
POSCO FUTURE M

Responsible Minerals Activity Report

May, 2023
POSCO FUTURE M Co., Ltd.

Responsible Minerals Procurement Policy

POSCO FUTURE M makes efforts to fulfill its responsibility as a global company that thinks of mankind's future and the environment. We strive to build a responsible supply chain to address social problems including violation of human rights, environment destruction, and fund inflow into conflict organizations, which may occur when mining minerals in areas within specific countries such as conflict-affected areas in Africa, Asia, and Middle East.

To this end, POSCO FUTURE M is carrying out the following procedures:

1. POSCO FUTURE M has established a responsible minerals policy and the business process based on Due Diligence Guidance presented by OECD, and it has been focusing on ethical and responsible mineral procurement and supply chain management reinforcement. To realize these, we have conducted responsible minerals recognition enhancement and education of stakeholders including internal employees, and we are performing business under a five-step procedure:
(Firm system construction → Gathering/Assessment of supply chain information → Risk identification/mitigation → Due diligence → Transparent communication)

* RMI (Responsible Minerals Initiative) is a global council tracking and investigating the country of origin of responsible minerals, monitoring producers, and assuring/validating them.

2. POSCO FUTURE M endeavors to perform the following through CMRT (Conflict Minerals Reporting Template) and CRT (Cobalt Reporting Template) for gathering supplier information provided by RMI and the Supplier Questionnaire Survey process developed by POSCO FUTURE M: supply chain tracking targeting tin, tungsten, tantalum, gold, and cobalt (including mines and refiners); and risk pre-identification/mitigation that may occur in the supply process. We are expanding the management scope to nickel, manganese, lithium, and graphite.
3. POSCO FUTURE M recommends receiving due diligence from a third-party institution through RMAP (Responsible Minerals Assurance Program) targeting refiners within the supply chain when entering into an agreement

or registering a new supplier. We purchase raw materials from fully assured refiners by RMI, which targets minerals from CAHRAs (conflict-affected and high-risk areas), as a result of the efforts of top management and employees.

POSCO FUTURE M has also consolidated the code of conduct standard so that its responsible minerals procurement policy can be consistently applied to upstream area including refiners and mines.

- (A) Suppliers should establish a responsible minerals management policy and report improvements to POSCO FUTURE M so that raw materials in the ASM (artisanal and small-scale mining areas), where ethical problems occur within Congo, or POSCO FUTURE M-designated risk areas (285 areas in 28 countries) are not included.
- (B) Suppliers should make efforts in good faith to identify the information of mines and their country of origin and location as well as the status of ethical risk occurrence within the supply chain. Upon signing an agreement with POSCO FUTURE M, suppliers are obligated to agree to its responsible minerals policy and perform the corresponding activities.
- (C) Suppliers should draw up and present the conflict and responsible minerals use report questionnaire in a timely manner at our request. POSCO FUTURE M disseminates its responsible minerals policy targeting upper-level suppliers and strives for all stakeholders within the supply chain to take the initiative in resolving social issues together.

If POSCO FUTURE M does not sufficiently receive information required to embody the responsible minerals policy from a supplier, or if a supplier does not take proper action even though a risk is detected within the supply chain, we will support their improvement through capability fortification such as education, assistance, and due diligence. In case a supplier intentionally offers information different from fact or does not make effort to improve, transactions with the supplier may be suspended.

We will perform continuous management by adding the responsible minerals domain when assessing suppliers in terms of SRM (supplier relationship management).

POSCO FUTURE M is determined to participate vigorously in international efforts to procure minerals responsibly based on the activities above. Through all this, we will fulfill our social responsibility of protecting human rights as well as the environment in conflict-affected areas.

Direction and Procedures of the Responsible Minerals Policy

POSCO FUTURE M has established step-by-step SOP (standard operating procedures) by dividing the procedures into the following steps through the OECD Due Diligence Guidance and our internal framework:

- ① Firm management system construction → ② Supply chain risk identification and assessment → ③ Establishment and implementation of recognized risk response strategy → ④ Due diligence → ⑤ Communication with internal and external stakeholders**

▶ Applied Minerals and Management-Targeted Risk Areas

The target minerals are tungsten and cobalt currently procured by POSCO FUTURE M (gold, tantalum, and tin are not procured). As responsible minerals management emerges as a key issue worldwide, we are expanding the management scope to nickel, lithium, and graphite.

The 141 areas in 17 African countries including Congo, 22 areas in 4 Asian countries such as India and Pakistan, and 77 areas in 3 Middle Eastern countries including Afghanistan, Yemen and Libya, 31 areas in 2 countries in South America such as Colombia and Venezuela, and 14 area in Ukraine and Turkiye in Europe have been selected as CAHRAs, and we are performing risk management of those areas. The CAHRAs list is updated every six months, specifically every July and January, by gathering external website information and surveying specific countries and detailed areas that are becoming issues internationally.

▶ Current Status of POSCO FUTURE M's Responsible Minerals Procurement(2022)

- Cobalt: 2,700 tons/y (based on Co purity, including Co content of precursor)
- Tungsten: 160 tons/y (based on tungsten oxide)
- Raw materials in addition to 3T1G: Currently procuring nickel, lithium, manganese, graphite, etc.

▶ Composition of the Responsible Minerals Organization

POSCO FUTURE M's Corporate Planning Support Division and Procurement contract Office play the role of overall control, and the council for the management of responsible minerals is also operated with the following relevant departments: Public Relations Group, Human Resources & Innovation Group, Legal Affairs Office, Ethical Management Bureau, Corporate Citizenship Bureau, Global Marketing Group, and CS/Quality Section. If consultation on responsible minerals is necessary, an internal meeting is held at least once a month.

▶ SOP of Responsible Minerals by Step

POSCO FUTURE M complies with activities by five steps under the OECD Due Diligence 5-step Guidance.

Step1. Firm responsible minerals policy/system realization

- Establishment of policy/goal, fortification of process/organization, and internal stakeholders' capabilities reinforcement

Step2. Gathering and assessment of supply chain information

- Conducting the questionnaire survey of POSCO FUTURE M (Target: Tier 1 suppliers, refiners, and mines)
- Evaluating and verifying after gathering information using the CMRT and CRT forms provided by RMI
- Red flags (target for management) classification using detailed standards such as RMAP assurance, due diligence results, and CAHRAs selection based on the gathered information

Step3. Risk identification and mitigation

- Prioritizing the identified red flags and management target after risk identification/assessment
- Establishment of response mechanism, such as systematic education support targeting high-risk suppliers, visits, and performance of due diligence
- Making policy compliance mandatory including insertion of responsible minerals clause within a contract and non-signing of a contract if the POSCO FUTURE M policy is not observed

Step4. Due diligence

- Buyer’s due diligence or request for due diligence to a third party to check the status of the identified risk mitigation
- Support for a third party’s due diligence targeting unassured refiners within high- risk areas (prevention of raw materials discrimination in conflict-affected areas)
- Monitoring whether findings are improved following due diligence

Step5. Communication with internal and external stakeholders as a result of implementation

- Reinforcement of communication including the transparent opening of activity details to the public, corporate citizenship report publication, and reporting to internal executives
- Transparent opening of the following to the public: status of raw material procurement, status of assurance, due diligence results, improvement effects compared to the previous year’s activities

Activity Details by Step (Five Steps)

Step1. Firm responsible minerals policy/system realization

- **[Organization system]** The Procurement Contract Office affiliated with the Corporate Planning Support Division of POSCO FUTURE M is in charge of responsible minerals. At the POSCO Group level, we are organically managing responsible minerals risks by organizing a council for the management of responsible minerals with POSCO and POSCO International. In addition to responsible minerals, the Procurement Contract Office is managing the supply chain for all raw materials.
- **[Education of employees]** Since 2021, we have been executing education by developing e-Card, e-learning contents, and POSCO FUTURE M’s education materials for the relevant employees’ recognition enhancement including buyers and use departments. The materials are provided to responsible minerals suppliers to let all stakeholders within the supply chain know about our responsible minerals policy. This way, we endeavor to improve stakeholders’ capabilities.

Performance between 2021 and 2022 and Plans in 2023 :

- **[Education for employees]** POSCO FUTURE M’s offered education on ESG supply chain management including responsible minerals policy targeting all employees in 2022. We conducted education on the basic concepts of responsible minerals/ conflict-affected minerals, responsible minerals management trends of international society, and POSCO FUTURE M’s response.
- **[Education for suppliers]** In addition to internal employees, we conducted education for domestic raw material suppliers on POSCO FUTURE M’s responsible mineral issues, international trends, and policy direction at least once a year in 2022. We plan to expand the responsible minerals education for suppliers to all raw material suppliers from 2023.

Education Completion Result (Unit: persons)

Classification	2021	2022	2023 (f)
No. of trainees who completed education	All Employees	All Employees	All Employees
Frequency of education per person	Once a year	Twice a year	Twice a year

- **[Consolidation of new supplier registration standard]** We have cemented the new supplier registration standard since 2021 to procure responsible minerals. By presenting a pledge to comply with POSCO FUTURE M's responsible minerals policy, suppliers are to participate in the policy of not using minerals from CAHRAs. Upon supplying and contracting with us, if the materials are confirmed to have originated from CAHRAs, we operate contracts by adding a clause to receive due diligence from a third party and trade with RMAP-assured refiners.
- **[Construction of responsible minerals tracking management system]** Since March 2021, POSCO FUTURE M has been constructing a responsible mineral tracking management system using supply chain blockchain technology to remove responsible minerals risks through cooperation with automakers, battery manufacturers, and raw material suppliers. Once the responsible minerals tracking management system is completed, the responsible minerals risks throughout the supply chain from POSCO FUTURE M's procured raw materials upstream to automakers can be efficiently managed. Furthermore, we have been expanding the management coverage of the system to major battery raw materials such as lithium and nickel since 2022.

Step2. Supply chain information gathering and assessment

- **[Identification of supply chain information]** POSCO FUTURE M is gathering information (country of origin, locations of mines/refiners, logistics flow, status of risks within the supply chain, whether a supplier has a responsible minerals policy) using the questionnaire survey template for suppliers and refiners developed by POSCO FUTURE M. In addition, we verify whether the gathered information corresponds using an international standard document [C(M)RT].

We have been conducting due diligence and annual supplier information surveys since the second half of 2021. According to the survey of suppliers in 2022, 26 out of 27 companies responded to our survey, achieving a 96% response rate.

Current status of responsible minerals refiners and status of assurance

Current Status of Responsible Minerals Refiners in Business with POSCO FUTURE M
(Unit: number)

Classification	2021	2022
Tungsten	2	2
Cobalt (including precursor companies)	2	4
Total	4	6

Current Status of RMAP-assured Refiners
(Unit: number)

Classification	2021	2022
Assurance	5	6
Conformant	4	6
Active	1	-
Non-assured	-	-

POSCO FUTURE M is currently operating 100% RMAP assurance as of 2022

Detailed Information of Refiners

Number	Mineral	RMI Refiner ID	Refiner's Name	Country (of Origin)	RMAP Assurance
1	Cobalt	CID003291	Guangdong Jiana Energy Technology	China Guangzhou	Conformant
2	Cobalt	CID003255	Quzhou Huayou Cobalt New Material	China Changsha	Conformant
3	Cobalt	CID003411	Hunan CNGR New Energy Science & Technology Co., Ltd.	China Changsha	Conformant
4	Cobalt	CID003338	SungEel HiTech	Korea Gunsan	Conformant
5	Tungsten	CID002321	Jiangxi Gan Bei Tungsten	China Xiushui	Conformant
6	Tungsten	CID002082	Xiamen Tungsten	China Xiamen	Conformant

* Conformant (assurance): refiners or refineries that completed the RMAP standard or equivalent cross-recognized assessment

* Active (in progress): refiners and refineries that promised to present RMAP assessment documents and field assessment. In terms of phase, suppliers in the pre-assessment, assessment, or corrective action phases of the assessment are included.

- For reference, RMI RMAP assurance is being carried out centered on 3T1G (Tantalum, Tin, Tungsten, and Gold) raw materials and cobalt raw materials. The responsible minerals management of nickel, manganese, lithium, and graphite raw materials is performed through our own information gathering and assessment (as of December 2022).

Suppliers' Response Rate for the Questionnaire Survey (Unit: number)

Classification	2020	2021	2022
Whether own survey is conducted	X	○	○
Survey-targeted suppliers and refiners(tungsten, precursor, nickel, manganese, cobalt, lithium raw materials)	Non-execution	17	27
Number of respondent suppliers	Non-execution	16	26
Response rate	-	94%	96%

Executing the survey after 2021

- **[Grievance and appeal procedures]** We have established 24/7 grievance and appeal procedures to listen to suppliers' opinions. We did so to resolve grievances and appeals by formalizing them after encountering grievances following direct receipt and other media use including SNS or due diligence targeting all stakeholders within the supply chain.
- **[Risk assessment]** Based on the identified information such as the country of origin and its CAHRAs (Conflict-Affected High-Risk Areas) standard, POSCO FUTURE M draws up potential risks per supplier. In addition, we comprehensively assess various factors including supplier survey response rate, false international

information presentation, and lack of responsible minerals recognition. Then, we select red flags (target for management) and utilize the risk response mechanism. There is no red flag suppliers in Our supply chain based on result of 2022 risk assessment (Green Flag 25, Yellow Flag 2)

CAHRAs (Conflict-Affected High-Risk Areas) Standard

- Africa: 141 areas in 17 countries such as DR Congo, Central African Republic, Burkina Faso
- Asia: 22 areas in 4 countries including India and Pakistan
- Middle East: 77 areas in 3 countries such as Afghanistan, Yemen and Libya
- South America: 31 areas in 2 countries like Colombia and Venezuela
- Europe: 14 areas in 2 countries like Ukraine and Turkiye

Steps3-4. Risk identification/mitigation and due diligence

- **[Response mechanism]** We have established a response mechanism including education consolidation, increase of business trips, and buyer's due diligence depending on the risk level of the identified red flags.
If repeated problems are found and improvements from high-risk suppliers are insufficient, an independent third-party institution executes due diligence. Raw materials suppliers in the countries of origin belonging to CAHRAs entering into an agreement are limited to RMAP-assured refiners only upon trading with POSCO FUTURE M. If a refiner within a high-risk country is not assured, POSCO FUTURE M provides various types of support so that it can receive RMAP assurance. In case the findings are not improved through education, increase of business trips, or internal and third party's due diligence, or if there is no commitment to respond to responsible minerals issues, we have reinforced regulations to hold off signing an agreement with us.

Step5. Communication activity reinforcement

- POSCO FUTURE M has been publishing a Responsible Minerals Activity Report since 2021 to reinforce communication with all stakeholders.
In the POSCO FUTURE M Corporate Citizenship Report, communication has been fortified by allocating some pages for responsible minerals. Starting with POSCO's declaration of corporate citizenship business philosophy of "Developing together" in 2018, POSCO FUTURE M strives to create greater corporate values through communication and sympathy with all stakeholders such as customers, organizational members, and stockholders and continuous change and innovation. We at POSCO FUTURE M promise to publish the report consistently in line with the standards required by international society as well as open information to the public transparently.

(URL of Corporate Citizenship Report :

https://www.poscofuturem.com/resources/file/2021poscochemical_en.pdf)