Reef



Type A

Type T

Combined steel type

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.



Clean Ocean Volunteer Group preserving the marine ecosystem



Water Quality monitoring performed near Gwangyang Bay

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6 Major Corporate Citizen POSCO Programs

CREATING A MARINE FOREST

Triton Triton, 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.

» *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 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

- 1 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.
- 2 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.
- 3 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.



TRITON Reef installation



TRITON marine forest

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BUSINESS

CLIMATE CHANGE

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



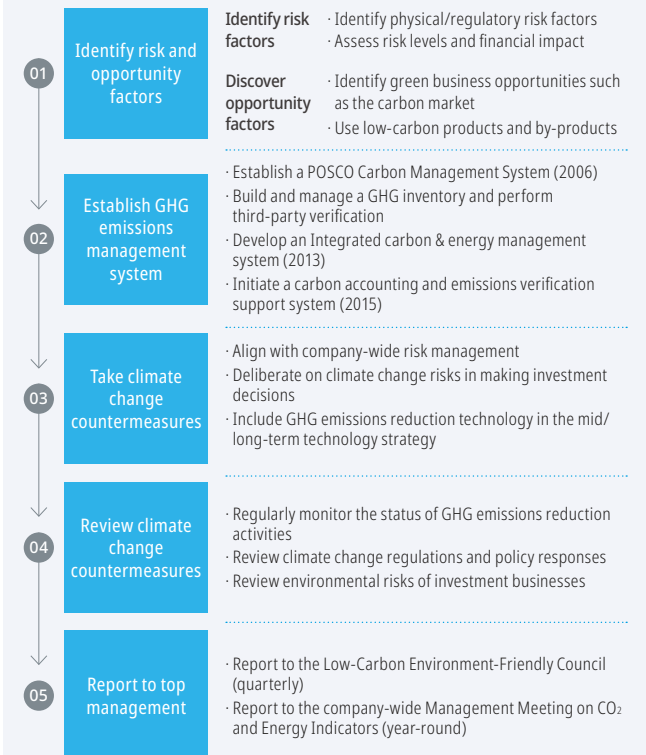
Climate change presents a grave challenge that requires the concerted effort of the international community to ensure sustainable development. As such, stakeholders are further raising their voices for corporate leadership in reducing GHG emissions and shifting to a low-carbon economy. As a global leading 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 our encounter issues that can 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 from 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 offerings designed to restore marine areas damaged by whitening due to rising sea temperatures. Further, posco's relocatable steel structure modular as a way to recycle the building units constructed for the media residence of the 2018 Pyeongchang Winter Olympic Games. These mobile modular was capable of reducing CO₂ emissions by nearly 66% compared to conventional steel frame concrete buildings. We pursue a low carbon society for a sustainable globe and will focus on finding new solutions for reducing our footprint by developing new technologies.

Climate Change Risk & Opportunity Management Process



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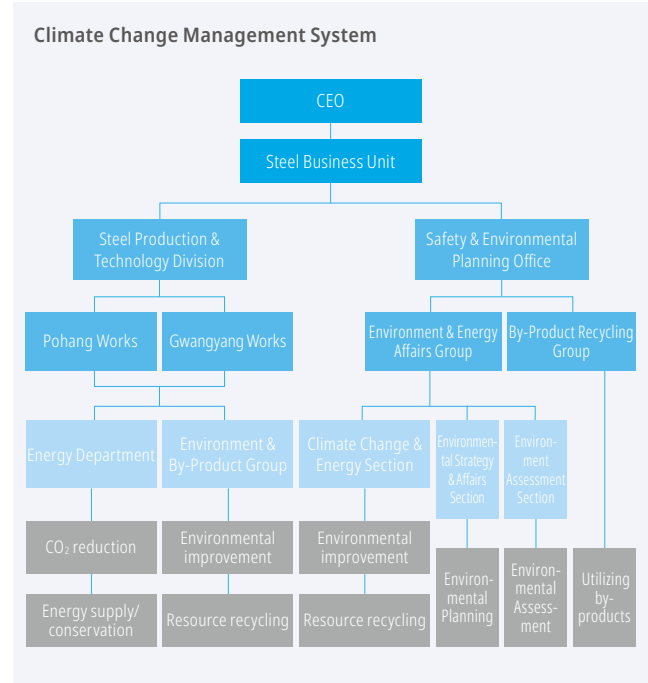
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Management Structure

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⁾, WBSCD²⁾, WRI³⁾, World Steel Association, and ISO 14404⁴⁾ 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).

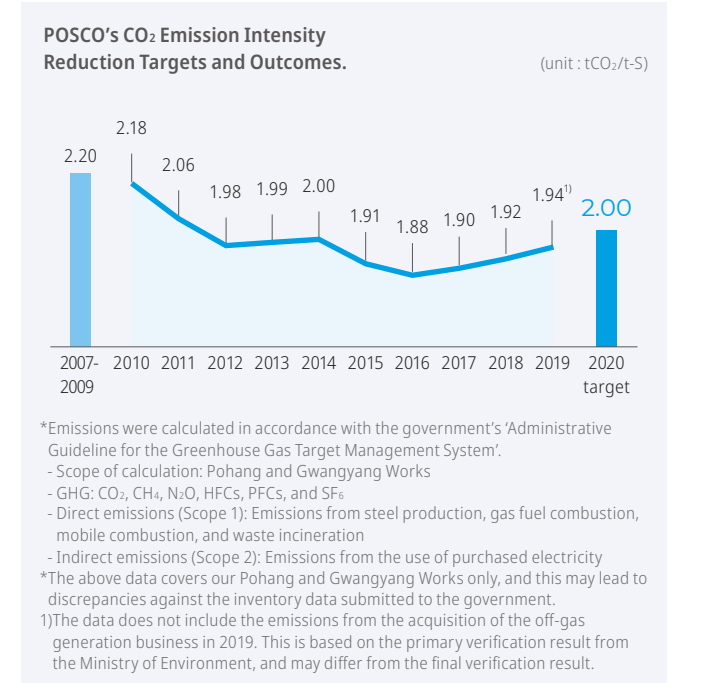
- 1) IPCC : Intergovernmental Panel on Climate Change
- 2) WBSCD : World Business Council for Sustainable Development
- 3) WRI : World Resources Institute
- 4) ISO 14404 : Calculation method of carbon dioxide emission intensity from iron and steel production

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 elevate 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 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.



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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 one ton of steel produced at our steelworks amounted to 1.94 tCO₂/t-S to attain the mitigation target set for 2020.

Category	Unit	2017	2018	2019 ⁹⁾		
				Excluding Effects from Acquisition ⁷⁾	Including Effects from Acquisition ⁷⁾	
CO ₂ Emissions	Direct emissions (Scope1)	1,000 tCO ₂	67,743	69,687	70,999	79,447
	Indirect emissions (Scope2)		2,956	2,802	2,760	795
	Total emissions		70,700	72,489	73,759	80,242
CO ₂ Emissions Intensity	Direct emissions (Scope1)	tCO ₂ /t-S	1.82	1.85	1.87	2.09
	Indirect emissions (Scope2)		0.08	0.07	0.07	0.02
	Total emission intensity		1.90	1.92	1.94	2.11
Other CO ₂ Emissions ¹⁾ (Scope3)	Transport of purchased raw materials ²⁾	1,000 tCO ₂	978	986		936
	Employee commutes ³⁾		7	7		5
	Employees' domestic/overseas business travels ³⁾		1	1		1
	Purchased products & services ⁴⁾		2,638	2,997		3,287
	Upstream leased assets ⁵⁾		2,081	2,180		2,184
	Investments ⁶⁾		12,339	12,733		6,725
	Total		18,044	18,903		13,139

1) This was calculated with reference to the WBCSD/WRI Greenhouse Gas Protocol. 2) The total weight of purchased raw materials amounted to 93.91 million tons (concerning coal, iron ore and limestone that take up the majority). 3) While the total number of employees was 17,299 as of the end of 2019, the data was calculated for Scope 1 & 2 only which concern 13,681 employees working at our Pohang and Gwangyang Works. 4) GHG emissions were calculated with a focus on suppliers of primary raw materials out of purchased products & services. 5) GHG emissions were calculated from the limestone calcination plant leased to POSCO CHEMICAL out of upstream leased assets. 6) This was calculated based on investee companies subject to the Emissions Trading System in consideration of their Scope 1 & 2 emissions and the proportion of POSCO's equity ownership in them. 7) The numerical data is before and after the acquisition of the off-gas generation business. The acquisition led to increases in fuel consumption which, in turn, raised Scope 1 emissions and also led to increased self-generation which reduced electricity imports from grid and eventually lowered Scope 2 emissions. *The above data covers our Pohang and Gwangyang Works only, and this may lead to discrepancies against the inventory data submitted to the government that covers all our workites.

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 process development, 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.



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.

01 Low Carbon Investment and Technology Development

Low Carbon Investment and Technology Development

In 2019, we invested a total of KRW 47.9 billion in energy recovery equipment and process improvements to save energy. Prime examples include the improvement of power generation efficiency at the Gwangyang LNG Power Plant and the installation of dust collection invertors at the Pohang FINEX plant. In addition, we invested KRW 93.3 billion in 2019 to conduct R&D on reducing GHG emissions by recovering sensible heat from the process or capturing CO₂ from by-product gas.

CO₂ Emissions Reduction Technology under Development by POSCO

- Improving deviations by adopting smart blast furnace, sintering and raw material processes to decrease the ratio of reducing agents
- Using smart technology to optimize the operation of coke ovens and CDQ
- Replacing a portion of the coal used as a blast furnace reducing agent with hydrogen in the iron ore reduction process
- Using reduced iron in the blast furnace to lower the ratio of reducing agents (fuel consumption)
- Separating and recycling CO₂ from the by-product gas generated from the technology process

We are developing hydrogen reduction technology in preparation for the emerging future with a booming hydrogen economy. The first step we are taking to this end is to develop technology to replace up to 10% of our carbon 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.

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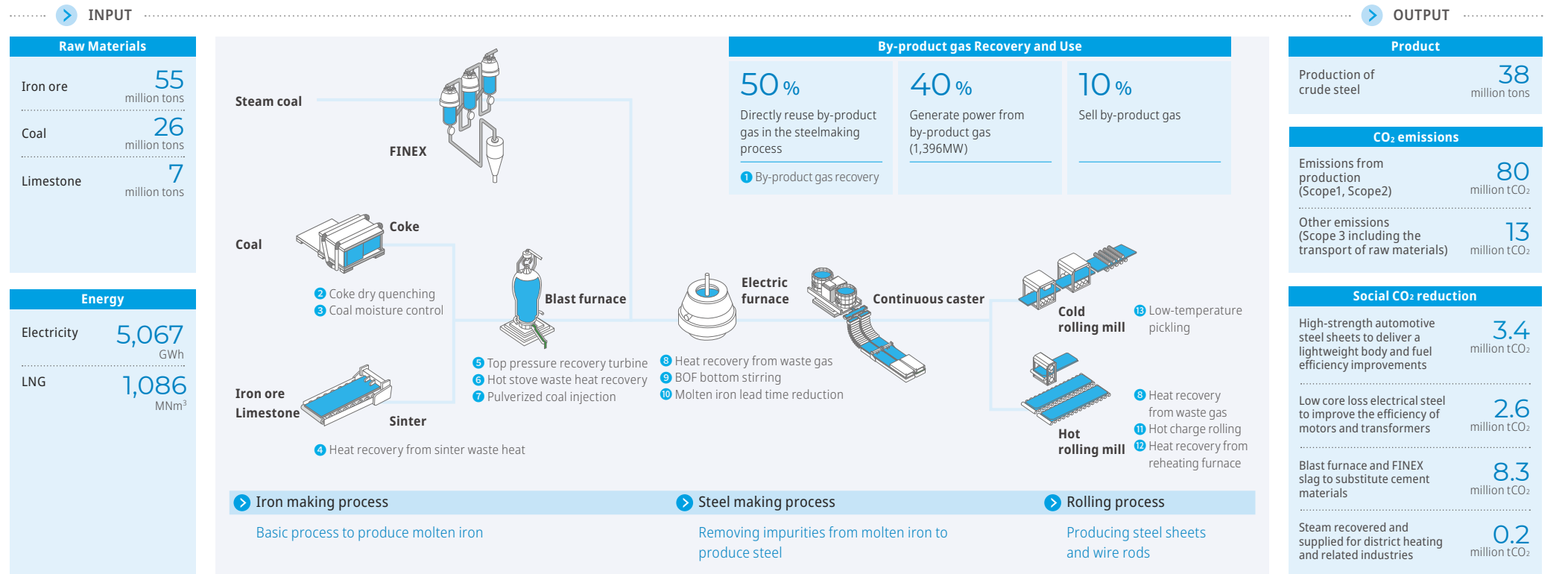
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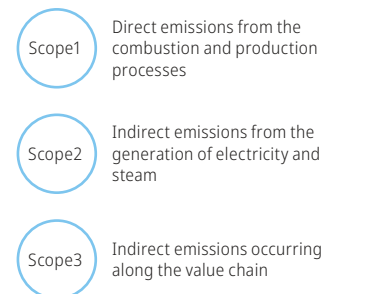
POSCO Carbon Flow and Adoption of Mitigation Technology

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

	Energy recovery					Energy recovery			
	Electricity	Steam	Hotwater	Others		Electricity	Steam	Hotwater	Others
1 Capturing, purifying, and reusing the by-product gas from the blast furnace, FINEX, coke oven and converter				●	7 Directly injecting coal in place of coke into the blast furnace				●
2 Recovering sensible heat by exchanging heat between red hot coke and cooling gas	●	●			8 Recovering sensible heat included in the gas emitted from the process		●		
3 Improving coke strength and blast furnace efficiency by controlling the moisture of coal inserted into the coke oven				●	9 Improving energy efficiency by injecting argon gas into the bottom of the converter				●
4 Recovering sensible heat from the sintered ore cooling process		●	●		10 Minimizing energy loss by reducing transport times between steel tapping and back-end processes				●
5 Generating power by using the pressure of by-product gas emitted from the blast furnace	●				11 Saving reheating energy through the direct insertion of hot slabs				●
6 Recovering sensible heat from the exhaust gas of the hot blast stove				●	12 Recovering sensible heat included in the gas emitted from the heating furnace		●	●	
					13 Saving heat energy during the pickling process through low-temperature operations				●



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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.

Go to Smart Factory

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 steelworks and offices
Total cumulative savings of nearly KRW 32.2 billion with more than 350,000 lamps replaced between 2011 and 2019
- Sign a voluntary agreement to achieve Energy Champion certification**
Certified as Energy Champion* (2018-2021)

*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

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 61MWh power through the BIPV¹⁾ 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%²⁾ of the total power purchase.

Renewable Energy Production and Purchase (unit : MWh)

Category	2017	2018	2019
Renewable energy produced	4,954	4,515	4,509
Renewable energy purchased ³⁾	267,974	281,723	205,505

- 1) BIPV(Building Integrated Photovoltaics)
- 2) Ratio of renewable energy out of the total electricity sold to the Korea Power Exchange
- 3) Amount of electricity purchased X ratio of renewable energy out of the total electricity sold to the Korea Power Exchange

Energy Consumption (Unit: TJ)

Energy	2017	2018	2019
Byproduct gas	286,461	295,216	330,466
LNG	42,842	41,384	45,886
Diesel, gasoline, and automotive LPG	186	181	196
Electricity ¹⁾	22,825	21,633	14,051
Total	352,313	358,415	390,599

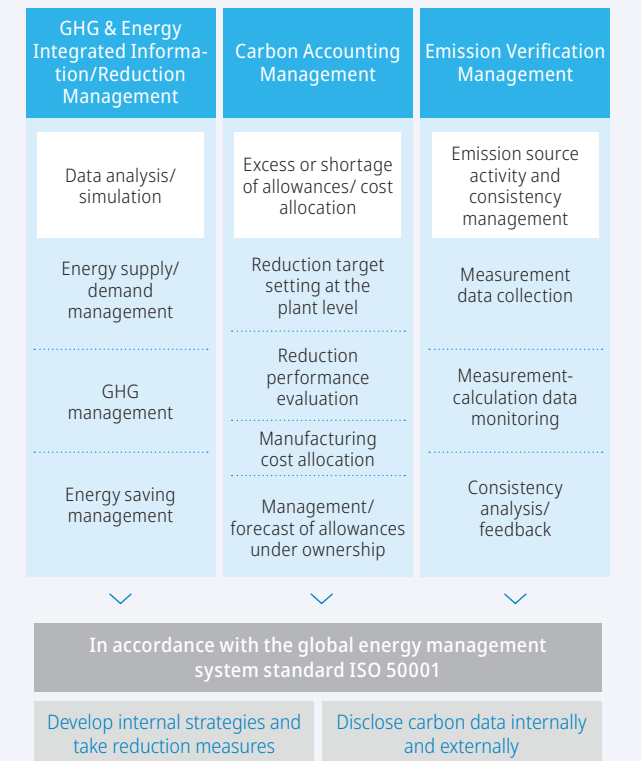
1) The data is based on the figures on the statement submitted to the government, and electricity consumption was totaled up by converting into 3.6 TJ/GWh on the recommendation of the CDP

*In 2019, our fuel consumption increased while electricity consumption declined following the acquisition of the off-gas generation business.

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 50001 energy management system standard allowed us to achieved the certification in September 2012. We have remained certified ever since through certification audits performed every year.

POSCO ISO 50001-based Carbon Management Mechanism



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02 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 so doing, 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.

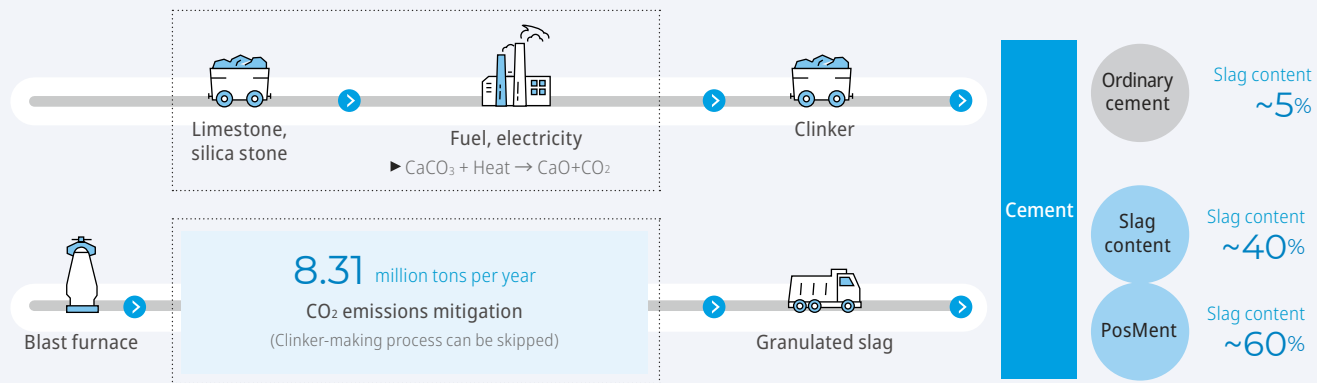
*Granulated slag: Granulated slag is produced when slag that has just exited the blast furnace is combined with water and cooled rapidly.

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



03 Green Partnership

Climate Change Partnership

POSCO responds to the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP) to receive external assessments on its actions taken to address climate change. Notably, we were included in the Carbon Disclosure Leadership Index in 2019. We also participate in the climate action program supervised by the World Steel Association, and our contribution to this program through the 'worldsteel Climate Change Policy Group' and the 'worldsteel CO₂ Data Collection Project' designed to compile and analyze calculation data allowed us to serve as a 'worldsteel Climate Action Member' for 10 consecutive years. We also became a Task Force on Climate-Related Financial Disclosures (TCFD) Supporter and disclosed our climate-related data in accordance with TCFD recommendations in 2020. Going forward, we plan to publish a separate climate action report to set the trend of transparently disclosing climate data in the steel industry.

Achieving the EPD Certification

All our steel products successfully achieved the 'Environmental Product Declaration (EPD)¹⁾ 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 UL²⁾ Environment, and became recertified 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.

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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.



Shared Growth History

Shared Growth Steadily Pursued Since POSCO's Establishment

- Establish the fair trade management system
 - 2001 Launched e-commerce
 - 2002 Operated a fair trade compliance program
- Introduce Shared Growth programs
 - 2004 Became Korea's first to introduce the Benefit Sharing System
 - 2004 Initiated full cash payments for SME suppliers
 - 2006 Implemented Techno Partnership
- Facilitate shared growth
 - 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
- Pursue shared growth as a Corporate Citizen
 - 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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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.

01 Open Sourcing (e-Catalog)

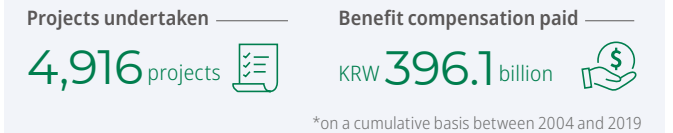
We opened the 'e-Catalog System' for suppliers to promote their items without physically visiting our worksites, creating a window of opportunity for even those suppliers who have yet to form any business relationship with us to freely introduce their products. This online product promotion system was 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.

02 Fair and Timely Payment

POSCO has made full cash payments to SME suppliers 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.

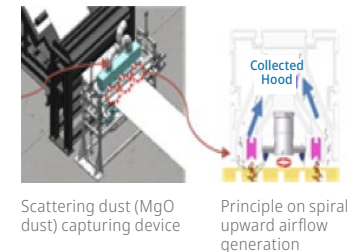
03 Benefit Sharing System

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

Pohang Works' Electrical Steel Plant suffered the defects caused by Manganese Oxide Dust (MgO Dust) generated in the electrical steel sheet manufacturing process. To resolve this problem, the plant joined hands with Yujin Mechatronics to develop a MgO Dust remover under the Benefit Sharing System. Numerous tests were run for device verification and security through bilateral collaboration, and the successful development of the device helped dramatically decrease the generation of MgO Dust for every ton of steel sheets produced from roughly 57g to 22g. This, in turn, reduced the production of defective products valued at KRW 190 million a year. Furthermore, this also greatly improved the work environment as the accumulation of dust declined along the production line. While employees were required to wear dust-free garments near the site of the 2HCL input, the reduction of dust eliminated the need for such measures which improved working conditions and saved on additional costs. The project participant, Yujin Mechatronics, secured a three-year long-term supply right over this device, and is expected to increase its sales as the equipment will be reviewed for its application on other plants from 2020 onwards.



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04 Productivity Innovation

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.

05 Innovation Support Group

Our 'Innovation Support Group' has been up and running since 2019 to leverage our department-level capabilities, infrastructure, and expertise on technology, safety, the environment, and innovation to support the growth and management of our SME partners.

The group takes a variety of approaches to support our partners, from project execution to consulting and training. According to the needs of our partners, working-level experts including researchers, engineers, and field consultants are directly engaged in significantly promoting the growth and business operations of these SMEs. In 2019, 91 activities were undertaken in a total of 15 areas.

Activities Undertaken by the Innovation Support Group

- Maintenance Technology Department: Review and improve the equipment of partner companies
- Technical Research Laboratories: Support partner companies with technology consulting and testing equipment (Techno Partnership)
- Consulting on QSS innovation activities, safety, energy saving, and IT operation
- Training on quality management, inventory management and other work areas essential in business conduct

06 POSCO Youth Dream Job Matching

Our employment support program enables young job seekers to receive the education and training required to perform workplace duties and connects them with our partner companies who have job vacancies.

Since 2005, we have offered high school and college graduates free-of-charge two-month working-level technical training in the machinery and electric areas. Those who completed this training-to-recruitment program are given an opportunity to job interview with POSCO partner companies and suppliers. In 2019, a total of 207 applicants were trained, and out of those, 166 became employed.

Since 2019, those who completed the 'POSCO Employment Academy' currently operated under the POSCO Group University may apply for an opportunity to have hands-on work experiences through POSCO business partners or internship programs. Those who hire these applicants are provided with employment incentives for up to three months.

In so doing, we promote mutually-beneficial partnerships: we help young job-seekers become gainfully employed while helping SMEs hire suitable employees.

07 Corporate Citizenship Friends(Volunteer program)

The 'Corporate Citizenship Friends' program was launched for POSCO partner companies and suppliers to proactively undertake our social contribution, safety, and environment improvement initiatives for local communities. Necessary funds are raised through one-on-one matching between POSCO and these business partners, and various programs are implemented through a joint concerted effort. In 2019, this program was attended by 149 partner companies, and POSCO provided KRW 55 million in matching funds.



Smart Factory Case Study: SEOUL Engineering — Saving on costs and increasing facility utilization rates through smart factory support for SMEs on-site equipment improvements

SEOUL Engineering had already reaped success in drastically reducing power consumption through our support for SMEs in building smart factories currently under operation as part of the POSCO Productivity Innovation program. In the second half of 2018, the company also joined the project to establish win-win smart factories to develop a cost mitigation system through optimal helium control monitoring. The company was facing such difficulties as an explosive surge in helium prices due to the shrinking supply (4-fold increase from 2007), the inability to check the gas consumption of individual welders, and the dependence on the user's discretionary adjustment of gas consumption during the welding process, giving rise to cost hikes and quality defects. POSCO's Smart Factory Support Unit worked with the company to conduct shop floor assessments and analyses to identify viable solutions and to develop a gas use mitigation and status analysis system in alignment with the Electric Welding Regulator (EWR) in 2019. This enabled the company to check the input of helium gas and its remaining amounts in real time, minimize operational halts caused by gas shortages, and comply with standards on helium gas input for respective welding lines. This resulted in a 20% reduction in annual helium gas consumption, which translated into KRW 171 million in annual cost savings.



As was
The absence of standardization in checking gas input and remaining amounts drove up costs and caused quality issues, adding a further burden to increasing helium gas prices



Following smart factory support
Smart factory solutions allowed the company to check for gas input in real-time and remaining amounts to minimize operational halts while work standardization led to product cost savings and improved welding quality

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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

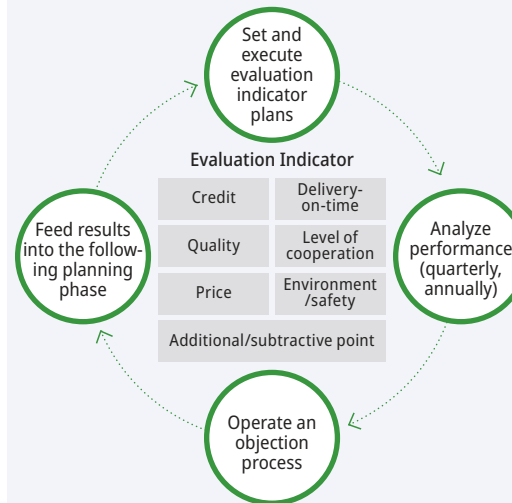
- Respect for the fundamental human rights of employees**
Voluntary employment, prohibition on child labor, prohibition on discrimination, compliance with working hour conditions, compliance with wage-related legislations, and humane treatment
- Safety and health**
Workplace safety and compliance with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

POSCO Group Supplier Code of Conduct

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



SRM evaluation indicator

SRM evaluation indicator	Ratio of ESG evaluations*	
Credit	Credit ratings	
Price	Bidding participation rates, competition rates of submitted prices, optimal bidding rates, and quotation reliability	
Quality	PosQC ratings, ISO certification, quality defect rates, defect occurrence rates, quality satisfaction	
Delivery-on-time	Delivery delay rates, average days of delay, No. of long-term delays	
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 2/3/4 suppliers, shared growth agreements signed between tier 1 and tier 2 suppliers, level of participation in WinC (tier 1 - tier 2 supplier payment condition improvement program)	→ 15%-20%
Environment /safety	Monetary value of eco-friendly items supplied, Green product certification certification, ISO 14001	→ 10%
Additional point	Health & safety certification (OHSAS 18001), Tech Credit Bureau (TCB), volunteering, fair trade compliance program (CP), shared growth agreements signed between tier 2 and tier 3 suppliers, cash compensation generated through the Benefit Sharing System and distributed to employees, standard subcontracting agreements signed between tier 1 and tier 2 suppliers	→ +5%
Deductive point	· Cautioned by the Corporate Audit Office: 2 points per caution · Safety accident: 3 points/case for major accidents, 1 point/case for general accidents, 0.25 points/case for safety violations · Unethical behavior as defined by POSCO Group: 15 points/quarter for 2 years	

*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 POSCO 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.)

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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 we 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

Category	Unit	2017	2018	2019	
Target	All suppliers	No. of companies	2,490	2,782	2,878
	Contract suppliers	No. of companies	2,202	2,011	1,833
	Ratio of contract suppliers who received SRM evaluations	%	100	100	100
Evaluation outcome	Excellent	No. of companies (%)	403 (18)	440 (22)	303 (17)
	Good	No. of companies (%)	1,665 (76)	1,313 (65)	1,283 (70)
	Poor (high risk group)	No. of companies (%)	134 (6)	258 (13)	247 (13)
Follow-up measures	Poor Ratio of Poor-rated suppliers who set improvement plans*	No. of companies (%)	41 out of 134 companies (30.6)	86 out of 258 companies (33.3)	71 out of 247 companies (28.7)
	Suspension of transactions	No. of cases	89	121	203

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

Preferential Treatment for Key Suppliers

Supplier	No. of Suppliers	Ratio of the Total Purchases	
Total 1 suppliers	Total tier1 suppliers	1,833	100%
	Critical suppliers*	822(sourcing registration)	44.8%
Non-tier 1 suppliers	Critical suppliers (except tier 1 suppliers)	-	-

*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

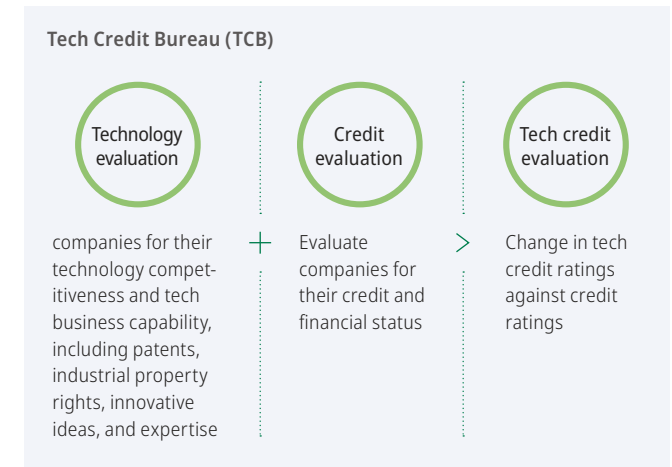
We restrict transactions with suppliers who have been engaged in socially condemnable behaviors or have caused complaints. For those suppliers who violated our business ethics guidelines, gave rise to complaints, or caused environmental pollution, stringent disciplinary measures are taken including up 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.



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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 or 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. disclose their 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.

2019 Conflict Minerals Disclosure 

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 Due Diligence Guidance* suggested by the OECD. To fundamentally prevent the use of conflict minerals, our General Provisions for Contract (GPFC) prescribe, "No conflict minerals shall be used and if a supplier is found to be using such minerals afterwards, the contract with the supplier shall be terminated immediately and the future bidding with that supplier shall be restricted". Accordingly, prior to signing contracts with 3TG suppliers, we ensure that these minerals are sourced exclusively from smelters certified in accordance with the Responsible Minerals Assurance Process (RMAP) based on their certificate of origin and their Conflict Minerals Reporting Template (CMRT) developed by the Responsible Minerals Initiative (RMI).

*OECD Due Diligence Guidance: (1) Establish strong company management system (2) Identify and assess risks in the supply chain (3) Design and implement a strategy to respond to identified risks (4) Carry out an independent third-party audit (5) Report annually on supply chain due diligence

Current Status of the Use of 3TG

Among 3TG materials, we use tin, ferrotungsten, which are all sourced from RMAP- Conformant smelters in accordance with CMRT 5.12 Version. We expect the suppliers in our global supply chain utilize RMAP- Conformant smelters, and 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

No	Metal	ID	Name of Smelter	Country	RMAP Status
1	Tin	CID001477	PT Timah Tbk Kundur	INDONESIA	Conformant
2	Tin	CID001908	Gejiu Yunxin Nonferrous Electrolysis Co., Ltd.	CHINA	Conformant
3	Tin	CID001105	Malaysia Smelting Corporation (MSC)	MALAYSIA	Conformant
4	Tin	CID001458	PT Prima Timah Utama	INDONESIA	Conformant
5	Tin	CID001482	PT Timah Tbk Mentok	INDONESIA	Conformant
6	Tin	CID002834	Thai Nguyen Mining and Metallurgy Co., Ltd.	VIETNAM	Conformant
7	Tin	CID002158	Yunnan Chengfeng Non-ferrous Metals Co., Ltd.	CHINA	Conformant
8	Tin	CID001898	Thailand Smelting & Refining Co Ltd	THAILAND	Conformant
9	Tin	CID001182	Minsur	PERU	Conformant
10	Tin	CID002773	Metallo Belgium N.V.	BELGIUM	Conformant
11	Tin	CID001898	Thaisarco	THAILAND	Conformant
12	Tin	CID001482	Mentok Smelter	INDONESIA	Conformant
13	Tungsten	CID002724	Unecha Refractory metals plant	RUSSIAN FEDERATION	Conformant

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 management system' 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.

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02

SOCIETY

**Social
Performance**

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

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SOCIAL CONTRIBUTION

Our commitment to pursue development with local communities

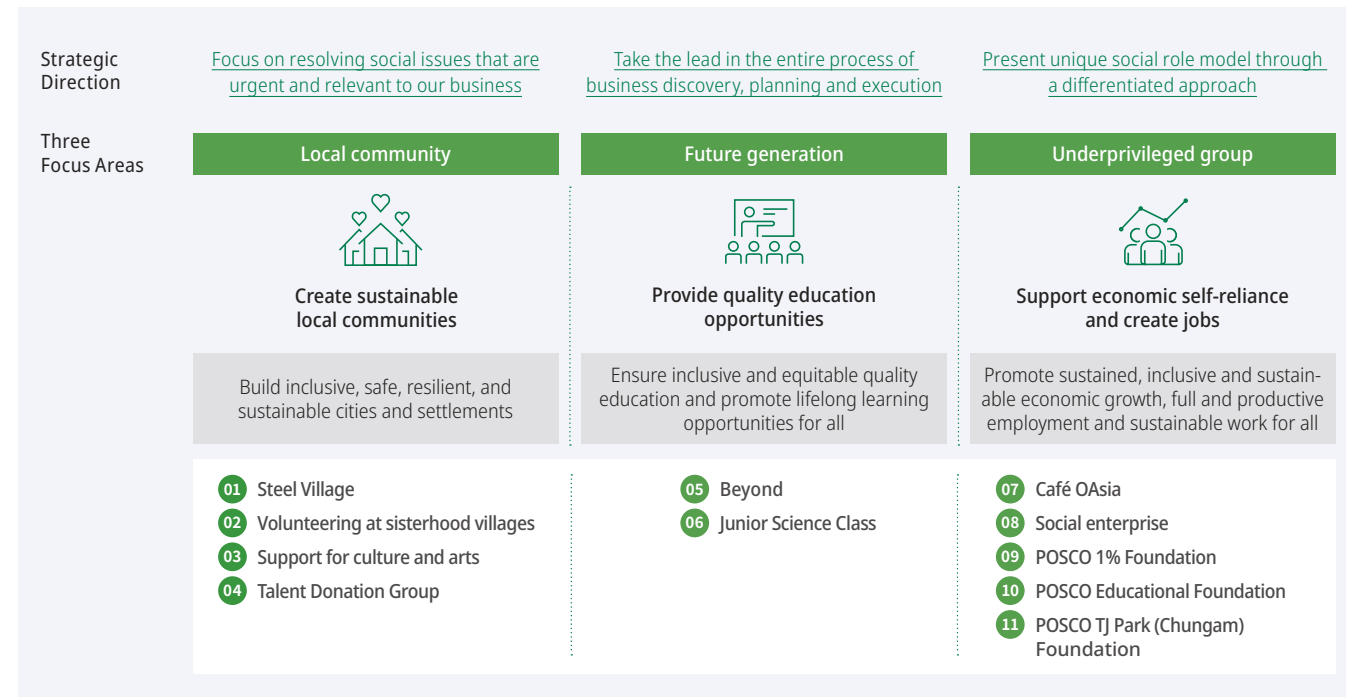


From the very beginning, growing together with local communities has always been part of POSCO's definition of corporate social responsibility, and this belief led its endeavors to undertake multi-faceted social giving initiatives. We make the best use of the strengths that we have as a company to create 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.

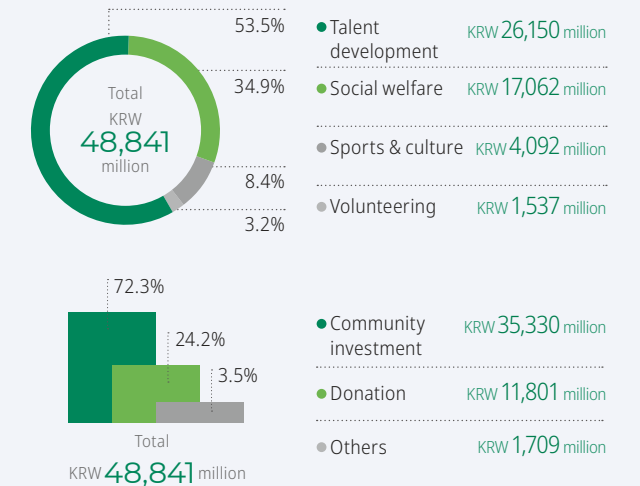
*SDG 4. Quality education, SDG 8. Decent work and economic growth, SDG 11. Sustainable cities and communities



Social Contribution Performance in 2019

Total expenditures on social contribution

(based on FKI criteria)



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.

Donations made to the Community Chest of Korea
KRW 8 billion (KRW 151.95 billion on the POSCO Group-wide cumulative basis)

Employee volunteering (Total cumulative hours in 2019) **451,511 hours**
 Average annual volunteer hours per employee **27 hours**

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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.

01 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.

POSCO Steel Village Performance

Country	Infrastructure Development	Project Period (year)	No. of Structures Built
Korea	Steel house	2009-2019	50 units (36 cities)
	Welfare center	2013-2019	7 units
Vietnam	Housing	2014-2017	104 units
	Bridge	2016	1 unit
		2019-2020	1 unit under construction
Myanmar	Bridge	2017	1 unit
Thailand	Housing	2017	13 units
	Outdoor steel dome	2017-2018	5 units (3 newly constructed, 2 renovated)
Indonesia	Housing	2018-2019	25 units
	Private bathroom	2018-2019	30 units
	School	2019-2020	3(space) units
	Multi-purpose facility	2019-2021	2(space) units

02 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 Hagwang 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.

03 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)
POSCO Concert (2017-)	Seoul	Pop music and other performances	7 occasions	4,151
POSCO Kids Concert (2015-)	Seoul	Children's musicals and other performances	4 occasions	2,577
POSCO Art Museum (1998-)	Seoul	Art exhibitions	6 occasions	46,357
POSCO Museum (2003-)	Pohang	Introduction of POSCO's history	Year-round	40,460
Hyoja Art Hall (1980-)	Pohang	Culture and artistic performances, movies, etc.	62 occasions	121,802
Baekwoon Art Hall (1992-)	Gwangyang	Performance spaces for rent, etc.	43 occasions	77,979



04 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 Shim Woo jang (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.



Clean Ocean Volunteer Group's volunteering activity over the past 10 years

563 occasions



Waste collected by the Clean Ocean Volunteer Group over the past 10 years

1,718 tons

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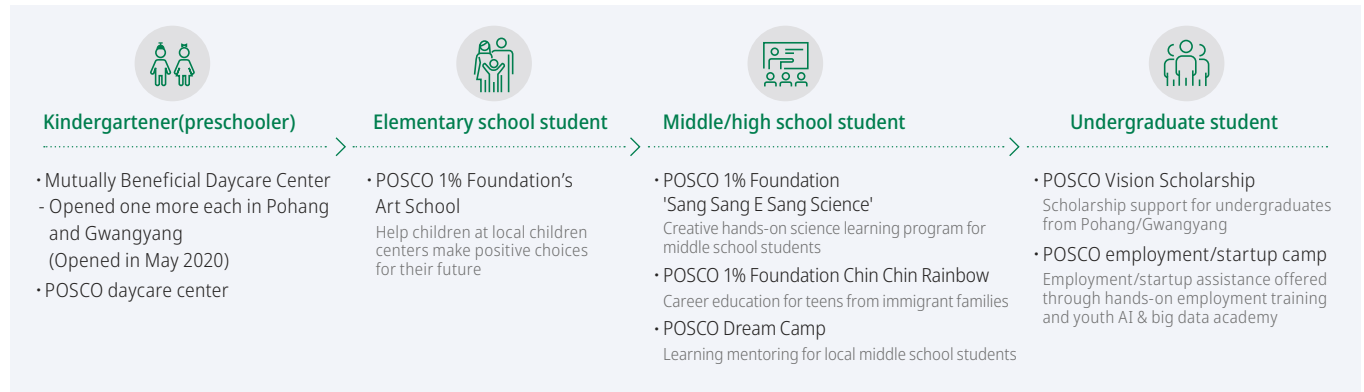
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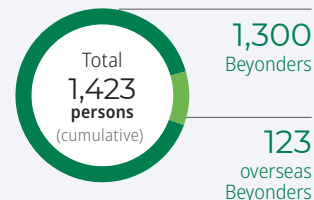
Future Generation

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(these children) develop self-esteem and grow into proactive future leaders. 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.



05 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 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.



Select 100 members per class per year(2007~)

- 50 male and 50 female students from more than 60 universities across the nation

Select nearly 20 overseas Beyonders each year from the POSCO TJ Park Foundation scholarship students(2014~)

06 Junior Engineering Class

Since 2004, this program, led by the National Academy Engineering of Korea and supported by the Ministry of Trade, Industry and Energy, served as an opportunity for our employees to provide science 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 residents. 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.

07 Café OAsia

Café OAsia, jointly established by POSCO and the social enterprise network SESNET, is Korea's first social co-op recognized by the Ministry of Employment and Labor. This franchise business hires married 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.

*A total of 66 persons work at 25 Café OAsias nationwide as of December 2019 (71% of them come from multicultural or less privileged backgrounds).

08 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 economically-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.

Category	POSCO HUMANS (established on Jan. 1, 2013)	POSPLATE (established on Jan. 22, 2010)
Business	Provision of services outsourced by POSCO Group (HR, welfare & benefits, cleaning, etc.) and vehicle support	Joint work outsourced by the new thick plate plant, specimen processing for the Technical Research Laboratories (Gwangyang)
Ratio of underprivileged individuals within the total workforce	259 out of 664 employees (39%)	64 out of 154 employees (42%)
Note	<ul style="list-style-type: none"> 1st subsidiary-type standard enterprise for the physically/mentally challenged (2013.1.1): Merger between POSWITH and POS Eco Housing (2019.12): Acquisition of shares from the Pohang Scholarship Foundation, paid-in capital increase by group affiliates (Dec. 2019) 	<ul style="list-style-type: none"> Split-off (Dec. 2012)

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Non-profit Foundation

09 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.)



Completion ceremony of the Sangsang Isang Science Camp POSCO 1% Foundation Art School program

Major Program

The POSCO 1% Foundation mainly supports future generations, individuals from multicultural backgrounds, those who are physically/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	Multi-Culture	People with Disabilities
<p>We support the sound growth of future generations.</p> <ul style="list-style-type: none"> • 1% Sharing Art School <ul style="list-style-type: none"> - Cultural and arts education for children at local children centers - Attended by 1,029 children from 86 centers • Sangsang Isang Science <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - 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 - 20 youths benefited • UNESCO Out-of-School Child Support <ul style="list-style-type: none"> - Increased accessibility to education for out-of-school children in ASEAN (literacy, basic numeracy, teacher training) - 459 students educated, 310 teachers given teaching support 	<p>We support multicultural families in their journey towards a self-sustainable future.</p> <ul style="list-style-type: none"> • Multicultural children visiting maternal relatives <ul style="list-style-type: none"> - All family members are supported in visiting their maternal relatives to enable multicultural children to experience the culture of their mother's home country and enjoy support from their maternal relatives - 5 families (22 members) living in Pohang visiting the Philippines, 5 families (21 members) living in Gwangyang visiting Vietnam • Chin Chin Rainbow <ul style="list-style-type: none"> - Career support program for teens from 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 	<p>We support people with disabilities for their better life.</p> <ul style="list-style-type: none"> • Huimang Nalgae (Hope for People with Disabilities) <ul style="list-style-type: none"> - 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) <ul style="list-style-type: none"> - 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

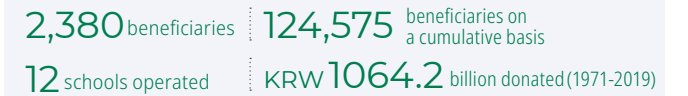
Change my town

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.

* Support outcomes were compiled as of 2019.

10 POSCO Educational Foundation

Launched in 1971, the POSCO Educational Foundation has established and is currently operating a total of 13 kindergartens and elementary/middle/high schools in Pohang and Gwangyang. The foundation hires competent teachers and fully supports curriculum-based education as well as specialty education to deliver well-rounded education and nurture future talent.



11 POSCO TJ Park (Chungam) Foundation

Initiated as the 'Steel Scholarship Foundation' in 1971, the POSCO TJ Park Foundation operates a range of programs to nurture talented individuals in local communities and across the entire Asian region.



POSCO TJ Park Prize (2006~)	Awarded in the four categories of Science Prize, Community Development and Philanthropy Prize, Education Prize and Technology Prize, in honor of POSCO's founding spirit, and granted to 44 awardees on a cumulative basis
POSCO Asia Fellowship	<p>Scholarship for Asian students studying in Korea (2005~)</p> <ul style="list-style-type: none"> - 427 students from 32 countries benefited <p>Scholarship for leading Asian universities (2005~)</p> <ul style="list-style-type: none"> - 4,819 students from 33 universities in 17 countries benefited <p>Asia Opinion Leader Fellowship (created in 2019)</p> <ul style="list-style-type: none"> - Nearly 20 persons from 8 countries invited to receive training in Korea
POSCO Science Fellowship (2009~)	A total of 347 persons benefited
POSCO Regional Fellowship	<p>POSCO Vision Scholarship (2006~)</p> <ul style="list-style-type: none"> - 504 community undergraduates received scholarships <p>POSCO Heroes Fellowship (created in 2019)</p> <ul style="list-style-type: none"> - Those who righteously offered their service for the betterment of the community as well as their children supported, a total of 6 beneficiaries supported <p>POSCO Dream Camp (created in 2019)</p> <ul style="list-style-type: none"> - Learning support for local community middle schoolers, attended by 90 students and 22 undergraduate mentors

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FOCUS 04

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 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 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.



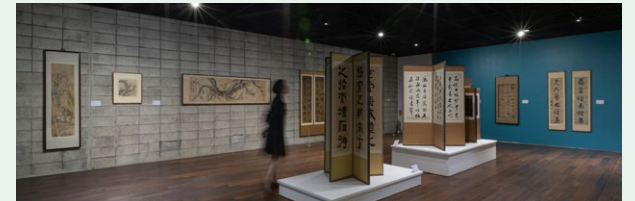
▶ Hyoja Art Hall

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.



▶ 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.



▶ 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 its 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.



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FOCUS 05

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.

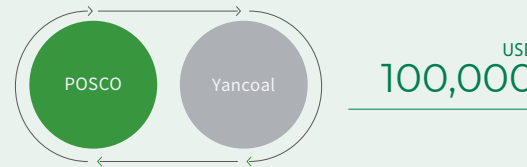
In November 2019, POSCO signed an agreement with Yancoal, an Australian coal supplier, to launch the first GEM Fund name OPAL in consideration of its origin in the country. The fund was raised with USD 50,000 invested by POSCO and Yancoal respectively to reach USD 100,000. This will be used to provide 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.

NO.1 Fund OPAL



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~)

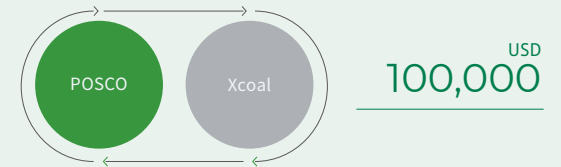


NO.2 Fund EMERALD



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



coal - POSCO GEM Matching Fund Initiative



POSCO and its Australian coal supplier Yancoal signed the GEM matching fund sponsorship agreement in November 2019 to promote the development of bilateral local communities and create a robust industrial ecosystem in order to create co-prosperity.

XCOAL - POSCO GEM Matching Fund (Emerald)



In February 2020, POSCO and the U.S.-based supplier Xcoal launched the No.2 GEM matching fund to help forestation in local communities damaged by wildfires in order to usher in a sustainable future.

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Approach to Enhancing Fertility

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 slows 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 families. Furthermore, we consistently endeavor to build social consensus and improve awareness to create ultimate solutions to low birth rates.



Pohang
Mutually Beneficial
Daycare Center

— Expanding infrastructure to create ideal conditions for maternity and childcare in local communities

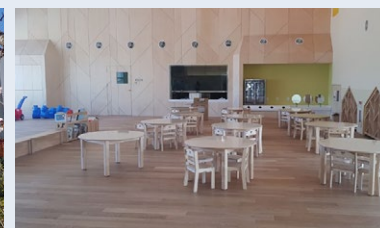
Pohang and Gwangyang represent our key community stakeholders. To set a role model in both of these cities to establish POSCO's distinctive approach to low fertility, we are working to expand the childcare and educational infrastructure as desired by young parents in these local communities. In addition to our existing daycare centers, we newly constructed a 200-person capacity 'Mutually Beneficial Daycare Center' in these areas to accommodate the children of SME partner employees as well as POSCO employees (operation to be initiated in the first half of 2020). While these SMEs were too small to operate their own daycare center for employees, our Mutually Beneficial Daycare Center will provide equal free-of-charge child care for employees at 54 partner companies in Pohang and 50 partner companies in Gwangyang as well as POSCO and other group affiliates. As the capacity for children was set at under 50% for POSCO and group affiliates and at 50% and above for SME partners, this new type of daycare centers will benefit even more parents and children.

— Building social consensus and facilitating communication to address low birth rates

POSCO takes a differentiated business approach to contribute to reversing the trend of low birth rates. In 2019, we assessed the root causes of low birth rates and relevant policy measures to develop effective solutions while hosting outside expert seminars on two occasions to build social consensus on this issue. In 2020, we will take a step further to hold a symposium attended by major organizations working in relation to low fertility rates in Korea. We also plan to create demographic learning materials to educate students who will lead our society in the future regarding this critical challenge.

What is POSCO's Mutually Beneficial Daycare Center

Large companies and SMEs become business owners and jointly build and operate workplace daycare centers for their employees.



Gwangyang
Mutually Beneficial
Daycare Center



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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.

» '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.



— AI·Big Data Academy

Youth AI·Big Data Academy is 12-week camp training programs 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

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Becoming and Nurturing Good Global Citizens

POSCO's 'Becoming and Nurturing a Good Global Citizen' program first encourages its employees to pro-actively 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.



Local staff in PT. Krakatau POSCO, Indonesia

— 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, "Beyonders" 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.



1. Beyonders and children meeting through educational volunteering in Indonesia
2. A commemorative photo taken by the TJ Park Foundation Chairwoman Sunuk Kim and Asian students receiving scholarship certificates from the foundation



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03

PEOPLE

**Social
Performance**

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

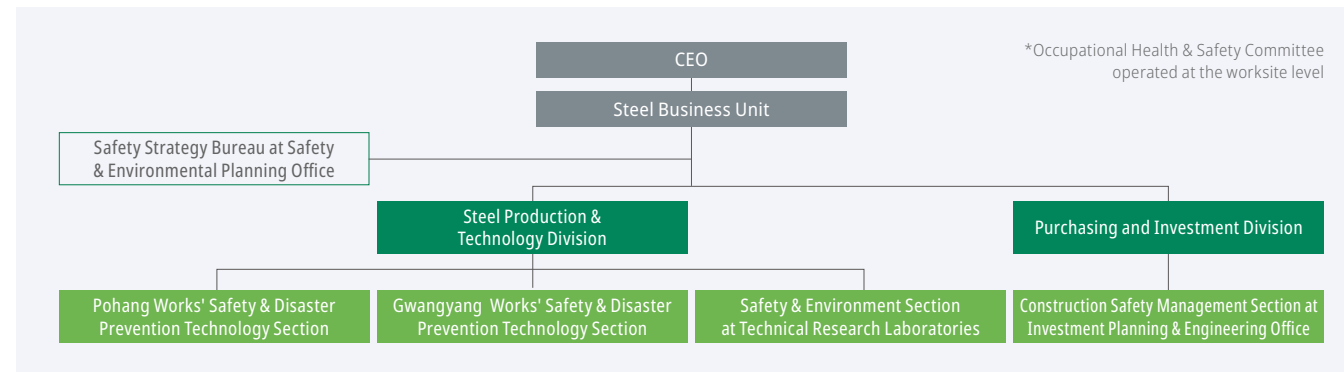


POSCO places safety as its top priority in business conduct and is fully committed to building a globally recognized safety culture. In compliance with the Charter of Corporate Citizenship declared last year, we have endeavored to create a pleasant work environment and to fully engage employees in performing 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. Its major agenda items include the development of health & safety standards and occupational injury prevention plans, issues concerning employee health & safety training, and the collection of employee feedback.



POSCO's emergency medical helicopter to be deployed in 2020 to ensure the health and safety of its employees

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 reoccurrence of such safety accidents across our establishments.

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.

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Four Major Safety Strategies and KPIs

Health & Safety Strategy and Goal*



01 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.
 (clap three times) 🙌🙌🙌

10 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.



- 1 Use PPE (protective goggles, required PPE etc.)
- 2 Use the handrail 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	Name of Awardee	Achievement
POSCO	Stainless Steelmaking Maintenance Section at Steelmaking Facilities Maintenance Department of Pohang Works	Strengthened the internal review of permit to work and TBM
	Plate Plant of Gwangyang Works	Systematically managed abnormal unexpected work, including checks on such equipment safety systems as the ILS (Isolation Locking System)
Partner company	Manseo (Pohang) PMS (Gwangyang)	Installed CCTVs and offered customized protective gear Published guidebooks and strengthened safety checks on holidays
Group affiliate	POSCO C&C	Improved the quality of essential safety measures including mock safety drills
Overseas subsidiary	POSCO-Vietnam	Hosted quarterly Safety Golden Bell events and improved on sites falling short of safety criteria

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02 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

Training	Description	No. of Trainees	Hour
Level-based training	Training for administrative supervisors and new recruits	13,404	70,147
Global Safety Center training	Equipment safety/ILS experience training	10,330	20,875
Partner company training	Safe handling of heavy items, injury case studies, etc.	16,894	44,757
Other training	VR-based hands-on equipment safety benchmarking, etc.	1,144	1,625
Total		41,772	137,404

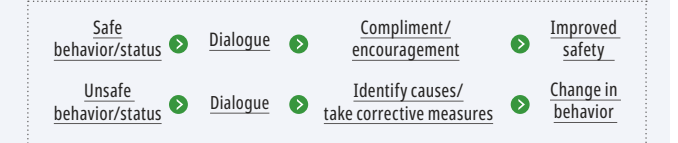
Job Level-based Training



*Felt-Leadership: This type of leadership establishes a lead-by-example pattern. Top management and leaders receive safety training first. Employees recognize the value the management and leaders put on safety and begin to implement their actions accordingly.

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.



03 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)*.

*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.

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.



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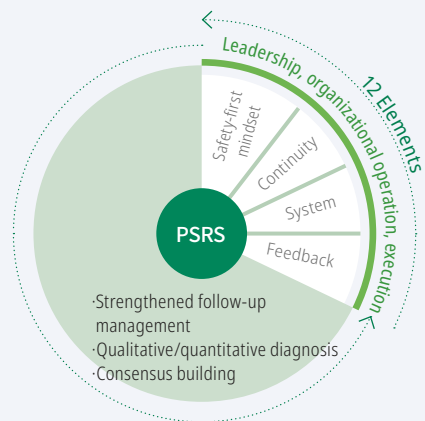
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04 Integrating safety management

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



Health & Safety Management Policy

In February 2019, POSCO modified its 'Health & Safety Management Policy' and has promoted its full compliance across the entire business conduct. This aims to ensure that everyone accessing our worksites is safely protected from injury and that the work environment is pleasant and comfortable.

- ✓ We consider health & safety one of the key management elements, and ensure that it is seamlessly integrated with all other business operations.
- ✓ We identify all risk factors before they arise and take appropriate prevention and improvement measures to constantly enhance our health & safety performance.
- ✓ We define health & safety activities as one of the key responsibilities for all our employees, and provide proper training for employees to fulfill their role and responsibility
- ✓ We establish an internal communication system to ensure the proactive engagement of all employees.
- ✓ We encourage concerned companies to join our health & safety activities to improve the health and safety of our partner companies and other stakeholders.
- ✓ We set and implement targets and action plans to effectively follow our health & safety management policy, and operate an internal review system to periodically evaluate these targets and plans.
- ✓ We comply with governmental health & safety regulations and take a step further to set and operate even more stringent criteria to ensure safety in installing, operating, and maintaining our facility, machinery, and equipment.

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.



Public-private-military emergency rescue and chemical spill exercises at the Pohang Works

Public-private fire-fighting exercises at the thick plate plant of the Gwangyang Works

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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

- 01 Disease prevention**

 - Health checkup, treatment, physical therapy, and vaccination
 - Early detection and prevention of occupational diseases
- 02 Work environment**

 - Measurement (chemicals, dust, noise, and heat)
 - Management (personal protective equipment, chemicals, noise/vibration, work that causes musculoskeletal burdens)
- 03 Health promotion**

 - Improvement of daily habits (smoking cessation, abstinence from alcohol consumption, obesity, steady exercise, dietary improvements)
 - Psychological counseling on safety and general issues



01 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 (Unit: No. of persons)

Category	2017	2018	2019
Total	2,914	3,075	2,959

Ratio of POSCO employees who receive health checkups **100%**

Medication Provided and Supported (Unit: No. of persons)

Category	2017		2018		2019	
	POSCO	Partner Company	POSCO	Partner Company	POSCO	Partner Company
Beneficiary	76,668	6,880	79,643	7,525	79,522	7,762
Total beneficiary	83,548		87,168		87,284	

02 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.

03 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 (Unit: No. of persons)

Category	2017	2018	2019
Total	2,157	1,817	1,974

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TALENT DEVELOPMENT Rewarding top talent through training and fair evaluation

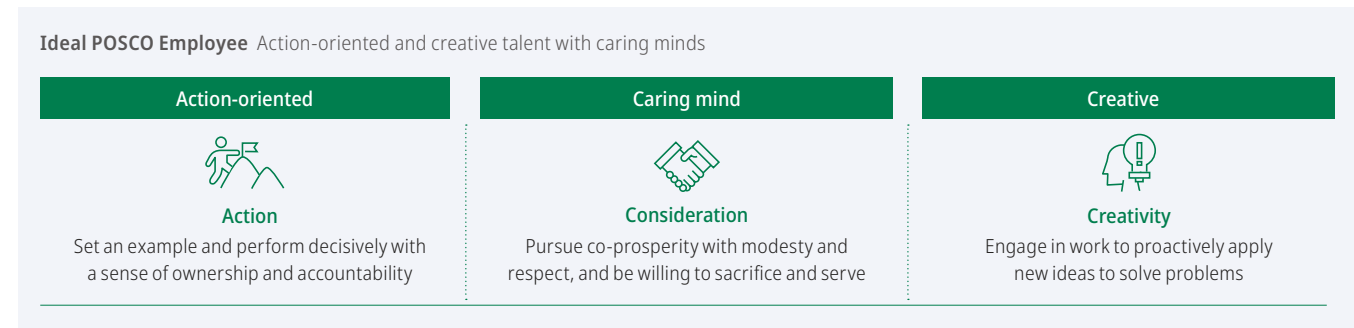


It is our employees who are the driving force behind our management philosophy of 'Corporate Citizenship'. As such, we are developing a talent development system to enable our employees to become good global citizens. From recruitment and training opportunities for self-development to fair evaluation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

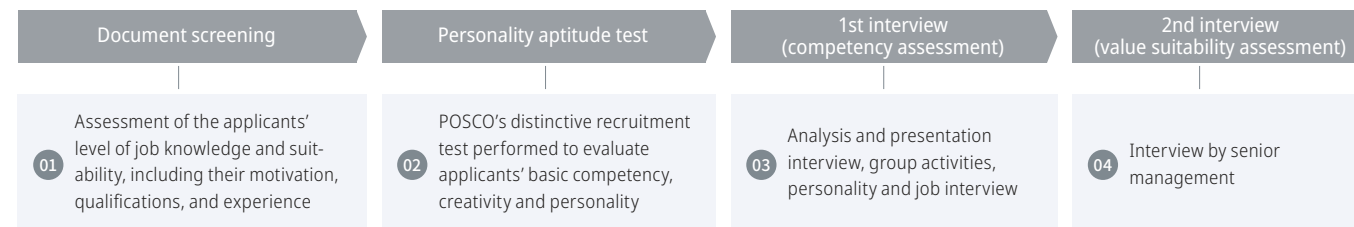
Human Resources Management

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.



Recruitment Process



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.



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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	Description (2019 Results)	Expected benefits
DT (Digital Transformation) training program	This program helps employees respond to Smart Factory and other changing work conditions, strengthen their digital capabilities, and learn data-driven work methods. Phase-specific smart training is provided to nurture talent with data competency. (2019 training attendance: 368 trainees, ratio of attendance against the total workforce: 2%)	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.
Customized program for field department/ technical training	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%)	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.
Empathy-plus Workshop	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: 2,381 trainees, ratio of attendance against the total workforce: 14%)	Inter-generational/level communication is reinforced through the process of 'organizational culture assessment – discussion & improvement identification – resolution', and an optimistic mindset is developed and organizational capacity improvement is supported. It will help us to increase employee engagement.
Executive/Junior Executive Development Program	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%)	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.
Retirement preparation program (Green Life Design)	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%)	POSCO provides a career development program to help employees prepare for retirement and a stable life after employment.

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.

Category	Unit	2017	2018	2019
Training program performance measurement	Point	94.2	95.5	93.6



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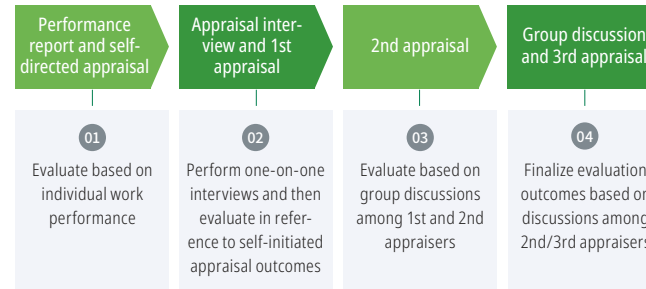
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Evaluation and Compensation

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 increases 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.

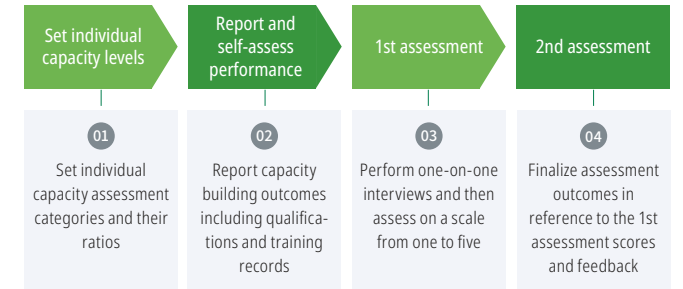
Performance Appraisal Process

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



Capacity Assessment Process

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



Employee Statistics

(Unit: No. of persons)

Category	2017	2018	2019 ¹⁾
Total No. of employees	17,055	17,150	17,503
Employment type	Regular position	16,885	16,899
	Contract position	170	251
Gender	Male	16,145	16,301
	Female	910	849
Age	Under 30	2,614	2,638
	from age 30 to 55	11,645	11,299
	55 and up	2,796	3,213
Region	Pohang ²⁾	8,186	8,269
	Gwangyang (including Sooncheon)	6,846	6,946
	Seoul (including Songdo)	1,883	1,809
	Overseas	140	107
Average years of service (No. of years)	19.8	19.9	19.6

1) The data does not include unregistered executives.

2) The number 8,772 in the Pohang region includes 19 from other regions

Turnover & Retirement

Category	Unit	2017	2018	2019
Total turnover	No. of persons	267	659	669
Retirees	No. of persons	-	356	355
Retirement rate	%	1.5	3.8	3.9
Turnover rate	%	1.5	1.5	1.7

Employees with Disabilities

Category	Unit	2017	2018	2019
Ratio of employees with disabilities	%	2.8	2.8	2.9
Direct employment	No. of persons	245	244	230
Indirect employment*	No. of persons	243	251	303

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

Fostering Female Talent

(Unit : %)

Category	2017	2018	2019
Ratio of female employees ¹⁾	5.3	5.0	5.0
Ratio of female BOD members	-	-	-
Ratio of female executives ²⁾	1.5	1.4	2.8
Ratio of female employees in management positions ³⁾	10.7	11.4	11.9
Ratio of female employees in junior management positions ⁴⁾	25.4	25.3	28.1

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)

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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



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

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 Board²⁾, 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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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 remained 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 childcare, 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

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

Employee Satisfaction Improvement

We conduct annual company-wide 'POSCO-Great Work Place (P-GWP) surveys to measure the effect of our diverse endeavors 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.

Employee Satisfaction Survey Results¹⁾

Category	Unit	2017	2018 ²⁾	2019 ³⁾
Employee satisfaction score ²⁾	Point	78	67	86
Employee participation	%	70	59	88

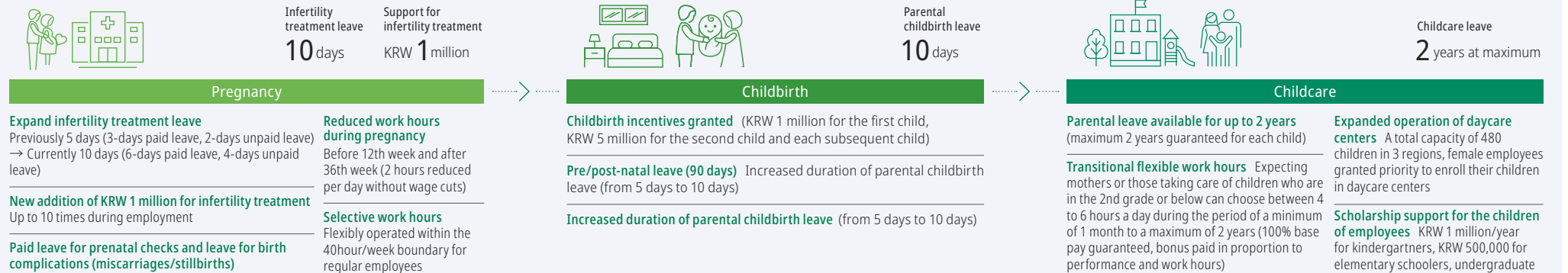
- 1) Surveys and group-based interviews were performed to assess employees' general level of awareness and organizational culture concerning company vision, leadership, coworker relations, work methods, and systems/infrastructure.
- 2) Survey scale used: 6-point scale (Strongly agree – agree – somewhat 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 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.

Selective Work Hours	While the total monthly work hours are set, monthly and daily work hours are left up to employees to decide (within 40 hours per week on average) Employees may work between a minimum of four hours to a maximum of 12 hours per day (within the 9am – 6pm timeframe) Target: Regular employees Duration: Within one month Maximum work hours per week: No threshold
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) Work hours in any particular week or particular day cannot exceed 52 hours and 12 hours respectively Work hour adjustment • Target: Regular employees • Duration: Within 3 months • Maximum weekly hours: 52 hours per week Flex-time work • Target: Regular maintenance staff • Duration: 1 week • Maximum weekly hours: 40 hours per week *Additional 12 hours of overtime work is allowed per week

Internal Maternity/Childcare Support Programs (as of 2019)



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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)

Increased from KRW 500,000 to KRW 1 million per year per child for employees who have children in grades 1 to 6, payment limit raised to up to KRW 160 million in proportion to the number of children
- 
Scholarships for children whose parents passed away while working at POSCO (addition)

Provide up to KRW 40 million per child
- 
Welfare points (expansion)

Increased from KRW 990,000 per year by KRW 200,000 to KRW 1.19 million per year from 2020 onwards to provide wider options of welfare benefits for employees to choose from

Employee Welfare Fund

(Unit: KRW billion)

Category	2017	2018	2019
Contributions made	57.2	55.0	53.5
Cumulative contributions made	1,111.3	1,166.3	1,219.8

Labor Costs

(Unit: KRW billion)

Category	2017	2018	2019
Payroll ¹⁾	1,490	1,628	1,613
Retirement allowances ²⁾	130	133	144
Legal welfare expenses ³⁾	125	127	148

1) Payroll: Sum of monthly pay, bonuses, and cash-equivalent welfare expenses (meal allowances, personal pension subsidies, performance-based bonuses, and incentives)
2) Retirement allowances: Allowances for retirement benefits of employees for the concerned year (excluding executives)
3) Legal welfare expenses: Sum of contributions made for national pension, health insurance, employment insurance, occupational health and safety insurance, and wage claim guarantee insurance

Pension Subsidy

(Unit: KRW billion)

Category	2017	2018	2019
National pension (company contribution)	39.6	41	43
Personal pension subsidies	8.1	5.6	3
Beneficiaries of personal pension plans (No. of persons)	6,478	6,759	4,354

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.

*Unionization ratio in 2019: 41.8% (as of Dec. 2019)

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'.



CEO volunteering with employees to enrich the soil with silicate slag fertilizer

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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, and 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 | ④Respect 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. We plan to support diverse club activities to respect the diversity of our employees both internally and externally.

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

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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.

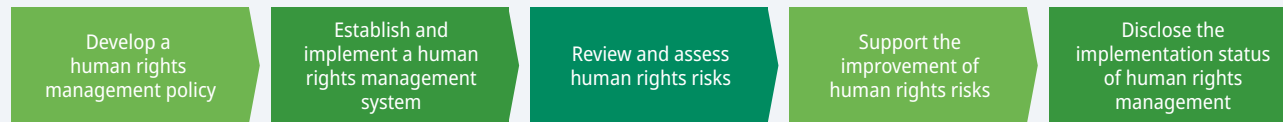
Furthermore, we aspire to create a corporate culture and labor conditions that respect diversity and are free from any discrimination on the grounds of race, nationality, gender, age, educational background, religion, regional origin, disability, marital status or sexual orientation. Our Code of Ethics 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 Management Policy

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



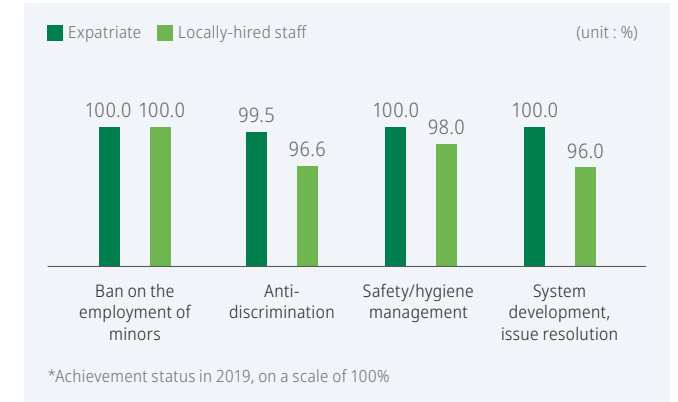
Human Rights Risk Assessment



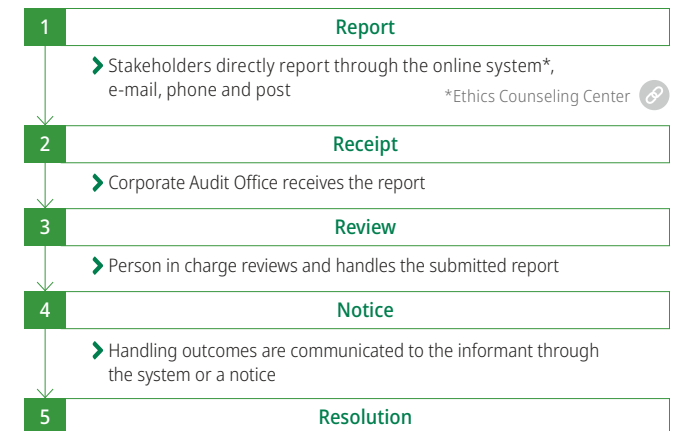
Human Rights Risk Assessment and Mitigation Measures

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 executive 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 Risk Assessment at Overseas Subsidiaries*



Human Rights Grievance Handling Process



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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.

Corporate Governance Charter

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, Hag-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.

Limits of Director Compensation

Category	2018	2019
No. of directors (No. of outside directors)	12 directors (7 directors)	12 directors (7 directors)
Total compensation or maximum limit	KRW 10 billion	KRW 10 billion

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

- ✔ Visits paid to worksites to understand the status of business : Jan. 2019 / Apr. 2019 / Jul. 2019 / Jan. 2020
- ✔ 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

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Members of the BOD

Director	Name	Expertise	Role	Work Experience	Tenure
Outside Directors (7 directors)	Moon-Ki Chung	Finance and accounting	Chairman of BOD Member of the Audit Committee	Current Professor in Business Administration at Sungkyunkwan University Previous member of the Accounting Review Committee, Financial Supervisory Service — B.A. in International Trade at Sungkyunkwan University, Ph.D. in Business Administration at Sungkyunkwan University	Mar. 2019 – Mar. 2022 Date of first appointment: Mar. 2017
	Byong-Won Bahk	Finance and policy	Chairman of the Audit Committee Member of the Director Candidate Recommendation and Management Committee	Previous Chairman of the Korea Enterprises Federation Previous Vice Minister of Strategy and Finance — LL.B./LL.M. at Seoul National University, M.A. in Economics at University of Washington	Mar. 2018 – Mar. 2021 Date of first appointment: Mar. 2015
	Joo-Hyun Kim	Economy and industry	Chairman of the Director Candidate Recommendation and Management Committee Member of the Evaluation and Compensation Committee	Previous President & CEO of The Financial News Previous President of the Hyundai Research Institute — B.A. in English Literature and Linguistics at Sogang University, Ph.D. in Business Administration at Arizona State University	Mar. 2018 – Mar. 2021 Date of first appointment: Mar. 2015
	Shin-Bae Kim	Industry	Chairman of the Evaluation and Compensation Committee Member of the Finance and Related Party Transactions Committee	Previous Vice Chairman at SK Group Previous CEO of SK Telecom — B.S. in Industrial Engineering at Seoul National University, MBA at University of Pennsylvania	Mar. 2019 – Mar. 2022 Date of first appointment: Mar. 2017
	Seung-Wha Chang	Law and international trade	Member of the Evaluation and Compensation Committee Member of the Finance and Related Party Transactions Committee	Current Professor in Dept. of Law at Seoul National University Current 14th Chair of the Korea Trade Commission — LL.B./LL.M. at Seoul National University, LL.M./S.J.D. at Harvard University	Mar. 2020 – Mar. 2023 Date of first appointment: Mar. 2017
	Sung-Jin Kim	Industry and policy	Chairman of the Finance and Related Party Transactions Committee Member of the Evaluation and Compensation Committee	Previous President of Hankyong National University Previous Minister of Oceans and Fisheries — B.A. in Economics at Seoul National University, M.A./Ph.D. in Economics at University of Kansas	Mar. 2018 – Mar. 2021 Date of first appointment: Mar. 2018
Inside Directors (5 directors)	Heui-Jae Pakh	Industry and policy	Member of the Director Candidate Recommendation and Management Committee Member of the Audit Committee	Current Professor in Dept. of Mechanical and Aerospace Engineering at Seoul National University Previous Head of the Office of Strategic R&D Planning of the Ministry of Trade, Industry, and Energy — B.S./M.S. in Mechanical Design Engineering at Seoul National University, Ph.D. in Mechanical Engineering at University of Manchester	Mar. 2019 – Mar. 2022 Date of first appointment: Mar. 2019
	Jeong-Woo Choi	Finance, policy and industry	Chairman of the Executive Management Committee	Current CEO of POSCO Previous CEO of POSCO Chemtech Co., Ltd. —B.A. in Economics at Busan National University	Jul. 2018 – Mar. 2021 First Date of first appointment: Jul. 2018
	In-Hwa Chang	Industry and steel technology	Member of the Finance and Related Party Transactions Committee Member of the Executive Management Committee	Current President, Head of Steel Business Unit Previous Head of Steel Production Division (Senior Executive Vice President) — B.S. in Naval Architecture and Ocean Engineering at Seoul National University, Ph.D. in Ocean Engineering at MIT	Mar. 2020 – Mar. 2021 Date of first appointment: Mar. 2017
	Jung-Son Chon	Finance, accounting and policy	Member of the Director Candidate Recommendation and Management Committee Member of the Executive Management Committee	Current Head of Global & Infra Business Unit (Senior Executive Vice President) Previous Head of Corporate Strategy & Finance Center (Senior Executive Vice President) — LL.B. at Korea University	Mar. 2020 – Mar. 2021 Date of first appointment: Mar. 2018
	Hag-Dong Kim	Technology and industry	Member of the Executive Management Committee	Current Head of Steel Production & Technology Division (Senior Executive Vice President) Previous Head of Gwangyang Works — B.S. in Metallurgy Engineering at Seoul National University, M.S. in Materials Science and Engineering at Carnegie Mellon	Mar. 2020 – Mar. 2021 Date of first appointment: Mar. 2019
	Tak Jeong	Marketing and trade & commerce	Member of the Executive Management Committee	Current Head of the Marketing Division (Senior Executive Vice President) Previous Head of the Steel Business Division (Senior Executive Vice President) — B.A. in Arabic at Hankuk University of Foreign Studies	Mar. 2020 – Mar. 2021 Date of first appointment: Mar. 2019

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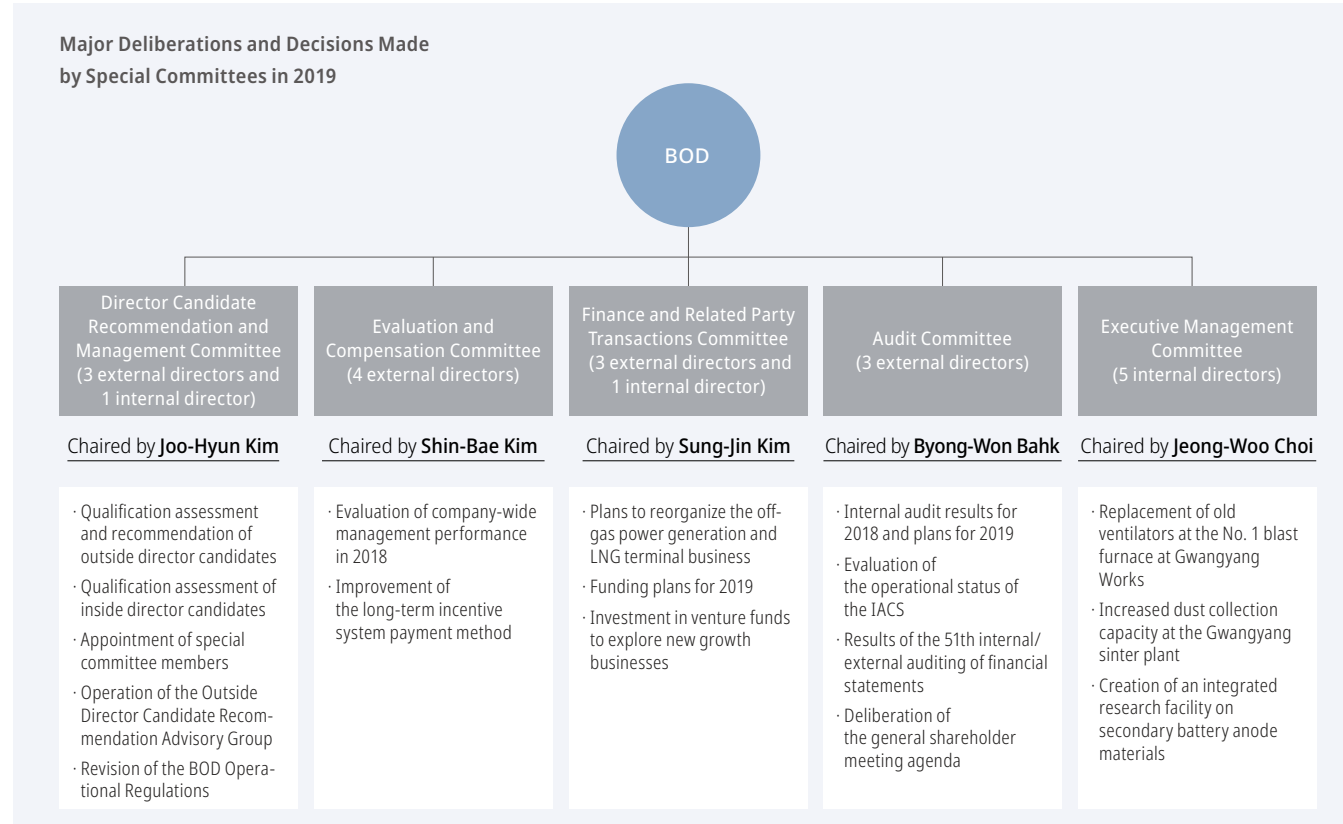
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Composition of Special Committees

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 plans', '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

Meeting	Date	Agenda
1	Jan. 30	<ul style="list-style-type: none"> Approval of the 51st business report and financial statements and the convening of the regular general shareholder meeting Disclosure of the closing report on the POSCO P&S merger Appointment of the Compliance Officer Donation to help Indonesia recover from the tsunami damage
2	Feb. 20	<ul style="list-style-type: none"> Agenda to be submitted to the 51st regular general shareholder meeting and the implementation of the electronic voting system Recommendation of inside director candidates (except for CEO)
3	Mar. 15	<ul style="list-style-type: none"> Appointment of the BOD Chairman Appointment of special committee members Appointment of the CEO and assignment of the inside director status
4	Apr. 12	<ul style="list-style-type: none"> Off-gas power generation and LNG terminal business reorganization planning Donation to help Gangwon Province recover from forest fires
5	May 10	<ul style="list-style-type: none"> Payment of 2019 Q1 dividends Funding planning for 2019 Participation in capital increase at CSP in Brazil and extension of the payment guarantee period Related party transactions planning for 2019
6	Jun. 14	<ul style="list-style-type: none"> Approval of the merger through division of off-gas power generation business
7	Jul. 29	<ul style="list-style-type: none"> Payment of 2019 Q2 dividends
8	Sep. 6	<ul style="list-style-type: none"> Disclosure of the closing report on the merger through division of off-gas power generation business Donation to the POSCO Educational Foundation Funding plan for the second half of 2019
9	Nov. 1	<ul style="list-style-type: none"> Payment of 2019 Q3 dividends Investment in venture funds to discover new growth businesses Signing of the Lime Calcination Plant lease contract Improvement of the long-term incentive system payment method Revision of the BOD Operational Regulations
10	Dec. 13	<ul style="list-style-type: none"> Mid-term business strategy and business plan for 2019 Capital increase to improve the business structure of POSCO SS VINA Donation to help the less-privileged at the year end

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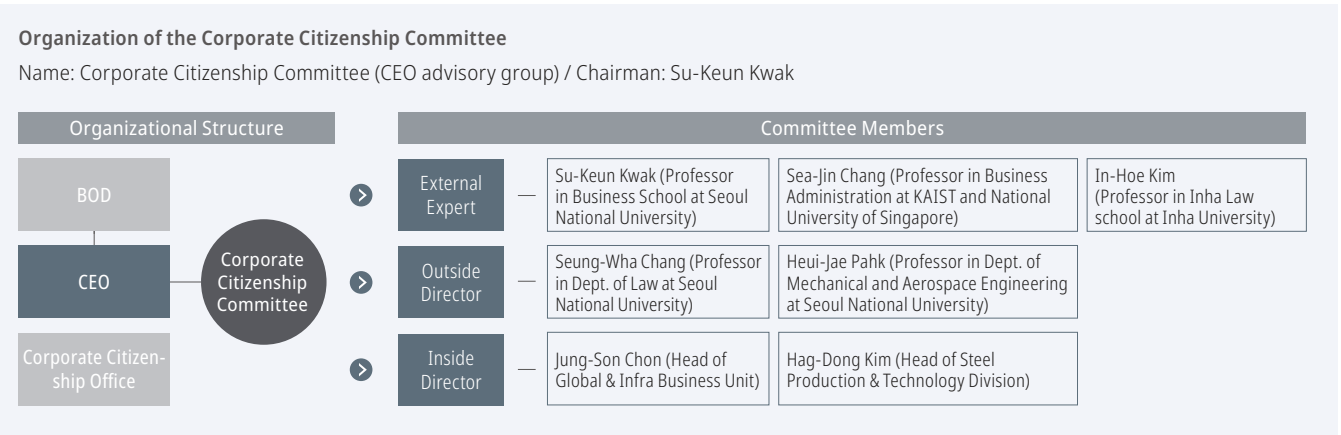
CORPORATE CITIZENSHIP COMMITTEE



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-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.



Main Roles of the Corporate Citizenship Committee



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Corporate Citizen Committee's Main Activities in 2019

Created on March 15, 2019 with an aim to gather more diverse and objective voices in POSCO's journey to implement its Corporate Citizenship management philosophy, the Corporate Citizenship Committee has been under full operation: regular discussions were held to share varied perspectives on the directions to take in translating the Corporate Citizenship philosophy to action and on ESG issues and to present and publicize POSCO's efforts among external stakeholders as well as employees.

1st Corporate Citizenship Committee Meeting

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.

2nd Corporate Citizenship Committee Meeting

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".

Declaration of the Corporate Citizenship Charter on July 25

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 philoso-

phy 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".

3rd Corporate Citizenship Committee Meeting

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.

4th Corporate Citizenship Committee Meeting

On Dec. 20, 2019, the 4th committee meeting convened to invite leading experts to share their perspective and to hold discussions on the emerging global sustainability management trends of ESG and the UN's SDGs. Looking back on the achievements over 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.

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INVESTOR RELATIONS



Since its privatization in October 2000, POSCO has adopted an advanced corporate governance structure to improve shareholder value and protect the rights and interests of its shareholders as a way to place them at the center of POSCO's business conduct. This was followed by the introduction of electronic voting in March 2019 and the announcement of the mid-term dividend policy in January 2020.

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 adjusted one-off costs not generating cash outflow. Mid-term dividend policy will be reviewed and announced every three years. Since March 2016, we have maintained the quarterly dividend system.

Type of Shares and Voting Rights

Share	No. of Shares Issued	Ratio	Note
Preferred shares	-		No voting rights
Common shares with voting rights	80,115,641	91.89%	With voting rights
Common shares – treasury shares	7,071,194	8.11%	No voting rights
Total	87,186,835	100.0%	

Dividends Paid

Category	2017	2018	2019	
Per share	Cash dividends (KRW)	8,000	10,000	10,000
	Quarterly dividends (KRW)	4,500	5,000	6,000
Total dividends (KRW billion)	640	800	801	
Consolidated payout ratio ¹⁾ (%)	22.9	47.3	43.7	
Dividend yield ²⁾ (%)	2.4	4.1	4.2	

1) Consolidated payout ratio is based on the profit attributable to the owners of the controlling company
2) Dividend yield is dividend paid per share divided by average closing stock price of a week before the dividend payment date

Shareholders

Shareholder	No. of Shares Owned	% Ownership
National Pension Service	10,291,670	11.80%
Institutional investors and minority shareholders	69,823,971	80.09%
Treasury stock	7,071,194	8.11%
Total	87,186,835	100.0%

Shareholder Voting System

Voting System	Implementation	Date of introduction
Cumulative voting*	-	Mar. 2004
Written voting	●	Mar. 2004
Electronic voting	●	Mar. 2019

*Cumulative voting is available when proposed by shareholders in conformity with the Commercial Act

Credit Rating History

Credit Rating Agency	2017	2018	2019
S&P	BBB+(Stable)	BBB+(Positive)	BBB+(Positive)
Moody's	Baa2(Positive)	Baa1(Stable)	Baa1(Stable)

*S&P revised its outlook on POSCO to BBB+(Stable) in January 2020.

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TAX POLICY

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.

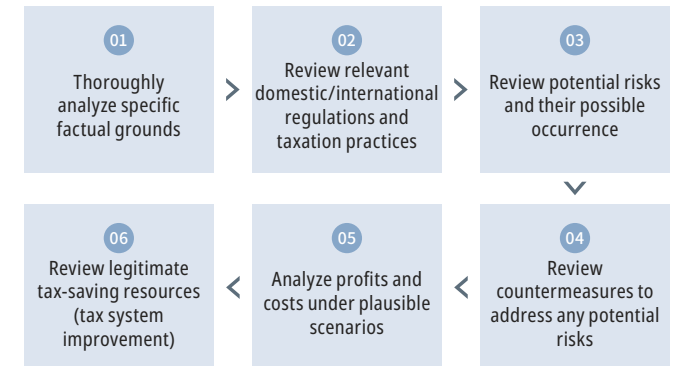
Community Development through Tax Management

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 Risk Assessment

POSCO strives to prevent any and all tax risks that may arise in the transaction of goods and services in relation to its business operations, M&As, restructuring, international transactions, new business operations, and changes in transactional structure. In making business decisions, its tax organization cooperates with external experts to perform prudent reviews of tax risks.

Tax Risk Assessment Process



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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.

In Reference to Non-Consolidated Financial Statements (reported taxes: income statement, cash taxes paid: cash flow statement) (Unit: KRW million)

Financial Reporting	FY 2018	FY 2019	Calculated Average
Earnings before Tax	22,349	18,312	
Reported Taxes	11,623	6,555	Income statement
Reported Tax Rate(in %)	52.0%	35.8%	44.70%
Cash Taxes Paid	6,890	12,218	Cash flow statement
Cash Tax Rate(in %)	30.8%	66.7%	46.99%

Reason	FY 2018	FY 2019	Explanation
Reported taxes vs. cash taxes paid	4,733	△5,663	Difference in taxes paid and accounting expenses
Difference in attributable period -Corporate tax payment: March of the following year	3,642	△5,800	Difference in corporate tax payment due date -2019: Paid in August 2019 and March 2020
Temporary differences -Items recognized as deferred corporate taxes	79	704	Differences to be temporarily added or subtracted - Net change in deferred income tax liabilities and assets
Tax deduction -Taxes deducted and losses carried forward	119	74	Tax deductions made in accordance with the Corporate Tax Act and the Restriction of Special Taxation Act
Additional corporate taxes paid	842	△658	Effects from tax audits and refunds made upon rectification requests -Differing views between tax authorities and POSCO
Other differences -Difference in final tax returns, etc.	51	17	-Differences in settlement and filing, etc.

Tax Reporting(Income Taxes Paid) (Unit: KRW million)

Country	Revenue	Operating Profit	Taxes Paid
Korea	455,775	5,520	(14,039)
Japan	8,457	7,346	(68)
China	78,339	27,631	(67)
Indonesia	11,785	2,562	(55)
Asia (others)	48,914	4,257	14
North America	16,844	(4,531)	(470)
Europe	11,156	(5,716)	(34)
Other regions	12,398	1,620	(411)
Total	643,668	38,689	(15,130)

*Based on consolidated financial statements

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GOVERNANCE RISK MANAGEMENT

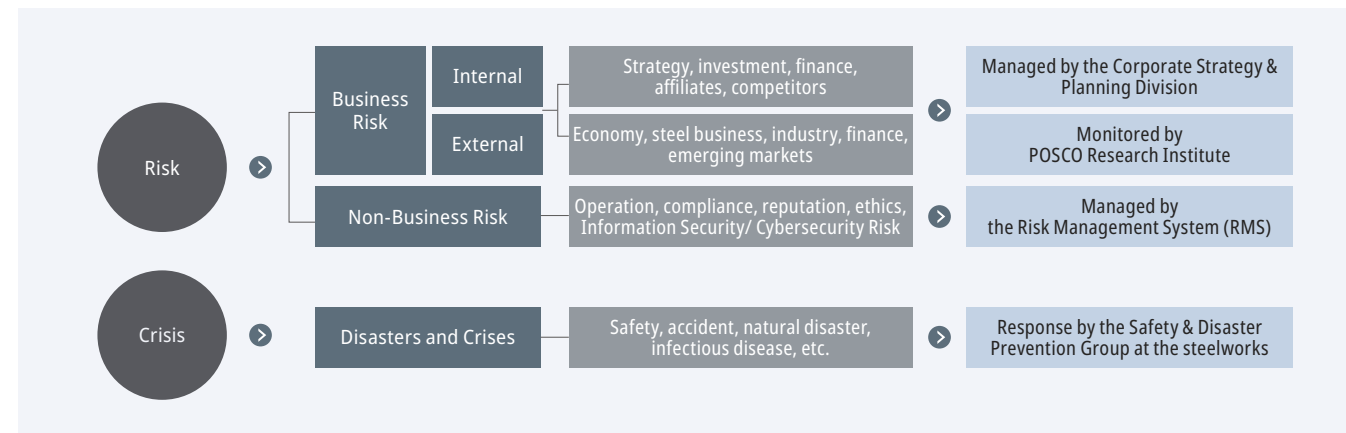
Proactive risk response for sustainable growth

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 F/X, 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 (POSRI). 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.

POSCO Group Risk Management System



Group Risk Management System and Governance

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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.



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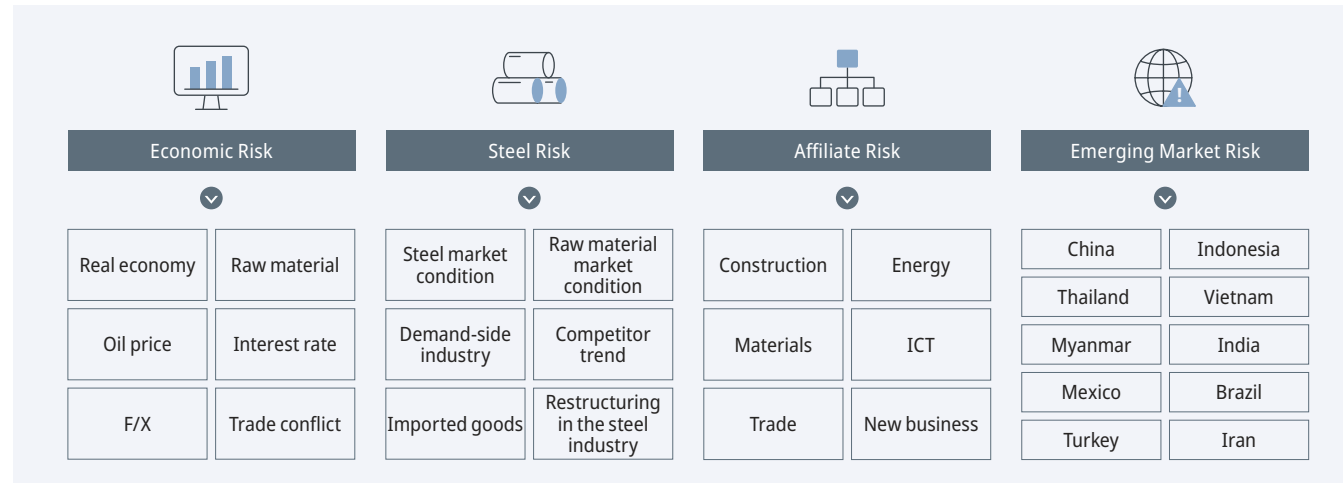
External Economic Risk Monitoring

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/mid-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 F/X, 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.

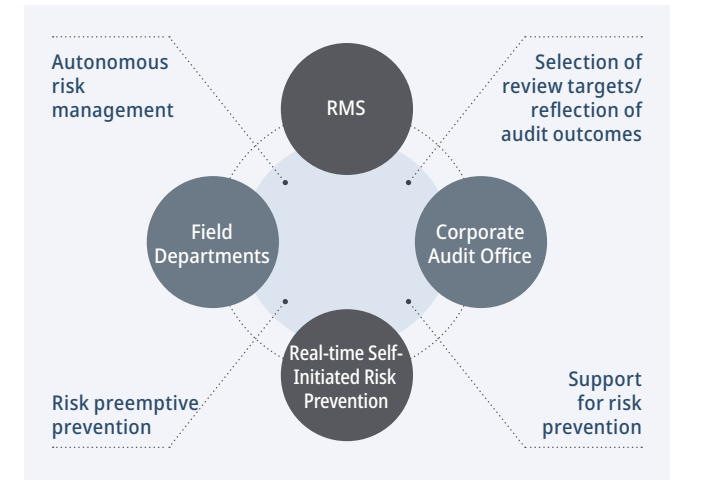
External Risk Monitoring System



Risk Management System (RMS)

POSCO's Risk Management System (RMS) has been up and running since 2004 with an aim to ensure systematic risk management for overall work processes of POSCO. The RMS was designed to systematically categorize company-wide operations, from finance, purchasing and marketing to investment and production/facility management, and to select and assess individual risks to manage them according to their risk level. To ensure the RMS is operated in an effective and substantial manner in consideration of shifting business conditions, we aligned our risk management with internal auditing and continuously reflected the feedback from working-level departments to improve on this system. Furthermore, we ensure that working-level departments also consistently check and review risks to strengthen the organic alignment between these departments and the internal audit department within the risk management system. The RMS has been further updated since 2013 to use the Enterprise Resource Planning (ERP) system to collect data in real time and assess risks accordingly. In 2017, big data analytics technology was deployed to advance this system into a smart self-directed review system to enable working-level departments to autonomously review any abnormal signs immediately upon their occurrence. The Corporate Audit Office supports continuous risk updates along the circular process of control (risk selection, assessment, and auditing) and monitoring while publicizing best practices to firmly establish the RMS.

Risk Management System Framework



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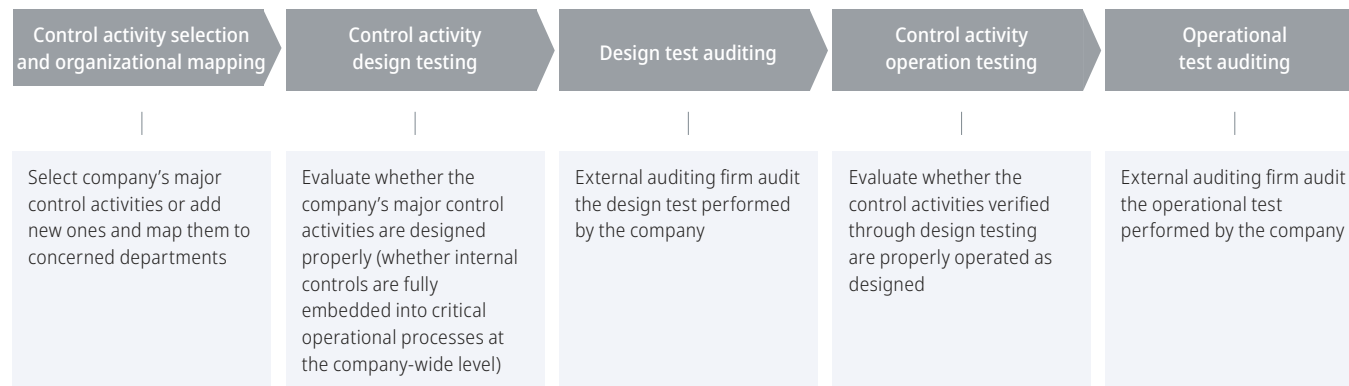
Internal Accounting Control System

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.

*Sarbanes-Oxley Act (SOX Act): A US legislation on corporate accounting reform enacted in July 2002 that allows stringent sanction on accounting fraud.

Internal Accounting Control System Process



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.

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GOVERNANCE BUSINESS ETHICS

Business ethics to create a pleasant workplace

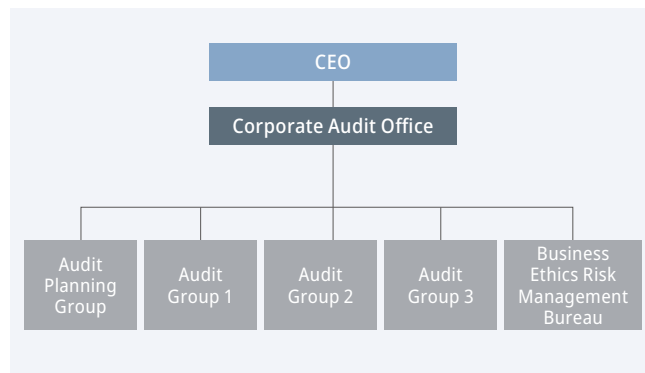


In order to advance ethics management, POSCO continuously takes action in an effective and substantial manner by developing relevant systems and infrastructure, operating a dedicated ethics management organization, and offering systemic training and public events.

Ethics Management Organization

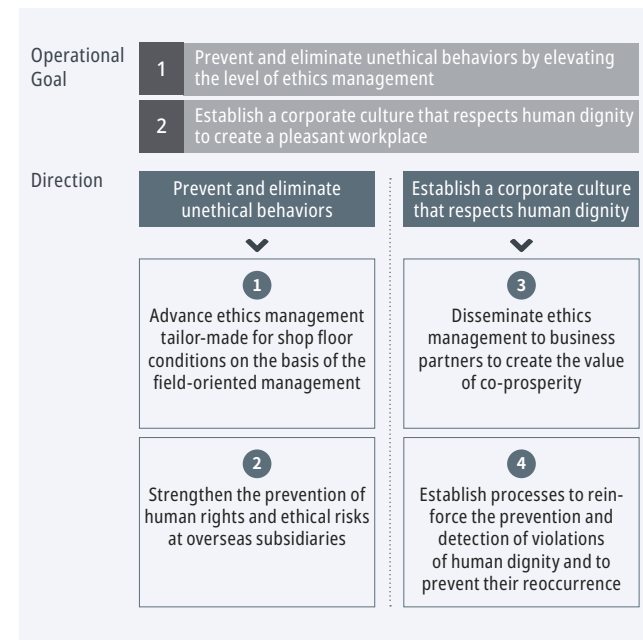
At POSCO, Corporate Audit Office under the direct leadership of the CEO is responsible for ethics management. In addition, the Ethics Management Secretariat is charged with operating in-house business ethics compliance programs as well as campaigns, counseling and whistle-blowing.

Major issues and activities on ethics management are reported to senior management through the monthly executive meeting under the direct 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.



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 judgements.

Code of Ethics

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 hat are identified as a result of these surveys are monitored and then receive audits if deemed necessary.

Operational status of ethics sessions

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.

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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.

Ethics Training Completion Rates over the Past 3 Years

Category	Unit	2017	2018	2019
Ethics training in 2019 (cumulative)	No. of hours	38,796	37,223	38,694
e-learning completion rate	Sexual harassment prevention	100.0%	99.9%	100.0%
	Ethics management	99.6%	98.6%	99.6%

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 campaigns (prevention of power or workplace harassment and abuse of power) Delivery of Ethical 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	
	<ul style="list-style-type: none"> 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		

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 (Unit: No. of persons)

Action Taken	2017 (53 actions)	2018 (109 actions)	2019 (105 actions)
Disciplinary action	58(25%)	103(38%)	134(45%)
Warning and caution	178(75%)	169(62%)	167(55%)
Total	236(100%)	272(100%)	301(100%)

*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 (Unit: No. of persons)

Report	2017	2018	2019
Reports on unethical practices	303	340	412
Reports on corruption and illegality (personal corruption, waste of corporate assets, etc.)	76	95	112
Complaints (customer complaints, grievances raised by partner companies, etc.)	146	185	235
Others (violation of respect for human dignity, etc.)	81	60	65

Operational Status of Counseling Centers (Business Ethics/Sexual Harassment) Over the Past 3 Years (unit: No. of cases)

Channel	2017	2018	2019
Face-to-face	3	2	1
E-mail	59	27	64
Online	2	22	3
Offline	39	58	82
Total	103	109	150

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)

Solicitations Received			Total	Solicitations Registered
2017	2018	2019		
13	2	1	16	HR (3), purchase (3), outsourcing (2), logistics (1), marketing (1), event (2), others (4)

Grievance Handling Process



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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

Respondent		Target Respondent	Response Rate	HR Action Taken
POSCO and group affiliates	2019	19 companies	53%	6 employees
	2018	26 companies	52%	9 employees
	2017	26 companies	46%	42 employees
Overseas subsidiaries	2019	30 companies	59%	-
	2018	62 companies	52%	2 employees
	2017	60 companies	40%	5 employees

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

Business Ethics Index – Evaluation Items

Area	Description	No. of Items
① Code of Ethics and operational organization	Establish the Code of Ethics and guidelines to prevent sexual/workplace harassment and operate dedicated organizations	4
② Effective operation of systems	Offer preventive training and operate in-house whistleblowing/counseling systems	5
③ Monitoring and follow-up management	Perform continued monitoring and take action to reduce ethical risks	1
④ Prevention of Recurrence of Violations	Take action to prevent reoccurrence and disseminate ethics management	2

Overseas Subsidiary Checklist Item

Management Items		
Development of a human rights management system	Non-discriminatory hiring practices	Protection of human rights for indigenous people
Protection of freedom of association and collective bargaining	Ban on forced labor	Protection of human rights for consumers
Ban on child labor	Protection of occupational safety	Prevention of workplace/sexual harassment
Protection of environmental rights	Responsible supply chain management	Compliance with ethics standards
		Special provisions on ethics practice
		Communication and solidarity

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' was 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 survey partner company employees once or twice per year to create a culture of cooperation between POSCO and its 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

Category	Survey Target (No. of companies)	Target Respondent (No. of persons)	Respondent (No. of persons) / Response Rate	Action Taken*	
				Personnel Measure	Work Improvement
2019 (twice)	96	33,218	16,527 (49.8%)	-	-
2018 (once)	97	17,320	4,504 (26.0%)	-	-
2017 (twice)	97	31,076	8,211 (26.4%)	6 employees (3 warnings, 3 cautions)	25 employees (10 improvements, 15 notices)

*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

Article 6 (Entertainment and Convenience)

6.1 General Principles No POSCO employees shall give or receive money or valuables to or from any stakeholders, including Korean and non-Korean public officials and transaction counter-parties, in connection with entertainment or convenience with improper intent to obtain business gain. Examples of valuables are as follows:

- Marketable securities, real estate, meals, gifts, golf excursions
- Expenses for transportation, accommodations, etc.
- Usage rights or discounts for products or services
- Political contributions
- Other tangible or intangible economic gains such as cancellation of transfer of debts, employment offers, or any granting of rights

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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

Year of Introduction	Affiliate	Total
~2003	POSCO, POSCO E&C, POSCO ICT	3
2006-2010	POSCO C&C, POSCO MTECH, POSCO CHEMICAL, POSCO PLANTECH, POSCO O&M, POASO A&C, POSCO ENERGY, SNNC	8
2011	POSCO INTERNATIONAL, eNtoB	2
2013	PNR, SRDC, POSCO HUMANS, POSCO TERMINAL	4
2014	POSCO RESEARCH INSTITUTE, POSCO CAPITAL	2
2015	PMCTECH	1
20 affiliates in total		

01 Set and operate CP standards and procedures

- Establish 'CP operational guidelines' (Aug. 2002)
- Establish 'Conglomerate & Company Filing operational guidelines' (Mar. 2018)
- Establish 'fair trade compliance guidelines for overseas subsidiaries' (Dec. 2019)

02 Announce CEO's commitment to and support for compliance

- Declare commitment to fair trade compliance through CEO's message
- Sign the fair trade compliance pledge each year

03 Appoint the Compliance Officer

- Appoint executives in charge of fair trade based on the decision made by the Board of Directors (Finance and Related Party Transactions Committee)

04 Publish and use CP manuals

- Distribute CP manuals periodically by sector (marketing, purchase, large business diagnosis)

05 Provide continuous and systemic training

- Provide periodic fair trade training to working-level departments (purchase, sales)
- Provide level-specific fair trade training to new hires and supervisors
- Operate e-learning courses (all you need to know about fair trade, fair trade violation case study)

06 Develop an internal monitoring system

- Report CP operational outcomes and plans to the Board of Directors (Finance and Related Party Transactions Committee)
- Provide CP sessions to POSCO and other group affiliates
- Offer advice/counseling while performing theme-based status reviews on weaknesses

07 Take disciplinary action against employees for regulatory violation

- Operate penalty regulations according to the severity of regulatory violations
- Take prompt disciplinary action against regulatory violations

08 Assess effectiveness and improve

- 2006-2012: Rated AA in the CP rating assessments by the Fair Trade Commission (4 consecutive times)
- 2012-2015, 2017: Rated Most Excellent in the Win-Win Index
- 2018: Rated Most Excellent in fair trade agreement evaluations

09 Operate the Fair Trade Compliance Council

- Operate the Fair Trade Compliance Council composed of 22 heads of departments related to fair trade

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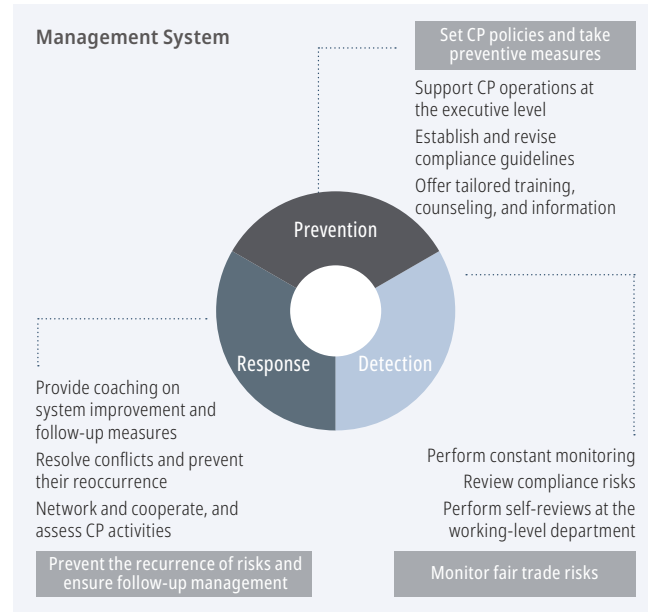
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Fair Trade Compliance Organization

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.



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

Category	2017	2018	2019
No. of violations	0	0	0
Fines Paid (KRW)	0	0	0

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)

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

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 basis 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.

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INFORMATION SECURITY Safeguarding core technology and internal information to mitigate risks

POSCO'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

POSCO has a dedicated enterprise-wide information security organization, Information Security Bureau at the corporate level, and a security management organization at the business location level. POSCO's security organizations under the direction of CISO(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-disclosure 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

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 other critical assets are identified and protective measures are taken by asset 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

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	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 e-learning Results for 2019

Category	Unit	2017	2018	2019
Enrollment	No. of persons	17,200	17,334	17,548
Completion	No. of persons	17,028	17,059	17,448
Completion rate	%	99.0%	98.4%	99.4%



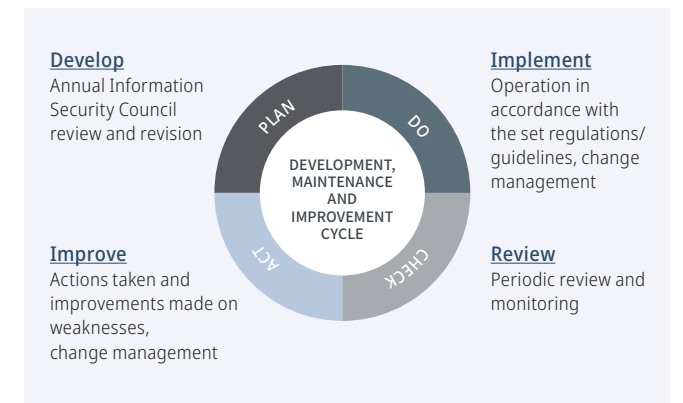
Compliance with domestic and international information security regulations

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 Policy Operations Cycle



Empowering POSCO Group/Overseas and Partners with Information Security

**POSCO CORPORATE CITIZENSHIP
REPORT 2019**

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FOCUS 06

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.



Type of ESG Bonds



Green bond



Social bond



Sustainability bond

- 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.

Sustainable Financing	July 2019 USD Sustainability Bond	January 2020 EUR Sustainability Bond
Currency/size	 USD 500,000,000	 EUR 500,000,000
Rating (M/S)	Baa1/BBB+	Baa1/BBB+
ISIN	· USY70750BL04(Reg S) · US693483AE93(144A)	· XS2103230152(Reg S) · XS2103230236(144A)
Maturity Date (Tenor)	· 15 July 2024 (5-year)	· 17 January 2024 (4-year)
Type	· Senior Unsecured · 144A/Reg S	· Senior Unsecured · 144A/Reg S
Spread	· T+105bps	· MS+72bps
Coupon	· 2.750%	· 0.500%

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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.

[Allocation Reporting] USD500m 5-year Sustainability Bond (July 2019)

Green Eligible Categories		
Project	Allocated (USD)	Allocated (%)
Electric Vehicle Battery	336,932,113	59.7
Green – Total	336,932,113	59.7
Social Eligible Categories		
Support to SME's Growth	188,312,571	33.3
Support to Underprivileged	26,602,177	4.7
Venture Investment & Incubation	12,955,605	2.3
Social – Total	227,870,353	40.3
Total Allocation	564,802,466	100.0

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.

[Impact Reporting] USD500m 5-year Sustainability Bond (July 2019)

Electric Vehicle Battery						
Project	Project CAPEX (USD)					
Acquisition of lithium mining rights - Hombre Muerto Salt Flat (Argentina)	301,520,125					
PosLX demo plant (R&D)	35,411,988					
Total Investment	336,932,113					
Support to SME's Growth						
Project	Funds Raised (USD)	Loans Extended (USD)	Interest Rate	Beneficiary	No. of Loans Extended	Note (USD)
Win-win cooperation funds	205,562,273 (KRW 238 billion)	188,312,571 (KRW 218 billion)	1%-2% lower than commercial rates	341 companies	479 loans	Total limit: 446,000,000 (KRW 516 billion)
Support to Underprivileged						
Project	Support from POSCO (USD)	Employment of People with Disabilities		Employment of People with Disabilities (%)		
POSCO HUMANS	26,602,177 (KRW 30.8 billion)	267 persons		39.8%		
Venture Investment & Incubation						
Project	Investment (USD)	Investee				
POSCO GEM No. 1 Fund	12,955,605 (KRW 15 billion)	ThorDrive (Classification: SME, Venture Company) - Established in 2015 at Seoul - Develops autonomous driving solution platform and associated products				

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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



[Grievance Handling for Local Community](#)  [External Stakeholder Engagement Policy](#) 

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 

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Preservation of Indigenous Peoples and Cultures

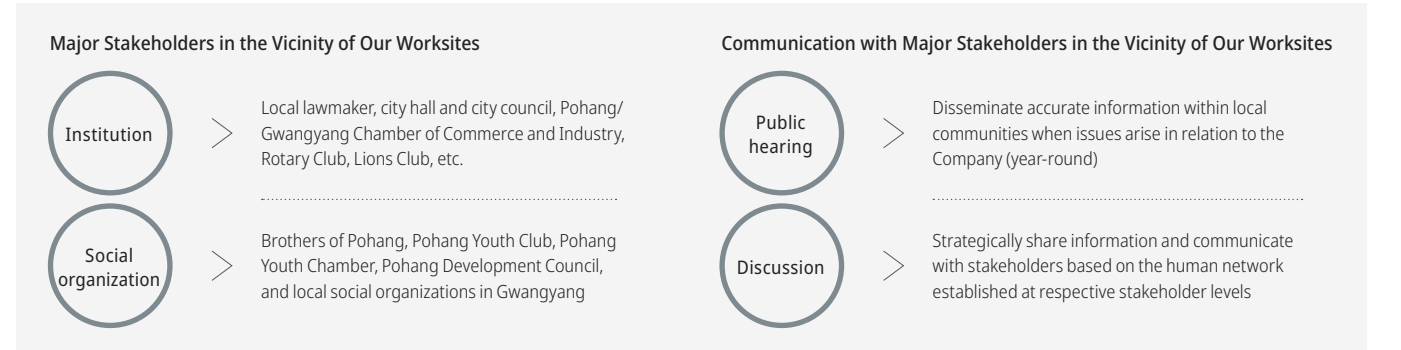
POSCO is committed to the preservation of indigenous peoples and local community cultures in accordance with the Code of Ethics Practice Guidelines.

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.



Flagship Programs Proposed by Local Stakeholders

In the Pohang and Gwangyang regions where our steelworks are located, we make sure that feedback from local stakeholders is fully reflected in providing tailor-made programs that cater to their needs.

Region	Target Stakeholder	Opinion Collection Channel	Program Suggested by Stakeholders Description
Pohang	Local seniors	Suggested by the local government through regular communication to provide a place of residence to seniors living in poor conditions	Donation of steel houses for seniors previously victimized by sexual slavery under the Japanese colonial rule In commemoration of the 100th anniversary of the Provisional Government of Korea, steel houses, built from POSCO's PosMac materials, were constructed through volunteer work and then donated to seniors who, as victims of sex slavery during the Japanese colonial era, are a living proof of Korea's painful history.
	Local children and teens	Suggested by the local writers' association to facilitate local culture	32nd Molten Iron Essay Contest This cultural event, intended for Pohang citizens who are relatively left behind in enjoying culture and arts, is hosted every April. In the year 2019 marking its 32nd anniversary, the contest was joined by elementary, middle and high school students as well as anyone wishing to participate, and recognized winners in the poetry and prose categories, helping improve the local cultural literacy.
	Underprivileged local children	Suggested by the the association of local children centers and the federation of local children welfare centers	Happiness Package for local children Volunteers and employees worked together to create care packages containing winter supplies and donated them to less-privileged individuals in local communities, and this specifically targeted children at local children centers in 2019.
Gwangyang	Local seniors	Ideas gathered from seniors living in villages in the vicinity of our steelworks.	Meal box delivery Local seniors who are healthy enough to work were employed to deliver meal boxes to elderly people who could not move on their own. This meal box delivery project helped resolve three urgent local issues of creating jobs for seniors, visiting seniors living alone in their homes for daily health check-ups, and providing meals to seniors suffering from poverty (beneficiaries: 88 persons in total).
	Children and teens	Requested and supervised by the Gwangyang arts association/ideas gathered from local people	1st imaginary drawing contest The imaginary drawing contest for children was hosted to help our future national leaders develop their imagination and creativity as a way to practice our management philosophy of Corporate Citizenship (attended by 2,000 contestants in total)
	Seniors living alone	Requested by Jungma-dong, located near our steelworks, and the village head association	Caring for seniors at high risk of suffering alone in their final days To care for 60 seniors living alone in Jungma-dong located in the vicinity of our steelworks, mental well-being programs were provided and sharing activities were undertaken to help these seniors with their daily livelihood activities (offering meals on their birthday and improving their residential environment).

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Consolidated Statements of Comprehensive Income

(Unit: KRW million)

Item	2019	2018	2017
Revenue	64,366,848	64,977,777	60,655,100
Cost of sales	58,116,495	57,005,396	52,299,189
Gross profit	6,250,353	7,972,381	8,355,911
Selling and administrative expenses	2,381,498	2,429,781	3,734,077
Operating profit	3,868,854	5,542,600	4,621,834
Share of profit of equity-accounted investees, net	273,741	112,635	10,540
Finance income	-369,920	-538,446	-111,610
Other non-operating income	-719,397	-1,553,968	-341,072
Profit before income tax	3,053,278	3,562,821	4,179,692
Income tax expenses	1,070,641	1,670,757	1,206,223
Profit	1,982,637	1,892,064	2,973,469
Other comprehensive income	146,468	-428,529	-561,158
Total comprehensive income	2,129,105	1,463,535	2,412,311

Consolidated Statements of Financial Position

(Unit: KRW million)

Item	2019	2018	2017
Current assets	34,842,374	33,651,002	31,127,418
Non-current assets	44,216,287	44,597,263	47,897,541
Total assets	79,058,661	78,248,265	79,024,959
Current liabilities	16,323,690	18,937,985	18,946,016
Non-current liabilities	14,940,264	12,550,729	12,614,935
Total liabilities	31,263,954	31,488,714	31,560,951
Capital	482,403	482,403	482,403
Capital surplus	1,376,251	1,410,551	1,412,565
Hybrid bonds	199,384	199,384	996,919
Reserves	-1,157,980	-1,404,368	-682,556
Treasury shares	-1,508,303	-1,532,728	-1,533,054
Retained earnings	45,080,117	44,216,018	43,056,600
Non-controlling interests	3,322,835	3,388,291	3,731,131
Total equity	47,794,707	46,759,551	47,464,008
Total liabilities and equity	79,058,661	78,248,265	79,024,959

Separate Statements of Comprehensive Income

(Unit: KRW million)

Item	2019	2018	2017
Revenue	30,373,511	30,659,425	28,553,814
Cost of sales	26,700,874	25,728,293	23,832,803
Gross profit	3,672,637	4,931,132	4,721,011
Selling and administrative expenses	1,086,278	1,121,756	1,818,558
Operating profit	2,586,359	3,809,376	2,902,453
Share of profit of equity-accounted investees, net	-860,691	-730,284	52,796
Finance income	360,440	171,614	476,485
Other non-operating income	-254,859	-1,015,807	-76,993
Profit before income tax	1,831,249	2,234,899	3,354,741
Income tax expenses	655,537	1,162,307	809,056
Profit	1,175,712	1,072,592	2,545,685
Other comprehensive income	-65,599	-237,703	-70,637
Total comprehensive income	1,110,113	834,889	2,475,048

Separate Statements of Financial Position

(Unit: KRW million)

Item	2019	2018	2017
Current assets	18,216,066	16,796,400	14,840,421
Non-current assets	37,494,700	37,329,580	38,851,837
Total assets	55,710,766	54,125,980	53,692,258
Current liabilities	3,331,446	3,895,973	3,570,148
Non-current liabilities	6,765,135	4,957,905	4,180,655
Total liabilities	10,096,581	8,853,878	7,750,803
Capital	482,403	482,403	482,403
Capital surplus	1,252,220	1,154,775	1,156,429
Hybrid bonds	199,384	199,384	996,919
Reserves	-183,930	-207,191	233,390
Treasury shares	-1,508,303	-1,532,728	-1,533,054
Retained earnings	45,372,411	45,175,459	44,605,368
Total equity	45,614,185	45,272,102	45,941,455
Total liabilities and equity	55,710,766	54,125,980	53,692,258

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Key Performance Indicators

Category	Evaluation Item	Unit	2017	2018	2019
R&D	R&D expenditures ¹⁾	KRW million	520,38	582,625	540,610
	R&D expenditures to sales ratio	%	0.86	0.90	0.84
HR	Total employees	No. of persons	17,055	17,150	17,503
	Ratio of female employees out of the total employees	%	5.3	5.0	5.0
	Total No. of executives	No. of persons	67	71	71
	Ratio of female executives out of the total executives	%	1.5	1.4	2.8
	Ratio of employees with disabilities (directly- operated + standard worksites that hire people with disabilities)	%	2.8	2.8	2.9
	Training hours per employee	Hour	90.14	85.08	79.20
	Training expenses per employee	KRW 1,000	1,180	1,560	1,630
	Employee satisfaction ²⁾	Point	78	67	86
	Years of service	Year	19.8	19.9	19.6
	No. of resignees	No. of persons	267	659	669
	No. of retirees	No. of persons	-	356	355
	Resignation rate	%	1.5	3.8	3.9
	Voluntary resignation rate	%	1.5	1.5	1.7
	Total No. of employees who took childbirth leave	No. of persons	581	529	533
	Female employees who took childbirth leave	No. of persons	70	58	60
	Male employees who took childbirth leave	No. of persons	511	471	473
	Total No. of employees who took parental leave	No. of persons	94	98	101
Female employees who took parental leave	No. of persons	80	74	68	
Male employees who took parental leave	No. of persons	14	24	33	
Reinstatement from childcare leave ³⁾	%	87.7	95.1	92.2	
Family-friendly Business Certification	Yes/No	예	예	예	
Safety	Lost time injury frequency rate (total)	Per million hours	0.11	0.17	0.25
	Lost time injury frequency rate (directly-operated worksite)	Per million hours	0.11	0.11	0.31
	Lost time injury frequency rate (partner company)	Per million hours	0.11	0.24	0.18
	Completion of occupational health and safety training	%	100	100	100
	Introduction of health and safety management system certifications (KOSHA18001, OHSAS 18001, etc.)	%	100	100	100

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 change 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.

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Key Performance Indicators

Category	Evaluation Item	Unit	2017	2018	2019
Social Contribution	Volunteer hours per employee	Hour	31	27	27
	Social contribution expenditures	KRW million	88,611	48,650	48,841
Energy	Energy consumption	TJ	352,313	358,415	390,599
	Total GHG emissions	tCO ₂ e	70,699,565	72,489,000	73,759,000
	Scope 1 GHG emissions (direct emissions)	tCO ₂ e	67,743,438	69,687,000	70,999,000
	Scope 2 GHG emissions (indirect emissions)	tCO ₂ e	2,956,127	2,802,000	2,760,000
	Adoption of ISO 50001 (energy management system certification)	%	100%	100%	100%
Environment ⁴⁾	Water consumption	ton	140,000,000	139,400,000	142,000,000
	Water recycled	ton	46,900,000	48,000,000	50,900,000
	Sewage/wastewater discharge	ton	67,400,000	70,600,000	73,300,000
	Waste generated	ton	10,587,000	11,295,000	16,714,000
	Waste disposed of	ton	386,000	403,000	381,000
	Waste recycled	ton	10,201,000	10,892,000	16,333,000
	Adoption of ISO 14001 (environmental management system certification)	%	100%	100%	100%
Green purchases made (amount)	KRW 1,000	143,867,000	156,441,000	62,718,000	

4) 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.

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Business Ethics Session Provided for Executives and Supervisors

(unit: average, attendance indicated within the parenthesis)

Category	2017	2018	2019
Executives	92(65%)	84(54%)	92(88%)
Department heads	-	91(64%)	94(72%)
Part leaders	-	-	91(51%)

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

*Business ethics sessions were accompanied by surveys that included questions on the violation of business ethics and respect for human dignity (on a scale of 1 to 5)

No. of Injuries

(unit: No. of persons, the number of major injuries indicated within the parenthesis)

Category	2017	2018	2019
Directly-operated worksites ²⁾	4(0)	4(0)	13(2)
Partner companies / subcontractors ³⁾	4(0)	12(5)	7(0)
Total	8(0)	16(5)	20(2)

1) Major injury: ① Incidents that cause one or more fatalities, ② incidents that simultaneously cause two or more people to suffer injuries requiring at least three months of medical care, ③ incidents that simultaneously cause 10 or more people sustaining injuries or occupational diseases

2) Out of the incidents that occurred in 2017 and 2018, one for each year was recognized as occupational injuries following investigations in 2019, which increased the number of injuries from that of the 2018 Corporate Citizenship Report

3) As the Occupational Safety and Health Act was tightened in 2019 to include subcontractors as well as partner companies, the incidents that occurred at subcontractors were included to increase the number of injuries from that of the 2018 Corporate Citizenship Report

Major Associations and Membership Fees Paid

(Unit: KRW 1,000)

Category	2019
Korea Iron & Steel Association (KOSA) ¹⁾	2,694,899
World Steel Association (WSA) ²⁾	934,948
KOSA Steel Construction Center	422,000
KOSA STS Club	383,130
Korea Employers Federation (KEF) ³⁾	318,050
Energy and Mineral Resources Development Association of Korea	55,000

1) KOSA : Promote global competitiveness and sustainability of the steel industry

2) WSA : Promote global steel industry and collect/analyze data of the steel companies

3) KEF : Support for a cooperative relationship between management and labor

Lost Time Injury Frequency Rate⁴⁾

(unit : %)

Category	2017	2018	2019
Directly-operated worksites	0.11	0.11	0.31
Partner companies / subcontractors	0.11	0.24	0.18
Total	0.11	0.17	0.25

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

Membership Fees Paid

(Unit: KRW 1,000)

Category	2016	2017	2018	2019
Fees paid	9,283,080	6,405,343	6,693,557	6,954,382

Political 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.

(Unit: KRW)

Category	2017	2018	2019
Contributions made	0	0	0

Injury Rate⁵⁾

(unit : %)

Category	2017	2018	2019
Directly-operated worksites	0.02	0.02	0.07
Partner companies	0.03	0.09	0.05
Total	0.03	0.05	0.06

5) Injury rate = (number of injured employees/ number of employees) X 100

*Annual work hours (as of 2019): Total (81,141,939 hours), directly-operated worksites (42,587,013 hours), partner companies (38,554,926 hours)

*2019 Lost Time Injury Frequency Rates (LTIFR) based on the 200,000 work hours as stipulated by the U.S. Occupational Safety and Health Administration (OSHA): 0.05 (total), 0.06 (directly-operated worksites), and 0.04 (partner companies)

*1)4)5) Data is calculated based on all 100% domestic worksites

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Awards

Category	Date	Award	Granted by
Domestic	Jan. 9, 2019	Received the Most Excellent Job Creator in the New Industry Award at the Employment Awards	Ministry of Trade, Industry and Energy
	Jun. 21, 2019	Received the Most Excellent Organization Award at the Excellent SME Consortium Organization Awards	Ministry of Employment and Labor
	Sep. 27, 2019	POSCO 1% Foundation honored with the Minister of Culture, Sports and Tourism Award at the Korea Space Culture Awards (soup kitchen, Cheongrim annex building in Pohang)	Ministry of Culture, Sports and Tourism
	Oct. 7, 2019	Received the Presidential Citation for the successful hosting of the 2018 Pyeongchang Winter Olympics	Korean government
	Oct. 18, 2019	Ranked 1st in the steel industry sector of the Korea Sustainability Index (KSI)	Korean Standards Association
	Nov. 27, 2019	POSCO O&M honored with the Overall Grand Prize at the Korea Environmental Energy Awards	Ministry of Environment
	Dec. 4, 2019	POSCO E&C honored with the Overall Grand Prize at the Construction Cooperation Promotion Awards 2019	Construction Association of Korea
International	Dec. 17, 2019	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	Korea Commission for Corporate Partnership
	Mar. 15, 2019	Pyeongchang With POSCO Residence honored with the Gold Award at the iF Design Award 2019	If(International Forum)
	Jun. 27, 2019	Ranked first for 10 consecutive years in the global steelmaker competitiveness assessments made by World Steel Dynamics (WSD)	WSD(World Steel Dynamics)
	Sep. 14, 2019	Listed on the Dow Jones Sustainability Index World	DJSI(Dow Jones Sustainability Index)
	Oct. 14, 2019	Received the Innovation of the Year Award with PosArt at the Steelie Awards 2019	WSA(World Steel Association)
	Dec. 19, 2019	Received the Most Excellent CSR Performance Award as a Korean company based in China in 2019	KOTRA: Korea Chamber of Commerce in Korea and KOTRA

Green Purchases Made

Category		2017		2018		2019	
		No. of Items	Amount (KRW million)	No. of Items	Amount (KRW million)	No. of Items	Amount (KRW million)
Government-certified green products	Eco-Labeled products	194	2,793	174	2,165	64	621
	Good-Recycled products	11	33	15	44	6	6
	e-Labeled products (energy-saving products)	1,213	10,239	1,160	9,773	417	3,304
	RoHS (Restriction of Hazardous Substances) products	5,038	130,802	5,103	144,459	2,082	58,787
Total		6,456	143,867	6,452	156,441	2,569	62,718

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.

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

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POSCO's Compliance with Corporate Governance Best Practices

Best Practice Recommendations	POSCO's Compliance	Note
Introduce the corporate governance charter	○	Mar. 2004
Introduce the code of ethics for employees	○	Jun. 2003
Adopt and announce the cumulative voting system	○	-
Compose the board of directors in a way that outside directors constitute the majority	○	5 outside directors, 7 inside directors
Separate the company CEO from the BOD chairmanship or appoint the outside director as the BOD chair	○	BOD Chairman appointed among outside directors
Announce detailed activities of the BOD, attendance, and agreement or disagreement on key agendas	○	-
Organize the Committee for recommendation of directors	○	3 outside directors, 1 inside director
Organize the Compensation Committee	○	4 outside directors
Organize the Audit Committee (solely composed of outside directors)	○	3 outside directors
Introduce regulations on the roles and operational procedures of the BOD and its subcommittees	○	-
Purchase liability insurance for directors at the expense of the company	○	-
Evaluate the activities of the BOD	○	Dec. 2010
Maintain the independence of external auditors	○	-
Certify the accuracy and integrity of the financial reports made by the CEO and the CFO	○	-
Explain differences from best practices	○	-
Announce the audit report and important and timely disclosures in Korean and English	○	-
Establish the code of ethics for outside directors	○	Oct. 2010

Social Performance KPI

Category	KPI	Unit	Current Level	Target	Target year	Indicator definition and calculation formula	Description
Safety	No. of major injuries	No. of persons	0	0	2020	No. of employees sustaining major injuries	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.
Supply chain sustainability	Win-Win Index	Rating	Excellent	Most excellent	2020	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.
Diversity	POSCO Group affiliates	%	2.3	3.1	2021	Employment of people with disabilities by POSCO and POSCO Group affiliates	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 2.3%, and our plan is to raise the ratio to 3.1% by 2021.

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Operational Status of Talent Development Programs

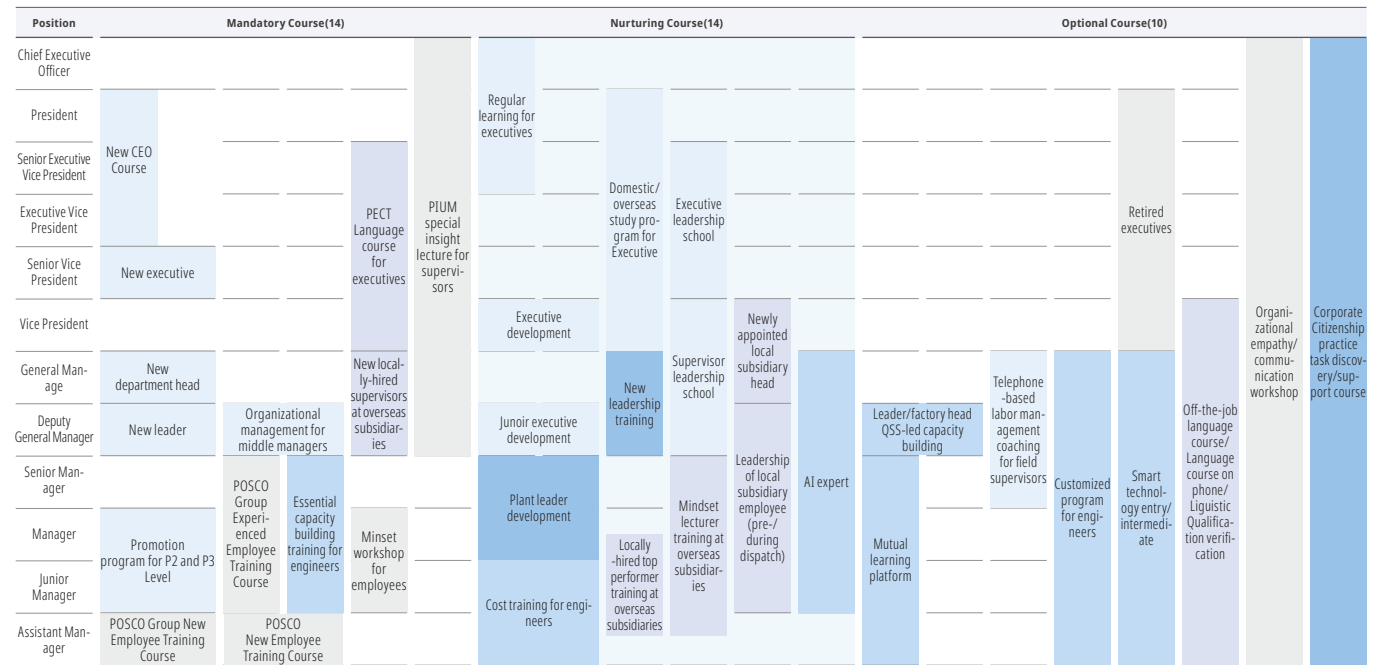
Our professional position training is focused internalizing corporate citizenship mindset and developing leadership skills at respective job levels to generate performance in line with new business conditions. Engineers at our steelworks primarily receive training on smart factory and other emerging 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

Category	Unit	2017	2018	2019
Training hours per employee ¹⁾	Hour	90	85	79
Training expenses per employee ²⁾	KRW million	1.18	1.56	1.63
Trainee satisfaction ³⁾	Point	4.77	4.64	4.66
Behavioral change & Implementation ⁴⁾	Point	94.2	95.5	93.6

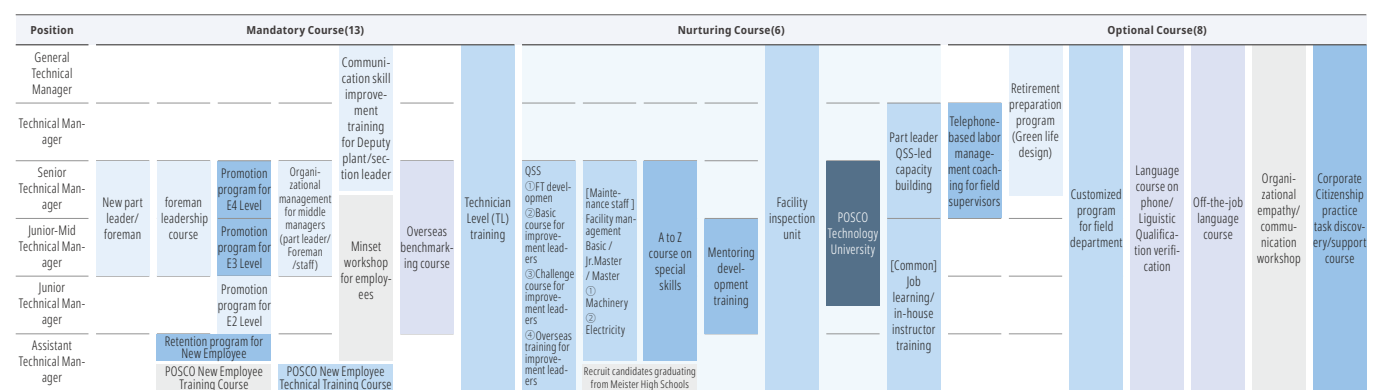
1) Training hours per employee: Hours on-site courses and e-learning completed by each employee per year
 *Formula: Total training hours/total number of employees
 2) Training expenses per employee: Annual training expenses per employee
 * Formula: Total training expenses/total number of employees
 - While this was calculated as 'total training expenses/total number of trainees (including redundancies, unit: KRW)' in the Corporate Citizenship Report 2018, the calculation criteria was modified in the Corporate Citizenship Report 2019 to align with the calculation criteria of training hours per employee and improve data accuracy.
 3) Trainee satisfaction: Average trainee satisfaction identified through the survey performed upon the completion of training (on a scale of 1 to 5)
 4) Average 360 degree feedback of behavioral change and implementation after 3 months about action plan which new department heads and leaders wrote in the program

Professional position (P position)



*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)



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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)

- ① 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.
- ② 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.
- ③ 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)

- ① 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.
- ② 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.
- ③ 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.
- ④ The Company shall purchase liability insurance plans at its expense to establish effectiveness in holding directors accountable and to recruit competent individuals as directors.
- ⑤ 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.

- ① 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.
- ② 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.
- ③ 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.
- ④ 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.
- ⑤ 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.
- ⑥ 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.

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CEO-to-Employee Pay Ratio

(unit: KRW million)

Total CEO Remuneration	Average Employee Remuneration	Ratio*
1,617	97	16.7%

*Ratio: Total CEO remuneration/average employee remuneration

Stock Ownership of the CEO and Other Executive Committee Members

(unit: KRW million)

Position	No of Shares ²⁾	Base Salary
CEO	911	KRW 901 million
Average ownership of top management ¹⁾	703	KRW 493 million ³⁾

1)Average share ownership of inside directors excluding the CEO

2)Reference date: Dec. 31, 2019

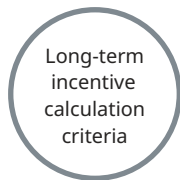
3)Average base pay of inside directors excluding the CEO

CEO Remuneration

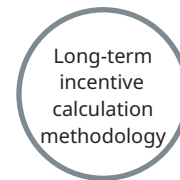
(unit: KRW million)

Type of Remuneration	Pay	Calculation Criteria and Methodology
Pay	901	The monthly payment of KRW 75.1 million, calculated by dividing the total annual base pay by 12, was made from January to December in accordance with the director remuneration criteria decided by the BOD and in comprehensive consideration of the position (Chairman) and the role and responsibility concerning delegated duties.
Incentive	709	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.
Profits gained from exercising stock options	-	
Other income	7	KRW 7 million was paid for health check-ups and accident and sickness insurance plans

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.



Evaluations are made both on quantitative items – share price fluctuations against KOSPI/competitors, ROA, and debt/EBITDA fluctuations- as well as on qualitative items – efforts to improve long-term competitiveness in the areas of investment, technology and human resources, for the period of three years, and incentives are paid for the period of three years following the completion of these evaluations.

Board Tenure and Directors Holding Multiple Positions

Director	Name	Tenure (No. of years)	Directors Holding Multiple Positions
Outside director	Moon-Ki Chung	3	●
	Byong-Won Bahk	5	●
	Joo-Hyun Kim	5	
	Shin-Bae Kim	3	
	Seung-Wha Chang	3	
	Sung-Jin Kim	2	●
Inside director	Heui-Jae Pahk	1	
	Jeong-Woo Choi	2	
	In-Hwa Chang	3	
	Jung-Son Chon	2	
	Hag-Dong Kim	1	
	Tak Jeong	1	
Average tenure (No. of years)		2.58	

* 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)

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Human Rights Management Policy

- ① POSCO respects the human rights of all its employees and protects their human dignity.
- ② 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.
- ③ 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.
- ④ 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

- ① 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.
- ② 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.
- ③ 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.
- ④ 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 thresholds stipulated by national or regional labor laws and regulations.
- ⑤ 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.
- ⑥ 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 organize one.
- ⑦ 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 and internal regulations concerning labor conditions.
- ⑧ 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

Guideline 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.

Guideline on Anti-Corruption Compliance

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, counterparties, or any other stakeholders for unjustifiable pursuit of business profits. 'Valuables' may include the following:

- Securities, real estate, dinner, gifts, golf playing
- Transport and accommodation 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

✔ **Article 7 Express Fees**

POSCO employees do not charge any express fees on domestic/overseas public officials. Express fees refer to paying a small amount of money or expressing one's intention to do so to public officials engaged in repetitive daily routine services for the purpose of expediting his/her legitimate work execution, and may concern the following as the examples of such administrative work:

- Receipt and handling of visa applications and other administrative documents
- Customs clearance and loading/unloading of products
- Activation of phone services and electricity/water supply

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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 became Korea's first large business to adopt an outside director system back in 1997, and also took the lead among its domestic peers in promoting the independence of the BOD by separating the BOD chairmanship from the company CEO.

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 or 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 'confirmations of outside director qualifications' and 'director/auditor candidate confirmations' from outside director candidates to verify their compliance and qualification, 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.

Empowering POSCO Group/Overseas and Partners with Information Security

We provide security assessment as well as consulting and training for overseas subsidiaries and group affiliates while offering intensive support to companies whose security performance falls below the set standards. Our partner companies also benefit from wide-ranging support programs including security consulting, training and guidance. In 2019, such support activities were undertaken year-round: we made calls to 103 partner companies to provide consulting on 134 occasions as well as training materials and guidance on an on-going basis. Our information security initiative also supports external clients and suppliers in line with our Corporate Citizenship philosophy.



- > Support to assess comprehensive security performance and operational systems
- > Support to review the operational status of security systems and perform penetration testing
- > Assist in improving security management capability and nurturing a professional security workforce

Worksites and projects that need community consultation

POSCO manages the positive and negative impacts that the company creates on the community through measurement of social performance at the Group level, and no significantly substantial or potential negative impacts have been found on the community during the reporting period.

Training Outcomes

Category	FY 2019
Worksites that need community consultation	0
Worksites under community consultation in progress	2

Grievance Handling for Local Community

Grievance handling for local community is accessible through various channels such as regional cooperation teams in each region and unethical reporting centers on the POSCO website, telephone, fax, mail, and email. Once truthfulness of received comments are reviewed, the company actively deals with the issues through monitoring and due diligence by relevant department. It also guarantees confidentiality of the person who gave the comments as well as their contents. For the raised issues, the status of progress is notified in person or by a written notice, and in case of delay, the progress will also be informed.

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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 acceptable to stakeholders.
- Establish and disclose an annual stakeholder engagement plan.
- Disclose stakeholder engagement activities in various ways such as sustainability reports, websites, and newsletters.
- Inform the summary results of stakeholder consultation in an appropriate format by each worksite.

4 Grievance

- Establish a grievance mechanism accessible to stakeholders so that they can be aware of it.
- Maintain confidentiality regarding grievance details and procedures and protect whistleblowers.

5 Department in charge

- Designate a department in charge of stakeholder engagement in worksites to manage relevant activities.
- Report regularly to CEO and executives on stakeholder engagement activities.
- Establish and manage an annual stakeholder engagement plan.

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GRI Standards	Reporting Requirements		ISO 26000	Page
GRI 101: Foundation 2016				
Anti-competitive Behavior				
GRI 206	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.1-6.6.2, 6.6.5, 6.6.7	96
GRI 300 Environmental Series				
Materials				
GRI 301	301-1	Materials used by weight or volume	6.5.4	48
	301-2	Recycled input materials used	6.5.4	41
	301-3	Reclaimed products and their packaging materials		-
Energy				
GRI 302	302-1	Energy consumption within the organization	6.5.4	48, 106, 120
	302-2	Energy consumption outside of the organization	6.5.4	48
	302-3	Energy intensity	6.5.4	48
	302-4	Reduction of energy consumption	6.5.4-5	31, 48-50
	302-5	Reductions in energy requirements of products and services	6.5.4-5	31, 48-50
Water				
GRI 303	303-1	Interactions with water as a shared resource	6.5.4	42
	303-2	Management of water discharge-related impacts	6.5.4	120
	303-3	Water withdrawal	6.5.4	42
	303-4	Water discharge		42
	303-5	Water consumption		-
Biodiversity				
GRI 304	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.6	43
	304-2	Significant impacts of activities, products, and services on biodiversity	6.5.6	43, 44
	304-3	Habitats protected or restored	6.5.6	44
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		-
Emissions				
GRI 305	305-1	Direct (Scope 1) GHG emissions	6.5.5	47
	305-2	Energy indirect (Scope 2) GHG emissions	6.5.5	47
	305-3	Other indirect (Scope 3) GHG emissions	6.5.5	3
	305-4	GHG emissions intensity	6.5.5	47

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GRI 101: Foundation 2016				
Emissions				
GRI 305	305-5	Reduction of GHG emissions	6.5.5	45~50
	305-6	Emissions of ozone-depleting substances (ODS)		-
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	6.5.3	42
Effluents and Waste				
GRI 306	306-1	Water discharge by quality and destination	6.5.3-4	42
	306-2	Waste by type and disposal method	6.5.3	42
	306-3	Significant spills	6.5.3	No leaks occurred
	306-4	Transport of hazardous waste	6.5.3	42
	306-5	Water bodies affected by water discharges and/or runoff	6.5.3	-
Environmental Compliance				
GRI 307	307-1	Non-compliance with environmental laws and regulations	4.6	(KRW 10 million and more by case) No violation occurred
Supplier Environmental Assessment				
GRI 308	308-1	New suppliers that were screened using environmental criteria	6.3.5, 6.6.6, 7.3.1	54~55
	308-2	Negative environmental impacts in the supply chain and actions taken	6.3.5, 6.6.6, 7.3.1	55
GRI 400 Social Series				
Employment				
GRI 401	401-1	New employee hires and employee turnover	6.4.3	75
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.4, 6.8.7	78
	401-3	Parental leave	6.4.4	77
Labor/Management Relations				
GRI 402	402-1	Minimum notice periods regarding operational changes	6.4.3, 6.4.5	-
Occupational Health and Safety				
GRI 403	403-1	Occupational health and safety management system	6.4.6	68~72
	403-2	Hazard identification, risk assessment, and incident investigation	6.4.6, 6.8.8	106, 107
	403-3	Occupational health services	6.4.6	68~72
	403-4	Worker participation, consultation, and communication on occupational health and safety	6.4.6, 6.8.8	68~72
	403-5	Worker training on occupational health and safety	6.4.6	68~72

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GRI 101: Foundation 2016			
Occupational Health and Safety			
GRI 403	403-6 Promotion of worker health	6.4.6	9~10, 72
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.4.6	68~72
	403-8 Workers covered by an occupational health and safety management system	6.4.6	68~72
	403-9 Work-related injuries	6.4.6	69
	403-10 Work-related ill health	6.4.6	69
Training and Education			
GRI 404	404-1 Average hours of training per year per employee	6.2.3, 6.3.7, 6.3.10, 6.4.3, 6.4.7	110
	404-2 Programs for upgrading employee skills and transition assistance programs	6.3.6, 6.3.7, 6.3.10, 6.4.3, 6.4.4, 6.4.7, 6.8.5	110
	404-3 Percentage of employees receiving regular performance and career development reviews	6.4, 6.4.6	74
Diversity and Equal Opportunity			
GRI 405	405-1 Diversity of governance bodies and employees	6.2.3, 6.3.7, 6.3.10, 6.4.3	75, 79
	405-2 Ratio of basic salary and remuneration of women to men	6.3.7, 6.3.10, 6.4.3, 6.4.4	Business Report 437p
Non-discrimination			
GRI 406	406-1 Incidents of discrimination and corrective actions taken	6.3.6, 6.3.7, 6.3.10, 6.4.3	No incidents of discrimination occurred
Freedom of Association and Collective Bargaining			
GRI 407	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6	78
Child Labor			
GRI 408	408-1 Operations and suppliers at significant risk for incidents of child labor	6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6, 6.8.4	95
Forced or Compulsory Labor			
GRI 409	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6, 6.8.4	95
Security Practices			
GRI 410	410-1 Security personnel trained in human rights policies or procedures		80, 94
Rights of Indigenous Peoples			
GRI 411	411-1 Incidents of violations involving rights of indigenous peoples		No infringements occurred

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GRI 101: Foundation 2016				
Human Rights Assessment				
GRI 412	412-1	Operations that have been subject to human rights reviews or impact assessments	6.3.3-6.3.6	80, 94
	412-2	Employee training on human rights policies or procedures	6.3.3-6.3.6	80, 94
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		-
Local Communities				
GRI 413	413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9, 6.5.1-6.5.3, 6.8	58-59
	413-2	Operations with significant actual and potential negative impacts on local communities		63, 121
Supplier Social Assessment				
GRI 414	414-1	New suppliers that were screened using social criteria	6.3.5, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	55
	414-2	Negative social impacts in the supply chain and actions taken	6.3.5, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	55
Public Policy				
GRI 415	415-1	Political contributions	6.6.1-6.6.2, 6.6.4	95, 107
Customer Health Safety				
GRI 416	416-1	Assessment of the health and safety impacts of product and service categories		-
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	6.7.4	No violations occurred
Marketing and Labeling				
GRI 417	417-1	Requirements for product and service information and labeling		-
	417-2	Incidents of non-compliance concerning product and service information and labeling	4.6, 6.7.1-6.7.5, 6.7.9	No legal sanctions imposed
	417-3	Incidents of non-compliance concerning marketing communications	4.6, 6.7.1-6.7.3	No legal sanctions imposed
Customer Privacy				
GRI 418	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1-6.7.2, 6.7.7	No complaints received
Socio-economic Compliance				
GRI 419	419-1	Non-compliance with laws and regulations in the social and economic area	4.6, 6.7.1-6.7.2, 6.7.6	p491, p492, Business Report

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Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Category	Accounting Metric	Unit of Measure	POSCO's Response
Greenhouse Gas Emissions	EM-IS-110a.1	Quantitative	(1) Gross global Scope 1 emissions, (2) Percentage covered under emissions-limiting regulations	Metric tons (t), Percentage (%)	(1) 79,447,000 (2) 100% Scope 1 emissions are based on the emissions generated from its domestic worksites(Pohang and Gwangyang) that accounted for 88.4% of POSCO's consolidated production as of 2019.
	EM-IS-110a.2	Discussion and Analysis	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	-	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 tCO ₂ /t-S, the average between 2007 and 2009 (2.20 tCO ₂ /t-S), to the 2.00 tCO ₂ /t-S range by 2020. To this end, we improved the energy efficiency of our products, developed innovative CO ₂ -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.
Air Emissions	EM-IS-120a.1	Quantitative	(1) NOx emissions (excluding N2O)	Metric tons (t)	41,012
			(2) SOX emissions		23,196
			(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		
Energy Management	EM-IS-130a.1	Quantitative	(1) Total energy consumed	Gigajoules (GJ) Gigajoules (GJ) Percentage (%)	390,599,051
			(2) Percentage grid electricity		3.6% The consumption of grid electricity refers to electricity purchased from Korea Electric Power Corporation (KEPCO).
			(3) Ratio of using renewable energy		0.2% POSCO recycles off-gas generated from the steelmaking process, and this represents nearly 84.6% of its total energy consumption.
			(4) Consumption of renewable fuel		POSCO uses off-gas generated from the steelmaking process as fuel, and this amounts to approximately 330,466,000 GJ.
Energy Management	EM-IS-130a.2	Quantitative	(1) Total fuel consumed	Gigajoules (GJ) Percentage (%)	376,548,557 This is calculated by excluding electricity consumption from the total energy consumption.
			(2) Coal consumption		Not Applicable POSCO uses coal as a reducing agent (raw materials).
			(3) Natural gas consumed		45,885,941
			(4) Consumption of renewable fuel		POSCO uses off-gas generated from the steelmaking process as fuel, and this amounts to approximately 330,466,000 GJ.
Water Management	EM-IS-140a.1	Quantitative	Total fresh water consumed	Thousand cubic meters (m3) Percentage (%)	142,038
			Water recycled		40.8% (Rainwater and wastewater recycled) POSCO recycles a portion of the wastewater and rainwater collected, and the amount of rainwater and wastewater recycled is internally calculated and managed through wastewater/rainwater treatment facilities.
			Percentage of water consumed in regions with High (40%-80%) or Extremely High (>80%) Baseline Water Stress		0 In the Pohang and Gwangyang regions where POSCO's domestic worksites are located, the Water Stress level is below 40% according to World Resources Institute's aqueduct tool, and this metric is not applicable accordingly.

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Topic	Code	Category	Accounting Metric	Unit of Measure	POSCO's Response
Waste Management	EM-IS-150a.1	Quantitative	Total weight of waste	Metric tons (t)	16,713,940 POSCO is managing its generation and treatment of waste through Allbaro, Korea's legitimate waste disposal system.
			Ratio of hazardous waste generated	Percentage (%)	Not collected POSCO follows the criteria set forth by the 'Waste Management Act' of Korea in sorting and managing the waste generated. The definition of hazardous waste as stipulated in domestic regulations differs from that of EPA which is recommended by SASB, and POSCO did not separately calculate and report data on this metric. However, we treat waste containing hazardous substances as designated waste in accordance with provisions under the Waste Management Act and legally dispose of them. The ratio of designated waste generated amounts to approximately 0.6%.
			Percentage recycled		98% In 2019, POSCO recycled 16,332,396 tons of waste out of the total 16,713,940 tons of waste generated.
Workforce Health & Safety	EM-IS-320a.1	Quantitative	Total recordable incident rate (TRIR) (full time+contract)	Incidence rate per 200,000 hours	0.05
			Fatality rate (full time+contract)		0.005 No. of fatalities*200,000/work hours of total number of employees
			Near miss frequency rate (full-time+contract)		21.2 Workforce health & safety metrics (all incidence rate, fatality rate, and near miss frequency rate) were calculated based on the data of employees working at all of our domestic worksites as well as business partners and subcontractors in 2019. "Direct-full-time employees" as defined by SASB refer to POSCO employees, and "contract employees" as defined by SASB refer to partner company/subcontractor employees who work at POSCO's worksites for the purpose of making calculations.
Supply Chain Management	EM-IS-430a.1	Discussion and Analysis	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	-	POSCO sources iron ores from overseas mines, and in signing bid contracts with 3TG suppliers, makes sure that it only does business with smelters certified under the Responsible Minerals Assurance Process (RMAP) framework based on the certificate of origin of the concerned raw materials and the Conflict Minerals Reporting Template proposed by the Responsible Minerals Initiative (RMI). While we do not purchase any cobalt as of 2020, we are keenly aware of the importance of responsible mineral sourcing and join global endeavors to this end by including 'improving the management system of conflict minerals and responsible mineral sourcing' as one of our Corporate Citizenship practice tasks to integrated this advanced concept of responsible mineral sourcing into our conflict mineral management system. In so doing, we became a member of the RMI, a key NGO working in the field of responsible mineral sourcing, in 2020, and plan to create a joint consultative body with group affiliates to promote responsible mineral sourcing. In addition, we are raising GEM Funds with overseas coal suppliers to help resolve social issues. The No. 1 GEM Fund was launched with Yancoal in Australia in a one-to-one matching fund format to provide one year vocational training to Aboriginals in the country, and then help them find employment in the local mine operated by the coal supplier. This will surely strengthen our supply chain and create meaningful social value in local communities and along the mining and steel business value chain.

Activity Metric

Code	Category	Accounting Metric	Unit of Measure	POSCO's Response
EM-IS-000.A	Quantitative	Raw steel production, percentage from: (1) basic oxygen furnace processes, (2) electric arc furnace processes	Metric tons (t), percentage (%)	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%
EM-IS-000.B	Quantitative	Total iron ore production	Metric tons (t)	This metric is not applicable and is not reported as POSCO does not own any mines.
EM-IS-000.C	Quantitative	Total coking coal production	Metric tons (t)	This metric is not applicable and is not reported as POSCO does not own any mines.

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TCFD Recommended Disclosures	POSCO's Response	Alignment with the CDP
Governance		
a) Describe the board's oversight of climate-related risks and opportunities	P45-46 (climate change), Corporate Citizenship Report 2019	CDP_C1.1
b) Describe management's role in assessing and managing climate-related risks and opportunities	p.39(environmental management), p.45-46(climate change), p.85-86(Corporate Citizenship Committee), Corporate Citizenship Report 2019	CDP_C1.2
Strategy		
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	p.24-26 (FOCUS 02), p.45(climate change), Corporate Citizenship Report 2019	CDP_C2.1, C2.2c, C2.3a, C2.4a, C3.1c
b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning	p.24-26 (FOCUS 02), p.45(climate change), Corporate Citizenship Report 2019	CDP_C2.3, C2.5, C2.6, C3.1a
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	p.24-26 (FOCUS 02), p.45(climate change), Corporate Citizenship Report 2019	CDP_C3.1a
Risk Management		
a) Describe the organization's processes for identifying and assessing climate-related risks	p.45-46 (climate change), Corporate Citizenship Report 2019	CDP_C1.2a, C2.2b
b) Describe the organization's processes for managing climate-related risks	p.45-46 (climate change), Corporate Citizenship Report 2019	CDP_C2.2d
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	p.45-46 (climate change), Corporate Citizenship Report 2019	CDP_C2.2
Metrics and Targets		
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	p.46-48 (climate change), Corporate Citizenship Report 2019	CDP_C4.1b
b) p.46-48 (climate change), Corporate Citizenship Report 2019	p.46-48 (climate change), Corporate Citizenship Report 2019	CDP_C5.1, C6.1, C6.3, C6.5
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	p.46-48 (climate change), Corporate Citizenship Report 2019	CDP_C4.1b

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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.
- Checked whether the financial performance data has been appropriately extracted from the Company's audited financial statements.
- Conducted interviews and communicated via email with respective personnel in order to check the consistency, completeness and accuracy of ESG performance data.

1)International Standard on Assurance Engagements: Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by International Federation of the Accountants
2)The second edition of the AA1000 Assurance Standard issued by AA1000AS(2008)-Institute of Social and Ethical Accountability

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.

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 material stakeholder groups were excluded from the stakeholder engagement process outlined in the Report.
- 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.

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 improvement

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.

April 21, 2020
Ernst & Young Han Young

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- Assurance Statement

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") 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"):

- Direct (Scope 1) and indirect (Scope 2) CO₂ emissions 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 data on social greenhouse gas ("GHG") reduction effects 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 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.

Other than as described in the preceding paragraphs, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

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.

Ernst & Young Han Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained. 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.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance review. EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

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. 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 be 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.

The Green House Gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

The engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other relevant procedures.

Main procedures included:

- Made inquiries of personnel to understand the process by which the Company's personnel collect and report on GHG emissions
- Performed recalculations of GHG emissions information stated in the report

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 it to be in accordance with the Guideline.
- We are not aware of any material modifications that should be made to the Company's data on social GHG reduction effects 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.

Restricted use

This report is intended solely for the information and use of management of the Company for reporting on the Company's carbon emissions performance and activities and is not intended to be and should not be used by anyone other than management of the Company.

July 27, 2020
Ernst & Young Han Young

기업, 시민이 되자!



Preparation of the Corporate Citizenship Report

Overall report preparation made by:

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Business Ethics Risk Management Bureau	Marketing Management Group
By-Product Recycling Group	Marketing Strategy Group
Coal Group	Materials Procurement Group
Communication Office	Plant & Equipment Procurement Group
Corporate Citizenship Infra Business TF Team	Procurement Planning Group
Corporate Citizenship Strategy Group	Quality Planning Group
Corporate Social Responsibility Group	Safety & Disaster Prevention Group
Corporate Strategy Planning Group	Safety Strategy Bureau
Environment & Energy Affairs Group	Shared Growth Group
Finance Management Group	Solution Strategy Group
Financial Strategy Group	Steel Production and Technology Planning Group
Human Resources and Corporate Culture Planning Group	Tax Accounting Group 1
Human Resources Group	Trade Planning Group
Information Security Bureau	Venture Planning Group
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