



POSCO SUSTAINABLE FINANCING FRAMEWORK



Document title: Second Party Opinion on POSCO's Sustainable Financing Framework

Prepared by: DNV Business Assurance Korea Ltd.

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This statement is valid until the Framework provided in December 2023 remains unchanged.

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Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, 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. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.dnv.com)

DNV'S INDEPENDENT ASSESSMENT

Scope and Objectives

POSCO ("POSCO" or "The Company")² POSCO is an integrated steel producer, specializing in the production of hot rolled, cold rolled, and stainless steel. It operates Pohang and Gwangyang Steelworks, which are globally recognized as the largest producers of crude steel. In its global operations, POSCO manages 13 production subsidiaries (comprising 3 upstream processes and 10 single-stand rolling mills) and 26 processing centres spread across 13 countries.

POSCO has developed the Sustainable Financing Framework (the "Framework") under which it plans to issue the Sustainable Financing Transactions ("SFT"s) which include eligible bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development.

DNV Business Assurance Korea Ltd. ("DNV")³ has been commissioned by POSCO to review the Framework and provide a Second Party Opinion on the Framework in relation to alignment with Green Bond Principles 2021 (GBP),⁴ Social Bond Principles 2023 ("SBP"),⁵ and Sustainability Bond Guidelines 2021 ("SBG")⁶ published by the International Capital Market Association ("ICMA") and Green Loan Principles 2023 (GLP)⁷, and Social Loan Principles 2023 (SLP)⁸ published by Loan Market Association ("LMA"), Loan Syndications and Trading Association ("LSTA") and Asia Pacific Loan Market Association ("APLMA")

No assurance is provided regarding the financial performance of instruments issued via the POSCO's Framework, the value of any investments, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of POSCO and DNV

The management of POSCO has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform POSCO management and other interested stakeholders in the Framework as to whether the Framework is aligned with GBP, SBP, SBG, GLP, and SLP. In our work we have relied on the information and the facts presented to us by POSCO. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by POSCO's management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our assessment methodology to create the POSCO-specific Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four core components:

1. Use of Proceeds

² <https://www.posco.co.kr/homepage/docs/eng7/jsp/s91a0000001i.jsp>

³ <https://www.dnv.co.kr/>

⁴ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁵ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁶ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁷ <https://www.lsta.org/content/green-loan-principles/>

⁸ <https://www.lsta.org/content/social-loan-principles-slp/>

The Use of Proceeds criteria are guided by the requirement that an issuer of a bond/a borrower of a loan must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental and social benefits.

2. Process for Project Evaluation and Selection

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a bond/a borrower of a loan should outline the process it follows when determining eligibility of an investment using Green, Social & Sustainability Bond/Loan proceeds, and outline any impact objectives it will consider.

3. Management of Proceeds

The Management of Proceeds criteria are guided by the requirements that a bond/a loan should be tracked within the organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be managed.

4. Reporting

The Reporting criteria are guided by the recommendation that at least annual reporting should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by POSCO in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Protocol, adapted to the purpose of the Framework, as described above and in Schedule 3 to this Assessment;
- Assessment of documentary evidence provided by POSCO on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of published materials by POSCO and POSCO's website;
- Discussions with POSCO's management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

DNV's findings are listed below:

1. Use of Proceeds

POSCO intends to use the proceeds from the SFTs issued under the Framework to finance or refinance, in whole or in part, new or existing Eligible Green Project Categories and Eligible Social Project Categories. The Framework defines the following eligible project categories.

Eligible Green Project Categories

- Energy Efficiency, Circular Economy & Pollution Prevention and Control
- Other Pollution Prevention and Control
- Renewable Energy
- Water and Wastewater Management

Eligible Social Project Categories

- Employment Generation
- Socioeconomic Advancement and Empowerment

DNV undertook an analysis of the associated project type to determine the eligibility as “Green” and “Socially Beneficial” in line with the GBP, SBP, SBG, GLP, and SLP. POSCO has provided tables mapping its Eligible Green and Social Categories with the United Nations Sustainable Development Goals (“UN SDGs”). The outlined types of project within each category and associated selection criteria is provided in the Framework in order to determine eligibility.

DNV concludes that the eligible categories outlined in the Framework are consistent with the categories outlined in the GBP, SBP, SBG, GLP, and SLP.

2. Process for Project Evaluation and Selection

The Framework states that POSCO has set up Sustainable Financing Working Group (“SFWG”) to oversee its ESG and Sustainability reporting, and the SFWG will be responsible for SFTs. The SFWG will meet at least once every 12 months to review and select eligible projects according to the Framework. The shortlisted projects will be presented to the Board of Directors for approval.

DNV concludes that POSCO's appropriately describes the process of project evaluation and selection.

3. Management of Proceeds

The Framework shows how POSCO plans to track the allocation of the proceeds in an appropriate manner. POSCO earmarks the eligible projects to the SFTs and will maintain a register to keep track of the allocation. Pending allocation from the SFTs may be managed in line with POSCO's liquidity management policy, including investing the unallocated proceeds in cash or cash equivalents, as well as short term deposits and money market funds.

DNV can confirm that the proceeds arising from the future issuances will be appropriately managed.

4. Reporting

POSCO will publish the report which includes the allocation of the net proceeds of the SFTs on an annual basis. The report will include allocated amounts to eligible projects, unallocated amounts (including temporary investment), financing and refinancing share, and so on. Where possible, POSCO will also report on the environmental and social impact associated with the Eligible Projects funded with the net proceeds of the SFTs.

DNV can confirm that POSCO is committed to disclosing necessary information in an appropriate manner.

On the basis of the information provided by POSCO and the work undertaken, it is DNV's opinion that the POSCO's Sustainable Financing Framework meets the criteria established in the Protocol and are aligned with GBP, SBP, GLP, and SLP. Please refer to Schedule 4. Sustainability Bond/Sustainability Bond Programme External Review Form for detailed information.

for DNV Business Assurance Korea Ltd.

Seoul, Republic of Korea / 15 December 2023



Chang Rok Yun
Senior Auditor

Project Team
DNV Business Assurance Korea



Thomas Leonard

Technical Reviewer
DNV Business Assurance Australia

Schedule 1. Categories to be financed or refinanced through POSCO's Sustainable Goals Financing Transactions

Green Category

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings						
Energy Efficiency, Circular Economy & Pollution Prevention Control	<p>Activities in bold refer to POSCO's area of focus at the moment.</p> <p>#1 - Measures and criteria for proceeds that are financing projects <u>within steel production facilities</u>. See CBI's decision tree in <i>Appendix 2</i>.</p> <p>The approach to the eligibility criteria for specific mitigation measures within steel facilities, takes into account the type of facility where the measure will be implemented.</p> <p>This is done to reflect that for steel primary production⁹ the implementation of small incremental measures will not suffice to achieve 2030 reduction targets. Consequently, capital investments should be focused on achieving significant emissions savings at the facility level.</p> <table border="1" data-bbox="427 1002 1391 1299"> <thead> <tr> <th data-bbox="427 1002 875 1062">Decarbonisation activities within a specific facility type</th> <th data-bbox="875 1002 1391 1062">Eligibility criteria for decarbonisation activities within a specific facility type</th> </tr> </thead> <tbody> <tr> <td data-bbox="427 1062 875 1150"> Optimization of Electric Arc Furnace (EAF), installation and operation of other mitigation measures associated with EAF facilities </td> <td data-bbox="875 1062 1391 1150"> Automatically eligible </td> </tr> <tr> <td data-bbox="427 1150 875 1299"> Measures associated to a production line with a blast furnace (BF) that became operational in 2007 or later </td> <td data-bbox="875 1150 1391 1299"> The investment shall not be for relining; AND: <ul style="list-style-type: none"> The decarbonisation measure(s) that has been/ will be implemented at the facility and has/ will reduce the facility's emissions </td> </tr> </tbody> </table>	Decarbonisation activities within a specific facility type	Eligibility criteria for decarbonisation activities within a specific facility type	Optimization of Electric Arc Furnace (EAF), installation and operation of other mitigation measures associated with EAF facilities	Automatically eligible	Measures associated to a production line with a blast furnace (BF) that became operational in 2007 or later	The investment shall not be for relining; AND: <ul style="list-style-type: none"> The decarbonisation measure(s) that has been/ will be implemented at the facility and has/ will reduce the facility's emissions 	<p>The manufacture of steel is one of main contributors to global greenhouse gas (GHG) emissions. Steel industry emissions in 2019 reached 3.6 GtCO₂ which represents around 9% of total energy sector emissions.¹⁵</p> <p>Over the past decade, total CO₂ emissions from the iron and steel sector have risen, largely owing to increases in steel demand. Although the direct CO₂ intensity of crude steel production has decreased slightly in the past few years, more proactive efforts need to be made to reach the Net Zero Emissions by 2050.¹⁶</p> <p>To secure green eligibility, POSCO intends to invest the steel production activities in alignment with Technical Screening Criteria (TSC) of the Climate Bonds Taxonomy (CBT) from the Climate Bond Initiative (CBI). DNV views that these CBT TSC-aligned projects will be conducive for POSCO to be able to secure green eligibility of the related projects in highly strict manner.</p> <p>In particular, POSCO shared with DNV its investment plan with regards to Electric Arc Furnace using more than 70% scrap as a base. DNV considers these projects to be in alignment with the CBI TSC. DNV was also informed that POSCO may use a great share of the proceeds to fund this type of projects.</p>
Decarbonisation activities within a specific facility type	Eligibility criteria for decarbonisation activities within a specific facility type							
Optimization of Electric Arc Furnace (EAF), installation and operation of other mitigation measures associated with EAF facilities	Automatically eligible							
Measures associated to a production line with a blast furnace (BF) that became operational in 2007 or later	The investment shall not be for relining; AND: <ul style="list-style-type: none"> The decarbonisation measure(s) that has been/ will be implemented at the facility and has/ will reduce the facility's emissions 							

⁹ Steel produced from iron ore via the BF-BOF or DRI process

¹⁵ https://www.climatebonds.net/files/files/Background%20paper%20CBI%20Steel%20Criteria_Final.pdf

¹⁶ <https://www.iea.org/energy-system/industry/steel>

Eligible Green Project Categories	Eligible Criteria and Description		DNV Findings
		intensity (tCO ₂ /t steel) between 2022 and 2030 by: <ul style="list-style-type: none"> ✓ 20% if the pre-decarbonisation baseline emissions intensity is greater than or equal to 2 tCO₂/t steel; OR ✓ 15% if the pre-decarbonisation baseline emissions intensity is less than 2 tCO₂/t steel; 	
	Measures associated to a production line with a blast furnace (BF) that became operational prior to 2007	The investment shall not be for relining; AND: The decarbonisation measure(s) has been/ will be implemented at the facility and has/ will reduce the facility's emissions intensity (tCO ₂ /t steel) between 2022 and 2030 by 50%;	
	Measures associated to a production line with a DRI	Either: <ul style="list-style-type: none"> • if plant is fossil gas based: The measure(s) have been/ will be implemented at the facility and have/ will reduce the facility's emissions intensity (tCO₂/t steel) between 2022 and 2030 by 20% • if plant is coal based: The measure(s) have been/ will be implemented at the facility and have/ will reduce the facility's emissions intensity (tCO₂/t steel) between 2022 and 2030 by 40% 	
Table 1: Examples of eligible decarbonisation activities within a specific facility type			

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings																										
	<p>Eligibility is due to their CO2 emissions mitigation potential, but <u>final eligibility is subject to the activity allowing the facility type to meet the emissions reductions thresholds listed above.</u></p> <table border="1" data-bbox="430 517 1393 1166"> <thead> <tr> <th data-bbox="430 517 848 547">Activity type</th> <th data-bbox="848 517 1393 547">Example of activities</th> </tr> </thead> <tbody> <tr> <td data-bbox="430 547 848 608">Heat recovery</td> <td data-bbox="848 547 1393 608">Installation, upgrade, and operation of heat recovery systems</td> </tr> <tr> <td data-bbox="430 608 848 668">Optimization of Blast Furnace</td> <td data-bbox="848 608 1393 668">Pulverize Coke Injection, Top Gas Recycling, Stove waste gas heat recovery</td> </tr> <tr> <td data-bbox="430 668 848 699">Optimization of Basic Oxygen Furnace</td> <td data-bbox="848 668 1393 699">Recovery of BOF gas and sensible heat</td> </tr> <tr> <td data-bbox="430 699 848 729">Optimization of Coke Plant</td> <td data-bbox="848 699 1393 729">Coke Dry Quenching</td> </tr> <tr> <td data-bbox="430 729 848 759">Optimization of Sinter Plants</td> <td data-bbox="848 729 1393 759">Sinter Plant Heat Recovery</td> </tr> <tr> <td data-bbox="430 759 848 820">Optimization of EAF</td> <td data-bbox="848 759 1393 820">Oxyfuel burners, EAF scrap preheating, CHP¹⁰ from waste heat</td> </tr> <tr> <td data-bbox="430 820 848 880">Optimization of rolling and finishing and reheat furnace</td> <td data-bbox="848 820 1393 880">High Efficiency Burner, Flue-gas monitoring, combustion optimization, exhaust gas heat recovery</td> </tr> <tr> <td data-bbox="430 880 848 911">Optimization of casting</td> <td data-bbox="848 880 1393 911">Near net-shape casting</td> </tr> <tr> <td data-bbox="430 911 848 971">Optimization of monitoring and control systems</td> <td data-bbox="848 911 1393 971">Installation, upgrade, and operation of advanced sensors and digitized control equipment and systems</td> </tr> <tr> <td data-bbox="430 971 848 1048">Carbon Capture Utilization and Storage</td> <td data-bbox="848 971 1393 1048">Installation, upgrade, and operation of infrastructure and equipment related to CO2 capture of emissions from steel production.</td> </tr> <tr> <td data-bbox="430 1048 848 1137">Fuel switching</td> <td data-bbox="848 1048 1393 1137">Infrastructure, revamps or modifications of equipment needed for the production of steel using hydrogen or biomass as reducing agent</td> </tr> <tr> <td data-bbox="430 1137 848 1166">Electrification of heat</td> <td data-bbox="848 1137 1393 1166">Electrification of reheating furnacing</td> </tr> </tbody> </table> <p>Activity types involving hydrogen, biomass or Carbon Capture Utilization and Storage should comply with the corresponding CBI criteria (refer to the framework appendix 4,7 and 8 respectively)</p>	Activity type	Example of activities	Heat recovery	Installation, upgrade, and operation of heat recovery systems	Optimization of Blast Furnace	Pulverize Coke Injection, Top Gas Recycling, Stove waste gas heat recovery	Optimization of Basic Oxygen Furnace	Recovery of BOF gas and sensible heat	Optimization of Coke Plant	Coke Dry Quenching	Optimization of Sinter Plants	Sinter Plant Heat Recovery	Optimization of EAF	Oxyfuel burners, EAF scrap preheating, CHP ¹⁰ from waste heat	Optimization of rolling and finishing and reheat furnace	High Efficiency Burner, Flue-gas monitoring, combustion optimization, exhaust gas heat recovery	Optimization of casting	Near net-shape casting	Optimization of monitoring and control systems	Installation, upgrade, and operation of advanced sensors and digitized control equipment and systems	Carbon Capture Utilization and Storage	Installation, upgrade, and operation of infrastructure and equipment related to CO2 capture of emissions from steel production.	Fuel switching	Infrastructure, revamps or modifications of equipment needed for the production of steel using hydrogen or biomass as reducing agent	Electrification of heat	Electrification of reheating furnacing	
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¹⁰ Combined Heat and Power

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings													
	<p>#2 - Measures and criteria for proceeds that are financing a whole steel production facility. See CBI's decision tree in <i>Appendix 3</i>.</p> <p>#2.a. For facilities becoming operational in 2022 or thereafter:</p> <p>The below table lists investments in new assets eligible for certification due to their low emissions potential, and any associated eligibility criteria specific to those investments. The type of facilities listed are in alignment with the deep decarbonization of the sector.</p> <table border="1" data-bbox="430 683 1391 1276"> <thead> <tr> <th data-bbox="430 683 846 715">Decarbonization measures</th> <th data-bbox="846 683 1391 715">Eligibility Criteria</th> </tr> </thead> <tbody> <tr> <td data-bbox="430 715 846 770">BF-BOF production line with integrated CCS or CCUS</td> <td data-bbox="846 715 1391 831" rowspan="2">CCS or CCUS should capture at least 70% of all emissions ¹¹</td> </tr> <tr> <td data-bbox="430 770 846 831">Smelting reduction production line with integrated CCS or CCU</td> </tr> <tr> <td data-bbox="430 831 846 887">Fossil gas-based DRI-EAF production line with integrated CCS or CCU</td> <td data-bbox="846 831 1391 948" rowspan="2">CCS or CCUS complies with criteria in appendix 8</td> </tr> <tr> <td data-bbox="430 887 846 948">Fossil gas based DRI with integrated CCS or CCUS</td> </tr> <tr> <td data-bbox="430 948 846 1190">Scrap based Electric Arc Furnace (EAF)</td> <td data-bbox="846 948 1391 1190"> The facility: <ul style="list-style-type: none"> • Needs to use 70%¹² of scrap as total annual inputs; OR • The combined scrap and (100%) Hydrogen based DRI should add to at least 70% of the EAF total annual inputs </td> </tr> <tr> <td data-bbox="430 1190 846 1222">(100%) Hydrogen-based DRI</td> <td data-bbox="846 1190 1391 1222" rowspan="2">Hydrogen meets the criteria in appendix 4</td> </tr> <tr> <td data-bbox="430 1222 846 1276">(100%) Hydrogen-based DRI-EAF production line</td> </tr> </tbody> </table>	Decarbonization measures	Eligibility Criteria	BF-BOF production line with integrated CCS or CCUS	CCS or CCUS should capture at least 70% of all emissions ¹¹	Smelting reduction production line with integrated CCS or CCU	Fossil gas-based DRI-EAF production line with integrated CCS or CCU	CCS or CCUS complies with criteria in appendix 8	Fossil gas based DRI with integrated CCS or CCUS	Scrap based Electric Arc Furnace (EAF)	The facility: <ul style="list-style-type: none"> • Needs to use 70%¹² of scrap as total annual inputs; OR • The combined scrap and (100%) Hydrogen based DRI should add to at least 70% of the EAF total annual inputs 	(100%) Hydrogen-based DRI	Hydrogen meets the criteria in appendix 4	(100%) Hydrogen-based DRI-EAF production line	
Decarbonization measures	Eligibility Criteria														
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(100%) Hydrogen-based DRI	Hydrogen meets the criteria in appendix 4														
(100%) Hydrogen-based DRI-EAF production line															

¹¹ There are multiple sources of emissions in a steel mill, which poses an economical and technical challenge for the implementation of CCS or CCUS. With 70% capture rate we refer to an average of the emissions captured from all point sources. This aims at promoting investments in 90% capture at the highest emitting point source (e.g. the BF) that should translate in 70% for the overall facility. As technology advances retrofitting the rest of the facility to capture the remaining emissions shall become feasible.

¹² Close to the global average use of scrap and used in the IEA G7 report www.iea.org/reports/achieving-net-zero-heavy-industry-sectors-in-g7-members as the threshold for scrap to distinguish between primary and secondary steelmaking.

Eligible Green Project Categories	Eligible Criteria and Description		DNV Findings				
	<p>Electrolysis of iron ore steelmaking production line</p>	<p>A plan that describes how the use of renewable energy will be increased/introduced in the facility within the term of the bond through different strategies such as:</p> <ul style="list-style-type: none"> a) Increasing renewable-based ¹³ captive power generation b) Increasing renewable-based power purchase agreement The plan shall be provided with evidence of the strategies that will be implemented. Progress of the implementation plan to be assessed every 36 months. 					
	<p>#2.b. For facilities becoming operational prior to 2022:</p> <p>For proceeds that are financing a whole steel production facility the below criteria applies. These mitigation criteria have been set to allow improvements in the emissions mitigation of existing steel production capacity, without locking in technologies that will impede achieving the decarbonization targets of the sector after 2030. On the other hand, small incremental measures will not suffice to achieve the 2030 reduction targets, particularly for BF-BOF facilities, thus investments should be focused on the implementation of a bundle of measures (see examples of applicable measures in the above <i>Table 1: Examples of green eligible steel production capital investments</i>) that will mitigate emissions by a significant rate shown here:</p> <table border="1" data-bbox="430 1181 1402 1332"> <thead> <tr> <th data-bbox="430 1181 846 1212">Facility type</th> <th data-bbox="855 1181 1402 1212">Eligibility criteria specific to the facility type</th> </tr> </thead> <tbody> <tr> <td data-bbox="430 1219 846 1332"> <p>Production line with a blast furnace (BF) that became operational in 2007 or later</p> </td> <td data-bbox="855 1219 1402 1332"> <p>The investment shall not be for relining; AND</p> <p>A bundle of decarbonisation measures has been/ will be implemented at the facility that has/ will reduce the</p> </td> </tr> </tbody> </table>		Facility type	Eligibility criteria specific to the facility type	<p>Production line with a blast furnace (BF) that became operational in 2007 or later</p>	<p>The investment shall not be for relining; AND</p> <p>A bundle of decarbonisation measures has been/ will be implemented at the facility that has/ will reduce the</p>	
Facility type	Eligibility criteria specific to the facility type						
<p>Production line with a blast furnace (BF) that became operational in 2007 or later</p>	<p>The investment shall not be for relining; AND</p> <p>A bundle of decarbonisation measures has been/ will be implemented at the facility that has/ will reduce the</p>						

¹³ Energy produced from renewable sources such as wind, solar, and small hydropower generation.

Eligible Green Project Categories	Eligible Criteria and Description		DNV Findings
		<p>facility's emissions intensity (tCO₂/t steel) between 2022 and 2030 by:</p> <ul style="list-style-type: none"> • 20% if the pre-decarbonisation baseline emissions intensity is greater than or equal to 2 tCO₂/t steel; AND by 2030 the emissions intensity of the facility should be below 1.8 tCO₂/t steel; OR • 15% if the pre-decarbonisation baseline emissions intensity is less than 2 tCO₂/t steel; AND by 2030 the emissions intensity of the facility should be below 1.8 tCO₂/t 	
	Production line with a blast furnace (BF) that became operational prior to 2007	<p>The investment shall not be for relining; AND</p> <p>A bundle of decarbonisation measures has been/ will be implemented at the facility that have/ will reduce the facility's emissions intensity (tCO₂/t steel) between 2022 and 2030 by 50%; AND</p> <p>The emissions intensity of the facility should be below 1.8 tCO₂/t steel by 2030</p>	
	Production line with a DRI	Either:	
	Smelting reduction production line	<p>a) if plant is fossil gas based: A bundle of decarbonisation measures has been/ will be implemented at the facility that have/ will reduce the facility's emissions intensity (tCO₂/t steel) between 2022 and 2030 by 20%; OR</p> <p>b) if plant is coal based: A bundle of decarbonisation measures has been/ will be implemented at the facility that have/ will reduce the facility's emissions intensity (tCO₂/t steel) between 2022 and 2030 by 40%</p>	

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
	<p>For each eligible projects, POSCO will fulfill the relevant requirements as listed in <i>The Steel Eligibility Criteria of the Climate Bonds Standard & Certification Scheme</i>¹⁴ from the Climate Bonds Initiative (“CBI”) from May 2023, or as they may subsequently be updated.</p>	
Other Pollution Prevention and Control ¹⁷	<ul style="list-style-type: none"> • Equipment, system that are used to mitigate environmental pollution (e.g. air, noise, water) during the steel production processes. • Enforcement of dust control (such as in open yards) to reduce fugitive dust emissions. 	<p>DNV views that the stated projects in general contribute to mitigating environmental pollution.</p>
Renewable Energy	<ul style="list-style-type: none"> • Design, construction, installation and operation of renewable energy systems, such as solar and wind energy 	<p>Expanded use of renewable energy is considered as one of crucial means to reaching Net Zero by 2050. In particular, considering low use of renewable energy in Asia and the Pacific region which accounts for more than half of global energy consumption but consumes 85% of its total energy consumption from fossil fuels,¹⁸ more efforts for increasing the uptake of renewable energy should be made in this region.</p> <p>Republic of Korea is known for one of the most challenging markets to buy renewable energy according to RE 100. Overall, RE100 members get just 2% of their electricity from renewables in Korea, compared to 32% in China, 26% in Singapore, 15% in Japan.¹⁹</p> <p>Against this background, DNV views that POSCO's investment to renewable energy such as solar and</p>

¹⁴ <https://www.climatebonds.net/files/files/Climate%20Bonds%20Steel%20Criteria.pdf>

¹⁷ Emissions not covered by CBI

¹⁸ <https://www.irena.org/asiapacific>

¹⁹ <https://www.there100.org/our-work/press/south-korean-localised-policy-messages>

Eligible Green Project Categories	Eligible Criteria and Description	DNV Findings
		wind energy will lead to positive environmental outcome, especially in Korea.
Water and Wastewater Management	<ul style="list-style-type: none"> Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater. 	DNV views that the stated projects contribute to promoting sustainable management of water and wastewater, minimising adverse environmental impact.

Social Category

Eligible Social Project Categories	Eligible Criteria and Description	DNV Findings
Employment Generation	<ul style="list-style-type: none"> Creation of meaningful employment for targeted communities. Fair employment opportunities for targeted communities, particularly support for female entrepreneurs. 	<p>Targeted communities encompass a variety of vulnerable groups, including low-income households, people with disabilities, the undereducated, and the unemployed, to name a few.²⁰ DNV views that definitions of targeted communities are made in accordance with Korean government regulations, which is the market practices.</p> <p>In particular, gender inequality has become one of main social issues in Korea. According to World Economic Forum, Korea’s Gender Gap Index (GGI) ranks 105th among 146 countries in 2023.²¹ Despite Korea’s large economic size and its considerable impact on global economy, gender equality far lags behind that of other OECD countries. Against this backdrop, it is DNV’s viewpoint that the Company’s financial assistance program for female entrepreneurs will be conducive for promoting women empowerment in Korea.</p>
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> Funding and supporting entrepreneurship programmes for startups, small-medium enterprises (SMEs), and youth / other disadvantaged groups. Supporting services and facilities to provide equitable access and participation in these programmes. 	<p>Beneficiaries of the funded programmes such as SMEs and disadvantaged groups are defined in accordance with the Korean Government regulations, which is the market practices.</p> <p>DNV considers that the stated programmes are also beneficial for leading to positive social outcomes in the field of socioeconomic advancement and empowerment.</p>

²⁰ The detailed explanation is made in the Framework, p.18.

²¹ GGI assesses four areas: 1) Economic participation and opportunity 2) Educational attainment 3) Health and survival 4) Political empowerment

<https://www.weforum.org/publications/global-gender-gap-report-2023/in-full/benchmarking-gender-gaps-2023/>

Schedule 2. Contributions to UN SDGs

Eligible Project Categories	UN SDGs	DNV Findings
Energy Efficiency, Circular Economy & Pollution and Control	<ul style="list-style-type: none"> • SDG 7.3: By 2030, double the global rate of improvement in energy efficiency. • SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. • SDG 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management • SDG 12.2: By 2030, achieve the sustainable management and efficient use of natural resources. 	DNV is of the opinion that eligible category outlined in the Framework contributes to the achievement of the UN SDGs.
Other Pollution Prevention and Control	<ul style="list-style-type: none"> • SDG 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. 	
Renewable Energy	<ul style="list-style-type: none"> • SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix. • SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. 	
Water and Wastewater Management	<ul style="list-style-type: none"> • SDG 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity. 	
Employment Generation	<ul style="list-style-type: none"> • SDG 5.b: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women. • SDG 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 	
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> • SDG 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. • SDG 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 	

Schedule 3. Eligibility Assessment Protocol

1. Use of Proceeds

Ref.	Criteria	Requirements	DNV Findings
1a	Type of bond / loan	<p>The Bond and Loan must fall in one of the following categories, as defined by the Green/Social Bond Principles:</p> <ul style="list-style-type: none"> Green/Social Use of Proceeds Bond Green/Social Use of Proceeds Revenue Bond Green/Social Project Bond Green/Social Securitized Bond Loan instrument made available for Green and Social project (Green and Social use of loan proceeds) 	<p>POSCO's Sustainable Finance Framework clearly describes Sustainable Financing Transactions (SFTs) will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Green Projects and/or Eligible Social Projects as defined in this Framework. In particular, POSCO strengthens green eligibility of its future projects by making the use of proceeds to be aligned with TSC of the CBT of the Climate Bonds Initiative.</p> <p>From the Framework</p> <p><i>To support POSCO's commitment towards sustainability, POSCO has established this Sustainable Financing Framework (the "Framework"). Sustainable Financing Transactions ("SFT"s) will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Green Projects and/or Eligible Social Projects as defined in this Framework.</i></p> <ul style="list-style-type: none"> <i>With respect to bonds, bonds issued under this Framework will be aligned with the 2021 Green Bond Principles ("GBP"), 2023 Social Bond Principles ("SBP") and the 2021 Sustainability Bond Guidelines ("SBG") by the International Capital Markets Association ("ICMA"), or as they may subsequently be updated.</i> <i>With respect to loans, loans issued under this Framework will be aligned with the 2023 Green Loan Principles ("GLP") and 2023 Social Loan Principles ("SLP") including Guidance Notes by the Loan Market Association ("LMA"), the Asia Pacific Loan Market Association ("APLMA") and the Loan Syndications and Trading Association ("LSTA"), or as they may subsequently be updated.</i> <i>Bonds and Loans with green use of proceeds will be in alignment with The Steel Eligibility Criteria of the Climate Bonds Standard & Certification Scheme from the Climate Bonds Initiative ("CBI") from May 2023, or as they may subsequently be updated.</i>

Ref.	Criteria	Requirements	DNV Findings						
1b	Sustainable Project Categories	The cornerstones of Sustainability Bond and Loan are the utilization of the proceeds of the bond and the loan which should be appropriately described in the legal documentation for the security.	<p>Eligible project categories presented by POSCO are as follows:</p> <table border="1"> <thead> <tr> <th>Green Categories</th> <th>Social Categories</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • <i>Energy Efficiency, Circular Economy and Pollution Prevention and Control</i> • <i>Other Pollution and Prevention Control</i> • <i>Renewable Energy</i> • <i>Water and Wastewater Management</i> </td> <td> <ul style="list-style-type: none"> • <i>Employment Generation</i> • <i>Socioeconomic advancement and empowerment</i> </td> </tr> </tbody> </table> <p>The Framework also strengthens eligibility criteria of projects by making the exclusion list in the Framework.</p> <table border="1"> <thead> <tr> <th>From the Framework</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • <i>Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage)</i> • <i>Child labour or forced labour</i> • <i>Adult entertainment</i> • <i>Weapons and military contracting</i> • <i>Alcohol</i> • <i>Tobacco</i> • <i>Nuclear, and</i> • <i>Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans.</i> </td> </tr> </tbody> </table>	Green Categories	Social Categories	<ul style="list-style-type: none"> • <i>Energy Efficiency, Circular Economy and Pollution Prevention and Control</i> • <i>Other Pollution and Prevention Control</i> • <i>Renewable Energy</i> • <i>Water and Wastewater Management</i> 	<ul style="list-style-type: none"> • <i>Employment Generation</i> • <i>Socioeconomic advancement and empowerment</i> 	From the Framework	<ul style="list-style-type: none"> • <i>Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage)</i> • <i>Child labour or forced labour</i> • <i>Adult entertainment</i> • <i>Weapons and military contracting</i> • <i>Alcohol</i> • <i>Tobacco</i> • <i>Nuclear, and</i> • <i>Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans.</i>
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1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the Issuer.	DNV considers that the stated projects will generate environmentally beneficial outcome and the Company commits to reporting the effect by making use of quantitative indicators.						
1c	Social Benefits	All designated Social Project categories should provide clear social benefits, which, where feasible, will	DNV considers that the stated projects will generate socially beneficial outcome and the Company commits to reporting the effect by making use of quantitative indicators.						

Ref.	Criteria	Requirements	DNV Findings
		be quantified or assessed by the Issuer.	
1d	Refinancing Share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	<p>In the Framework, the POSCO set the two years of look-back period, which is aligned with market practice.</p> <p>From the Framework <i>Eligible Projects may include the projects POSCO made during the 24 months prior to the issuance or signing date of the respective SFTs and during the life of the SFTs.</i></p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV Findings
2a	Investment-decision process	<p>The Issuer of a Sustainability Bond and Loan should outline the decision-making process it follows to determine the eligibility of projects using Sustainability Bond and Loan proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> A process to determine how the projects fit within the eligible Green and Social Projects categories identified in the Green/Social Bond Principles and Green/Social Loan Principles; The criteria making the projects eligible for using the Sustainability Bond and Loan proceeds; The environmental sustainability objectives, and the social objectives; and 	<p>The Framework states that POSCO has set up Sustainable Financing Working Group (“SFWG”) to oversee its ESG and Sustainability reporting, and the SFWG will be responsible for SFTs. The SFWG will meet at least one every 12 months to review and select eligible projects according to the Framework. The shortlisted projects will be presented to the Board of Directors for approval.</p> <p>From the Framework <i>POSCO has set up Sustainable Financing Working Group (“SFWG”) to oversee its ESG and Sustainability reporting, and the SFWG will also assume the responsibility of SFTs. The SFWG is composed of representatives from the below departments with the required level of expertise and seniority:</i></p> <ul style="list-style-type: none"> Finance Corporate Sustainability Operations Audit Legal <p><i>The SFWG will meet at least once every 12 months to review and select eligible projects according to the criteria outlined in Sections 2.1.1 and 2.1.2 mentioned above. The shortlisted projects will be presented to the Board of Directors for approval.</i></p>

Ref.	Criteria	Requirements	DNV Findings
		<ul style="list-style-type: none"> Complementary information on process by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project 	
2b	Issuer/borrower's environmental and social and governance framework	In addition to information disclosed by an issuer on its Sustainability Bond/Loan process, criteria and assurances, Sustainability Bond and Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental and social sustainability.	<p>Under the philosophy of corporate citizenship management, POSCO is striving to construct a sustainable supply chain and foster a responsible, environmentally-friendly steel ecosystem. Two of four major supply chain management strategies focus on environmental and social sustainability.</p> <ol style="list-style-type: none"> Fair, Transparent, and Ethical Management Practices: POSCO ensures full transparency by disclosing 100% of information about its sourcing groups. In addition, to prevent any potential unfair internal transactions, POSCO operates an Internal Transaction Review Committee, thus reinforcing its commitment to fair purchasing practices. ESG-oriented purchasing: POSCO is actively implementing ESG-focused purchasing by adopting a variety of measures. These include establishing a management system for responsible minerals, managing ESG risks, improving communication with both internal and external stakeholders, and creating the 'GEM (Go Extra Mile) Fund', which pairs POSCO with raw material suppliers on a one-on-one basis to generate social value. In 2022, POSCO embarked on seven initiatives with raw materials suppliers, focusing on addressing climate change and preserving biodiversity. <p>Moreover, POSCO has been encouraging all companies associated with the Company to uphold their responsibilities as global corporate citizens. The Code of Conduct is grounded in the Responsible Business Alliance (RBA) Code of Conduct, which encompasses labor rights, health and safety, environmental considerations, ethical practices, shared growth, and quality management. Every supplier transacting with POSCO is required to agree to this Supplier Code of Conduct.</p> <p>POSCO also implements Responsible Mineral Purchasing Policy. Since 2019, POSCO has been purchasing responsible minerals from five refineries and three suppliers that are all Responsible Minerals Assurance Process (RMAP²²) certified. Building upon the initiative related to conflict minerals such as tin and tungsten, the Company expanded its scope of management in 2020 to include cobalt, which poses potential risks of human rights violations, including child labor, during mineral mining. In</p>

²² The flagship program of the Responsible Mineral Initiative (RMI), the Responsible Minerals Assurance Process (RMAP) takes a unique approach to helping companies make informed choices about responsibly sourced minerals in their supply chains in the viewpoint of social and environmental sustainability.
<https://www.responsiblemineralsinitiative.org/responsible-minerals-assurance-process/>

Ref.	Criteria	Requirements	DNV Findings
			2020, POSCO also established the 'Responsible Minerals Council,' so as to unify its responsible minerals policy at a Group-wide level.

3. Management of Proceeds

Ref.	Criteria	Requirements	DNV Findings
3a	Tracking procedure	The net proceeds of Green Bond should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process that will be linked to the Issuer's lending and investment operations for Green/Social Projects.	<p>The Framework shows how POSCO plans to track the allocation of the proceeds in an appropriate manner. POSCO earmarks the eligible projects to the SFTs and will maintain a register to keep track of the allocation.</p> <p>From the Framework <i>POSCO's finance team will manage the net proceeds from each SFT issued and the proceeds of each SFT will be deposited in the general funding accounts. An amount equaling the net proceeds from each SFT will be earmarked for allocation to Eligible Projects, in accordance with the POSCO Sustainable Financing Framework.</i></p> <p><i>POSCO will maintain a register to keep track of the use of proceeds for each SFT</i></p>
3b	Tracking procedure	So long as the Green Bond/Loan is outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green or social investments or loan disbursements made during that period.	<p>The balance of the tracked proceeds through the register is periodically reduced by amount matching eligible green or social investments (at least once a year). The register will contain the following information.</p> <p>From the Framework 2.3.1. Type of Funding Transaction <i>Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number in the case of a bond transaction.</i></p> <p>2.3.2. Allocation of Use of Proceeds</p> <ul style="list-style-type: none"> <i>Name and description of Eligible Projects to which the proceeds of the SFTs have been allocated in accordance with the Framework</i> <i>Allocation of the proceeds of SFTs to Eligible Projects</i> <i>The balance of unallocated proceeds</i> <i>Information regarding temporary investments for unallocated proceeds</i>

Ref.	Criteria	Requirements	DNV Findings
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the Issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>The Framework clearly states that any proceeds pending allocation may be managed in line with POSCO's liquidity management policy, including investing the unallocated proceeds in cash or cash equivalents, as well as short term deposits and money market funds. POSCO is also committed to allocating all proceeds from the SFTs to Eligible Projects on a best effort basis within two years of the SFT issuance.</p> <p>From the Framework <i>Proceeds yet to be allocated towards Eligible Projects may be managed in line with POSCO's liquidity management policy, including investing the unallocated proceeds in cash or cash equivalents, as well as short term deposits and money market funds.</i></p>

4. Reporting

Ref.	Criteria	Requirements	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally and social sustainable impact.	<p>POSCO will publish the report which includes the allocation of the net proceeds of the SFTs on an annual basis. The report will include allocated amounts to eligible projects, unallocated amounts (including temporary investment), financing and refinancing share, and so on.</p> <p>From the Framework <i>POSCO will provide information on the allocation of the net proceeds of its SFTs in POSCO's ESG Reports and/or website. Such information will be provided on an annual basis throughout the life of outstanding SFTs.</i></p> <p><i>The published reports will contain at least the following details:</i></p> <p>2.4.1. Allocation Reporting <i>POSCO will provide the following information for the net proceeds of all the SFTs during the period:</i></p> <ul style="list-style-type: none"> <i>Aggregate amount of proceeds that has been allocated to Eligible Projects</i> <i>Amount of unallocated proceeds and type of temporary investment</i> <i>Share of proceeds use for financing vs. refinancing purposes, and</i> <i>Illustrative examples describing Eligible Projects to which SFT net proceeds have been allocated (subject to confidentiality disclosures)</i> <p>Where possible, POSCO will also report on the environmental and social impact associated with the Eligible Projects funded with the net proceeds of the SFTs.</p>

Ref.	Criteria	Requirements	DNV Findings	
			Eligible Categories	Impact Indicators ²³
			Energy Efficiency	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (tCO₂eq) Annual energy saved (MWh)
			Circular Economy	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided (tCO₂eq) Expected reduction of waste in number / weight (kg) of equipment units Percentage of scrap steel used (%)
			Pollution Prevention and Control	<ul style="list-style-type: none"> Annual waste (tonnes or % of total waste) that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount Annual estimated CO₂ sequestrated (tCO₂)
			Other Pollution Prevention and Control	<ul style="list-style-type: none"> Annual waste / dust emissions (tonnes or % of total waste) that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount
			Renewable Energy	<ul style="list-style-type: none"> Annual renewable energy generated or purchased (MWh) Total renewable energy capacity (MW) Annual GHG emissions reduced/avoided (tCO₂eq) % of electricity consumption from renewable sources
			Sustainable Water Management	<ul style="list-style-type: none"> Amount of water/wastewater recycled (litres) and % reduction Amount of water/wastewater reused (litres) and % reduction
			Employment Generation	<ul style="list-style-type: none"> Estimated number of full-time employments created, including female entrepreneurs / other targeted populations supported where available
			Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> Number of startups / SMEs supported or funded Number of students joining and graduating from entrepreneurship programmes Jobs created, supported, and/or retained

²³ Appropriate environmental and social impact indicators will be determined in reference to frameworks and resources published by ICMA, such as the Harmonized Framework for Impact Reporting June 2023. Visit <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/> for more.

POSCO will also leverage on the Guidelines for Calculating and Reporting Avoided Emissions Reduction in the Steel Industry, as presented in the introduction section



Schedule 4. Sustainability Bond or Loan Programme External Review Form

Section 1. Basic Information

Issuer name:

POSCO ("POSCO")

Issuer Framework Name, if applicable:

Sustainable Financing Framework (Nov 2023)

Independent External Review provider's name:

DNV Business Assurance Korea

Completion date of this form:

15 December 2023

Publication date of review publication:

15 December 2023

Section 2. Overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/GBS/GLP (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Management of Proceeds
 - Process for Project Evaluation and Selection
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones: In particular, TSCs of steel production from CBI were used for assessing green eligibility of POSCO's projects.

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Verification
- Other (*please specify*):
- Certification
- Scoring/Rating

Does the review include a sustainability quality score²⁴?

- Of the issuer
- Of the framework
- No scoring
- Of the project
- Other (*please specify*):

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?

²⁴ The external review may indicate the provider's opinion of the overall sustainability quality of a bond or bond framework and assess whether it has a meaningful impact on advancing contribution to long-term sustainable development.

- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond/ Green Loan?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY²⁵

Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways²⁶ that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically²⁷?

Overall comment on this section:

DNV focused on assessing whether the Framework is in alignment with the Relevant Bond and/or Loan Principles.

Section 3. Detailed Review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Does the review assess:

²⁵ Where issuers wish to finance projects towards implementing a net zero emissions strategy aligned with the goals of the Paris Agreement, guidance on issuer level disclosures and climate transition strategies may be sought from the [Climate Transition Finance Handbook](#).

²⁶ GHG emissions reduction targets that are in line with the scale of reductions required to keep the average global temperature increase to ideally 1.5°C, or at the very least to well below 2°C above pre-industrial temperatures. Science Based Targets Initiative (SBTi) is a branded verification body for science-based targets and SBTi verification is one way for issuers to validate the alignment of their emission reduction trajectories with science-based reference trajectories. In addition, ICMA has published a [Methodologies Registry](#) which includes a list of tools to specifically help issuers, investors, or financial intermediaries validate their emission reduction trajectories..

²⁷ Including information such as the respective contribution (e.g. %) of the different measures to the overall reduction, the total expenses associated with the plan, or the issuer's climate policy engagement.

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

DNV concludes that the eligible categories outlined in the Framework are consistent with the categories outlined in the GBP, SBP, SBG, GLP, and SLP, leading to positive environmental and social outcomes.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones.²⁸
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

DNV concludes that POSCO's Framework appropriately describes the process of project evaluation and selection by disclosing that the SFWG will meet at least once every 12 months to review and select eligible projects according to the Framework and the shortlisted projects will be presented to the Board of Directors for approval.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

DNV can confirm that the proceeds arising from the future issuances will be appropriately managed by reviewing that the Framework shows how POSCO plans to track the allocation of the proceeds, maintaining a register for the proceeds.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?

²⁸ The EU Taxonomy, CBI Taxonomy, UK Taxonomy, China catalogue, etc.

the frequency and the means of disclosure?

the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

DNV can confirm that POSCO is committed to disclosing necessary information in an appropriate manner by ensuring the allocation of the net proceeds of the SFTs (if possible, along with environmental and social outcome) is reported on an annual basis.

Section 4. Additional Information

Useful links (e.g., to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

<https://www.posco.co.kr/homepage/docs/eng7/jsp/climate/s91c6000010a.jsp>

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

See the above Schedule 2.

Additional assessment in relation to the issuer/bond framework/eligible project(s):

N/A

Review provider(s):

DNV Business Assurance Korea

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ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- 1. Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- 2. Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- 3. Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4. Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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