



Annie Burns-Pieper <annie@inclusivedevelopment.net>

Re: Forthcoming publication on human rights performance of ESG rating firms and index providers

POSCO ESG Group <sydoh@posco.com>

Fri, Feb 18, 2022 at 3:24 AM

To: annie@inclusivedevelopment.net

Cc: sustainability@posco.com, dustin@inclusivedevelopment.net

Dear. Annie Burns-Pieper

We apologize for late response due to long holidays and governance changes.

Please refer to below our comments reply to your request.

The Shwe Project was initiated in the year 2000 pursuant to the Production Sharing Contract(PSC) concluded between the state-owned Myanmar Oil & Gas Enterprise(MOGE) under the Ministry of Electricity & Energy(MOEE) and POSCO International. The revenue generated from the project is distributed between the Myanmar government and the project consortium partners, and the government's portion is paid to the bank account of the Myanmar Foreign Trade Bank(MFTB) run under the Ministry of Planning and Finance.

POSCO International bears the responsibility to fulfill its obligations under the PSC as an operator of the project in accordance with the contract signed with MOGE pertaining to the State-Owned Economic Enterprise Law of Myanmar, and is faithfully assuming such responsibilities to date. The Shwe Project is jointly implemented by a consortium of global partners, involves a complex series of contracts amongst investors, Project and pipeline operators, gas purchasers. Therefore any breach of contract may give rise to huge contractual liability issues. In particular, we are highly concerned about our exploration and production rights to be at risk if we are in breach of certain responsibilities under the project contracts. In addition, if the Shwe Project comes to a halt, this will suspend fuel supply to gas-fired power plants in Myanmar to further reduce Myanmar's power generation and result in economic slowdown through fiscal contraction and loss of jobs, taking a substantial toll on the everyday life of people in Myanmar. Also, our withdrawal from the Shwe Project, be it a voluntary decision or forceful termination resulting from a breach of contract, will not achieve its intended purpose in diminishing returns to the Myanmar government, rather this may result in a windfall to MOGE as they would gain control of the assets, the entire revenue stream and the right to operatorship.

Given the severity of the state of emergency in Myanmar, POSCO International is fully aware of international concerns and hopes more than anyone that the present situation in Myanmar would be resolved peacefully and promptly. Practical measures are being taken in order to mitigate the situation such as closing our trading subsidiary, delaying land lease payment of Lotte Hotel Yangon, carrying out emergency refugee relief activities and so on.

Sincerely,
POSCO ESG Group

----- 원본 메시지 -----

발신인: "Annie Burns-Pieper" <annie@inclusivedevelopment.net>(2022.01.29 00:59)
수신인: 도상엽 <sydoh@posco.com>
참조인: sustainability@posco.com, "Dustin Roasa" <dustin@inclusivedevelopment.net>
제 목: Re: Re: Forthcoming publication on human rights performance of ESG rating firms and index providers

Hello, thanks for your response. Yes we can wait a maximum of two weeks.

Best,
Annie

On Thu, Jan 27, 2022 at 9:41 PM POSCO ESG Group <sydoh@posco.com> wrote:

Dear. Annie Burns-Pieper

Thank you for contacting us. we have been communicating with the relevant departments concerning your email.

However, we are about to have a lunar new year's holiday for next whole week. so could you extend the deadline of our response to 1 or 2 weeks?

It would be appreciated if you would understand.

Sincerely,
POSCO ESG Group

----- 원본 메시지 -----

발신인: "Annie Burns-Pieper" <annie@inclusivedevelopment.net>(2022.01.22 00:28)
수신인: sustainability@posco.com, webmaster@posco.com, ir@posco.com, 윤리경영사무국 <ethics@posco.com>
참조인: "Dustin Roasa" <dustin@inclusivedevelopment.net>
제 목: Re: Forthcoming publication on human rights performance of ESG rating firms and index providers

sustainability@posco.com

webmaster@posco.com

ir@posco.com

ethics@posco.com

January 21, 2022

Re: Forthcoming publication on human rights performance of ESG rating firms and index providers

Attention: POSCO

We are writing regarding research that our organization, Inclusive Development International, is conducting into the human rights performance of ESG financial services providers, including index providers and ESG rating firms. We will be publishing a series of reports, beginning in late February.

We have been investigating ESG funds that are investing in companies with documented, ongoing ties to Myanmar's military. Your company is included in this list. Based on our research we are planning to publish the following information in a database that will show what ESG funds are invested in your company.

"POSCO is a large South Korean conglomerate that specializes in steel and steel products (1). POSCO has extensive ties throughout Myanmar.

A POSCO subsidiary POSCO International owns 51% of the Shwe Natural Gas Project in the Bay of Bengal. In 2020 the gas field created \$600 million in sales (2). According to Justice for Myanmar, for POSCO International to obtain access to these concessions it had to sign a profit-sharing agreement with the military-backed Myanma Oil and Gas Enterprise (MOGE). Gas is the Myanmar military's biggest source of revenue, and during 2018 and 2019, MOGE earned \$193.9 million in revenue from POSCO alone (3).

According to the 2019 UN report on the economic interests of the Myanmar military from the Independent International Fact-Finding Mission on Myanmar, two POSCO subsidiaries,

POSCO Coated and Color Steel Co LTD and POSCO Steel Co. each operate a Burmese joint venture company with the Myanmar military-owned company MEHL(4).

In 2017 POSCO's trading arm Daewoo built a 5-star hotel in Yangon (5). The land rent for the hotel goes to the Quartermaster General's office. That office buys equipment and weapons for the military according to Justice for Myanmar(6).

1. <https://www.forbes.com/companies/posco/?sh=73320f147a6a>
2. <https://thediplomat.com/2021/06/how-a-south-korean-gas-project-got-caught-up-in-the-myanmar-coup/>
3. <https://www.justiceformyanmar.org/stories/mapping-the-myanmar-military-cartels-global-reach-through-posco>
4. <https://www.reuters.com/business/skoreas-posco-cc-says-end-myanmar-military-backed-joint-venture-2021-04-16/>

&

Orbis Database Accessed 12/13/2021

5. <https://newsroom.posco.com/en/yangon-myanmar-gets-new-landmark/>
6. <https://www.justiceformyanmar.org/stories/mapping-the-myanmar-military-cartels-global-reach-through-posco>"

We are writing to you in advance of publishing to ensure that our information is accurate. If there is anything inaccurate in the above description please provide corrections with evidence as soon as possible so we have an opportunity to revise our database. If we do not hear back from you by February 4, 2022, we will conclude that the information we have presented is correct.

Inclusive Development International is an international human rights organization that supports affected communities to defend their rights and the environment in the face of harmful corporate activities.

This work is part of a research and advocacy project that explores the role of ESG investing in promoting responsible corporate conduct and examines the performance of key actors within the ESG industry in meeting their responsibilities under the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

We require a response by February 4, 2022 to ensure we have time to make any changes.

Regards,

Annie Burns-Pieper

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Annie Burns-Pieper
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