

Corporate Governance

POSCO continues to refine its corporate governance to protect the independence of its board of directors (BOD) and the rights of its shareholders under the "Corporate Governance Charter". As part of the efforts to enhance its transparency, POSCO has established a BOD operational structure that centers on outside directors who act as the chair of the BOD or BOD's expert committees. In addition, outside directors convene exclusive meetings on a regular basis, which institutionally secures the opportunity to make independent decisions on important issues of the BOD. Also, POSCO has adopted cumulative and absentee voting system to significantly enhance the rights of shareholders, and operates the Internal Transactions Committee to ensure transparent and fair transactions with those parties who hold a special relationship with POSCO, such as its affiliates.

In 2006 the CEO position was separated from the Board's chairmanship in order to secure the independence of the BOD and its audit function over the company's management. The CEO Candidate Recommendation Committee was organized in 2007 and its operating principles were designed to ensure a transparent procedure for electing the CEO.

In 2010, the BOD and Expert Committee Activity Evaluation System (BOD Self-Evaluation System) was introduced to enhance external credibility, and announced the Outside Director Code of Ethics to ensure responsible and transparent activities of outside directors. In 2011, the operating rules of the Director Candidate Recommendation Committee were established for fair and transparent operation and the BOD operating rules were revised for more than one Expert Committee to review matters related to inside transaction to secure expertise and fairness, ultimately, to strengthen the roles and rights of outside directors as well as expert committees.

Board Composition

POSCO's Board of Directors is comprised of 5 standing directors and 7 independent outside directors. Standing director candidates recommended by the company are screened by the Director Candidate Recommendation Committee, which recommends the final candidates to the General Shareholders' Meeting for appointment decision. As for outside directors, the Outside Director Selection Consulting Group comprised of 5 reputable experts from various fields select a threefold of candidates, the Director Candidate Recommendation Committee evaluates them, and the final decision is made at the General Shareholders' Meeting. In 2011, a total of 9 board meetings were held and the attendance rate of standing and outside directors was 100%. Major issues addressed include the 2012 management plan, mid-term strategic planning for the year 2014, purchase of additional stake in Brazilian iron ore miner Namisa, a joint venture between Brazil's Vale SA, contribution to the POSCO Educational Foundation, and other charity donations.

Major activities of the BOD (January ~ December 2011)

1	01.13	<ul style="list-style-type: none"> Approval of the 43rd financial statements and convening of the Annual General Meeting (AGM) of shareholders 	<ul style="list-style-type: none"> Acquisition of stake in KB Financial Group and disposal of treasury stock
2	02.01	<ul style="list-style-type: none"> Decision of the 43rd AGM agenda items Funding plan for the first half of 2011 	<ul style="list-style-type: none"> New investment in non-oriented electrical steel production facilities of India Recommendation for standing director candidates
3	02.22	<ul style="list-style-type: none"> Suggestions for improving the BOD operation 	
4	02.25	<ul style="list-style-type: none"> Appointment of the BOD Chair Appointment of the members of Subcommittees 	<ul style="list-style-type: none"> Appointment of the CEO and assignment of standing director Approval of appointment of the Executive Officers
5	03.25	<ul style="list-style-type: none"> Zirconium/ Titanium mine joint venture project 	<ul style="list-style-type: none"> POSCO-National Pension investment (plan) in global project fund
6	05.13	<ul style="list-style-type: none"> Joint venture between Brazil's Vale SA Capital increase and payment guarantees for the extension of POSCO-MEXICO galvanized steel plant. Investment plan for facility improvements for POSCO AST 	<ul style="list-style-type: none"> Issuance of exchangeable bond (using SKT ADR) Contribution plan to the POSCO Educational Foundation Revision of the remuneration standard for the directors
7	08.11	<ul style="list-style-type: none"> Purchase plan of additional stake in Namisa Funding plan for the second half of 2011 Interim dividends for 2011 plan 2011 transaction plan of POSCO P&S 	<ul style="list-style-type: none"> 2011 Transaction Plan of Daewoo International Improvement suggestions for long-term incentive system Donation for flood victims
8	11.04	<ul style="list-style-type: none"> Disposal plan of stake in POSCO E&E Change in rental agreement with POSCO Chemtech for limestone calcination facility in Pohang and Gwangyang 	<ul style="list-style-type: none"> Adjustment of the Director Candidate Recommendation Committee members
9	12.16	<ul style="list-style-type: none"> Mid-term management strategy for 2014 2012 Management plan Disposal of shares to enhance financial soundness Disposal of stake in Macarthur Coal, Australia 	<ul style="list-style-type: none"> Year-end charity donations Operation (plan) of the CEO Candidate Recommendation Committee

Subcommittees

POSCO BOD has 6 subcommittees and 5 of these, excluding the Management Committee, are chaired by outside directors. The Management Committee is in charge of the review and discussion for steel investment decisions and chaired by standing directors. The Audit Committee, Evaluation & Compensation Committee and Internal Transactions Committee are comprised solely of outside directors to ensure independent decision-making.

Composition and Responsibilities of Subcommittees (As of Mar. 16, 2012, Major Issues Addressed as of the end of 2011)

 Standing directors  Outside directors

Director Candidate Recommendation Committee



Chairman : Lee Youngsun

2011 meetings : ●●●●●●(8 times)

Major Issues Addressed : Qualification evaluation of standing director candidates, Selection of subcommittee members, Operation plan of outside director candidate advisory group

Evaluation and Compensation Committee



Chairman : Byun Daegyung

2011 meetings : ●●●(3 times)

Major Issues Addressed : Evaluation of the corporation's business results, Revision of criteria for director remuneration

Director Candidate Recommendation Committee



Chairman : Lee Changhee

2011 meetings : ●●●●●●●●(8 times)

Major Issues Addressed : Performance Evaluation of the activities of the Audit Committee and 2011 internal audit results

Director Candidate Recommendation Committee



Chairman : Nam Yong

2011 meetings : ●●●●●●●●(8 times)

Major Issues Addressed: Qualification evaluation of standing director candidates, Selection of subcommittee members, Operation plan of outside director candidate advisory group

Internal Transactions Committee



Chairman : Lee Changhee

2011 meetings : ●●●●●●●●(8 times)

Major Issues Addressed : Contribution to the POSCO Educational Foundation, Sale of POSCO E&E shares

Director Candidate Recommendation Committee



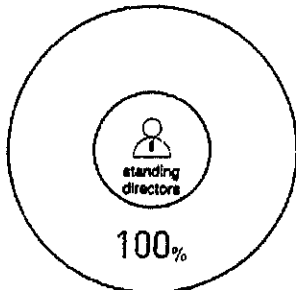
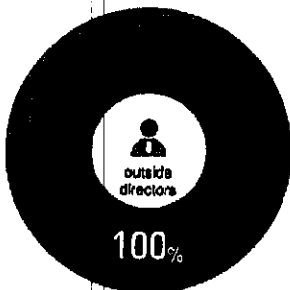
Chairman : Chung Joonyang

2011 meetings : ●●●●●●●●●●●●(14 times)

Major Issues Addressed : Plan of the 303th issuance of the public offering bond, Increase of dust collecting capacity of stainless steel 2/3 steel making, New investment in non-oriented electrical steel production facilities of India, Fe Powder Project, and the Construction of Gwangyang Family Center.

Attendance & Compensation

Attendance Rate



Compensation

Remuneration Limit	7.0 billion KRW
Amount paid	5.1 billion KRW

- Director remuneration: basic salary + performance salary + incentive, details are decided at the BOD Meeting after being deliberated by the Evaluation and Compensation Committee
- CEO performance salary: qualitative and quantitative appraisals of the corporation's business results.
- Standing directors and executive officers performance salary: company's business results and their individual performance evaluation by the CEO.

Business Ethics

POSCO implements various activities for the POSCO Family that includes subsidiaries and overseas business sites. These activities include continued education and campaigns, and building ethical infrastructure so that employees can adhere to the basic and principles of corporate ethics in their day-to-day work.

Education and Campaigns for Employees

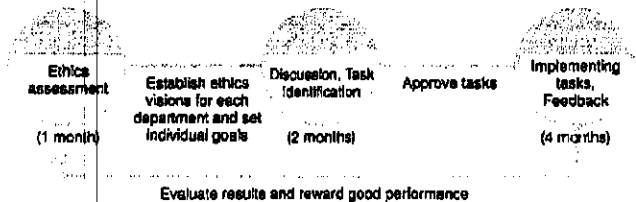
We believe it is the first priority to offer employee education to help them establish a strong set of values to make the business ethics part of our corporate culture. The Ethical Leadership Education is provided yearly for the leader group, Visiting Ethics Class is targeted at the employees working in the departments such as operation, purchase, and outsourcing who directly interact with stakeholders, and "the Ethics Education with the Executives" is a program where executives themselves teach corporate ethics to employees.

Not only that, we provide ethics classes for those newly hired and promoted and Corporate Ethics e-Learning course for all the POSCO employees, which is a mandatory 5-hour course a year. Corporate ethics webzine "Olbareumi" is published monthly for all the POSCO Family employees including outsourcing partners. Other than that, POSCO is utilizing various channels including pop-up window campaign, in-house journal and broadcasting system to enhance ethical awareness in the workplace.

Building and spreading Ethics Infrastructure

Pledge to honor the Code of Conduct	<ul style="list-style-type: none"> Conducted on-line by all the POSCO Family employees around the world at the beginning of each year
Publication of CEO Message about Ethics Management	<ul style="list-style-type: none"> Determination about ethical management delivered at the beginning of each year and on June 2, when the Code of conduct was declared. Non-ethical behaviors should be reported to executives not just to senior managers, starting from 2011 Reflecting the results of ethics program in the evaluation for selecting heads of departments, adding ethical practice category to the criteria for appointing employees
Enhanced Responsibilities for Disciplinary Action against Non-ethical Behaviors	<ul style="list-style-type: none"> Bribery is reported to the police and disciplinary measures are published on the company's Intranet. Executives and title holders are held accountable for non-ethical behaviors of an employee and disciplinary measures are taken for their failure of proper management when necessary. Achievements in 2011: 286 employees and 18 executives of POSCO and its subsidiary companies were submitted to disciplinary action.
Reward for reporting non-ethical behaviors (2004~)	<ul style="list-style-type: none"> Reports for ethical violations to the Ethical Counseling Center or the Cyber Ombudsman Center on POSCO's website, by phone/fax/mail/internet Achievements in 2011: upward adjustment of compensation up to 1 billion KRW
Gift Return Center (2003~)	<ul style="list-style-type: none"> Gifts received during the traditional holidays that weren't returned are donated to charities, and those that cannot be donated are sold through internal on-line auctions and the proceeds are used for social contribution funds Achievements in 2011: 232 gifts were returned the proceeds of the internal auction totaled 12 million KRW
Wreath sent to congratulate promotion were auctioned as well (2009~)	<ul style="list-style-type: none"> All proceeds were donated to charity Achievements in 2011: Total proceeds stood roughly at 5.4million KRW
Donation of the Gift Money and Lecture Fees	<ul style="list-style-type: none"> The gift money from stakeholders or fees from lectures outside the company were donated to charities. Achievements in 2011: 141 cases (6 cases of gift money/ 135 cases of lecture fees) were received and the total amount was over 70 million KRW.
Corporate Ethics Practice Leader Program	<ul style="list-style-type: none"> 1 leader for each division (total 123 persons) is appointed to act as ethics ombudsman.

Process of the Ethics Practice Program



Participants : All the employees of the 10 POSCO subsidiaries including subsidiaries
 Period : May to November every year (7 months)
 Content : 3-step process of assessment, identification, and improvement
 * Introduced in 2005 benchmarking Session D, GE's Compliance Program

Ethics Management, Growth with POSCO Family

POSCO builds ethics infrastructure to spread ethical management throughout the POSCO Family including its subsidiaries, outsourcing partners, and suppliers. Under the "POSCO Family Ethics Practice Program," all the employees participate in identifying and improving ethical risks under the supervision of the division head. In 2011, POSCO and its 9 major subsidiaries joined the program. The departments and subsidiaries with outstanding results are rewarded and the results are also reflected in the employee evaluation.

POSCO encourages ethical management to outsourcing partners as well, spreading the values of ethical management and providing support. Since 2010, POSCO has provided guidelines for the basic system and infrastructure of ethical management to those outsourcing companies that do not have an internal auditing system yet. Presentations on ethics management have been delivered to suppliers as well as outsourcing partners, including the 2011's regional presentation for 1000 major suppliers and their management to promote POSCO's determination about ethics management and its system. In addition, a special clause on ethics is included when a contract is signed between POSCO and an outsourcing partner, under its consent. The clause institutes corresponding sanctions in case of unethical actions, such as bribery, that occur in the course of transactions.

Risk Prevention at the Global Business Level

Ethical management is an essential element in becoming a true global leader. POSCO supports overseas branches and offices to prevent ethical risks while offering ethics education tailored to the needs of the expatriate employees. The directors of overseas branches and employees to be dispatched overseas were called in to receive education on eight occasions in 2011. Also, programs to foster ethical management have been available for expatriates and locally hired employees. In 2011, staff from the Ethics Committee visited 26 overseas branches in Myanmar, Vietnam, and China, and performed ethics practice diagnosis and education as well as ethics coaching to 180 expatriate employees and local employees.

Moreover, POSCO established and started to execute the "Foreign Corrupt Practices Act Guideline" in 2011 in order to respond proactively to the FCPA (Foreign Corrupt Practices Act). The FCPA is a United States federal law to prohibit corruption and fraudulent accounting for the companies listed on a U.S. stock exchange and its enforcement scope is being expanded. The guideline consists of 11 articles covering compliance procedure and method, prohibited actions, internal control, and education, including prohibition of bribery in any form to local or foreign officials. Related details have been included in the 2011 Code of Conduct and the Employee's Pledge to honor the Code of Conduct. Exclusive FCPA line is in operation for reporting alleged cases of violation and counseling. In order to ensure FCPA compliance of domestic and overseas branches, intensive courses are provided for expatriates and locally hired employees, soon-to-be-dispatched employees, and subsidiaries and the Family FCPA Compliance Committee was established to review and monitor the results at its quarterly meetings.

Foreign Corrupt Practices Act Guideline (summary)

• Abiding by the FCPA

POSCO employees and executives will abide by the laws and regulations including the Foreign Corrupt Practices Act. In case of violations, complete immunity will not be granted even if the action at issue was acceptable as customary and generally accepted business practice.

• Prohibitions and Exceptions

No money or anything of value shall be given to an official, which benefits the official, except when convenience was offered to facilitate business proceedings that are commonly accepted as customary.

• Third Party Agent and Joint Investment

Even in the cases where POSCO makes transactions with an official through a third party, the FCPA must be observed.

• Internal Control and Audit

Books and records should be kept accurately and fairly to reflect business transactions. Any expenditures and/or asset dispositions not recorded in the books is strictly prohibited.

• Education

Employees and executives who meet officials on a regular basis must receive education on the basic regulations of the FCPA and/or the FCPA Guideline such as legal and ethical restrictions accompanied when doing transactions with an official.

• Reporting and Protection of Internal Whistleblowers

When a person has become aware of violations or has suspicions of possible violation, he/she must report to his/her superior, Compliance Committee, or Corporate Ethics Team. The whistleblower who reported an act of violation or possible act of violation must be completely protected as not to be put at any disadvantage in relation to employment or any other matter.

• Penalties

POSCO employees or executives who have violated the FCPA in their course of duties may be subject to penalties in accordance to employment regulations and award/penalty regulations, as can an employee or an executive who has not cooperated with the execution of the FCPA or Guideline. In case an employee or executive has been fined for a civil or criminal offense, he/she will not be reimbursed from the company.

Human Rights Management

POSCO is committed to protecting human rights based on its principle of respecting humanity. Our goals are to create work environment where no employees are discriminated against and to grow with all communities we belong to.

○ "Human rights" Provisions, ○ the Code of Conduct (As of May 2012)

Our commitment to our employees

- We will respect the creativity of each individual and provide equal work opportunities to create an environment where they can achieve their full potential.
- We will not discriminate on the basis of alma mater, birthplace, gender, age, religion, or any other criteria unrelated to job qualifications.
- We will foster a win-win corporate culture built on mutual trust and understanding.

Our commitment to local, national and global communities

- We will abide by all national laws and regulations as a socially responsible corporate citizen.
- We will respect the traditions and culture of local communities as we work to prosper and grow with them.
- We will comply with international conventions on human rights, the environment, culture, and trade as well as local laws and accounting standards in every country we operate in.

Human Rights Management based on the Code of Conduct

POSCO upholds its principle of protecting human rights through ethical practices. In compliance with its Code of Conduct, POSCO is trying to eliminate discrimination on the basis of alma mater, birthplace, gender, age, or religion and to create a competitive corporate culture where diversity is embraced. POSCO complies with international regulations and local laws and respect cultures and customs of different countries.

Protecting Human Rights through Ethical Practices

To prevent it from being a mere ideological declaration, POSCO implements the philosophy of respecting human rights through practical systems and campaigns in order to have it embedded in daily activities. The Ethics Counseling Center receives cases where human rights were violated and takes appropriate measures. In 2011, the Ethical Dilemma Casebook was published as well, which introduces possible solutions when faced with ethical dilemmas to help employees to practice ethics at work. POSCO is also actively involved in preventing sexual harassment by developing an e-learning education course and operating a Sexual Harassment Helpline. POSCO's Code of Conduct states, "The company shall not discriminate based on sex in the treatment of the employees including employment, assignment, promotion, compensation, education, and retirement."

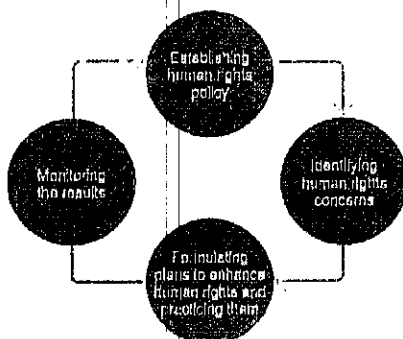
POSCO abides by the Standards of Child and Compulsory Labor and Discrimination Convention of ILO in all its business activities. Freedom of association is guaranteed at all workplaces. In order to promote the employment of the disabled and members of other social minority groups, POSCO runs four social corporations; POS Eco Housing Co., POSPLATE, and SongdoSE as well as POSWITH, the first government-certified standard workplace for the disabled in the form of a subsidiary.

Human Rights among POSCO Family

POSCO Family employees around the world are at the forefront of realizing the values of respecting human rights in the workplace. POSCO included the aspect of "human rights" into the "Assessment of the POSCO Family's Sustainability Management Competence," implemented since 2011 to raise awareness on international human rights standards among POSCO Family employees and help them better understand the major human rights issues, domestic and overseas.

Major indicators were developed to assess human rights compliance; human rights policy, understanding of the present condition, human rights management of business partners, and the cases of human rights violation. The indicators were organized in a way to help promote human rights protection and evaluate the performance by establishing human rights policy, identifying human rights concerns, formulating plans to enhance human rights and practicing them, and monitoring the results, finally to integrate human rights into business management. POSCO supports subsidiaries through programs where they can share improvements and best practices at home and abroad to raise the overall human rights compliance of the POSCO Family. At the same time, the assessment results will be reflected in creating the POSCO Family Human Rights Code based on the international standards. In 2012, the application of performance indicators will be expanded to include more POSCO Family employees.

Human Rights Compliance Model



1 CASE STUDY

Orissa Project

Prior to starting an overseas business, POSCO strives to identify the environmental, social and economic impacts it could have on the region and to communicate with the local community to minimize negative impact. After signing an MOU with the Orissa state government for the construction of a 12 million ton integrated steel mill in 2005, POSCO conducted their-party evaluation of the environmental, social and economic impacts prior to the launch of the project. POSCO acquired environmental approval from the Minister of Environment and Forests of India after submitting a comprehensive evaluation report of environmental impact on the infrastructure including port with capacity for 12 million tons and roads, which was more extensive than legally required. Also, we had the National Council of Applied Economic Research of India perform evaluation of social and economic impact on the region.

POSCO strives to grow together with the local community by actively investing in the state of Orissa, which has a great growth potential but economically disadvantaged. POSCO invited the local residents to brief how the state would look like with the project and listen to what they had to say. While making efforts to ease their groundless anxiety POSCO asked the state government for help to keep security for the development project to benefit the local residents most. Also, POSCO organized RPDAC (Rehabilitation and Periphery Development Advisory Committee) comprised of the residents, politicians, NGOs, government officials, and POSCO-India on the basis of the state policy of resettlement.

POSCO finalized the R&R (Rehabilitation & Resettlement) through the resolution of the committee. POSCO's R&R Package is agreed upon by stakeholders of the project and considered offering far better terms than the guideline the Orissa state government suggested in its standard and scope of compensation. In January 2011, the Indian Government carried out reinvestigation and environmental re-approval was made under three conditions- Invest 2% of profit in social contribution, avoid possible areas of coastal erosion and dedicate 25% of the steel sites to green lands. POSCO has conducted an inspection to get a clear understanding about human rights, social and environmental issues around the project in collaboration with POSCO Research Institute in 2012. Based on its results, POSCO will continuously communicate with the stakeholders to carry out the project more effectively with the focus on mutual growth with the community by supporting the economic independence of local residents.

* R&R Package: Compensation Package for Displaced Residents

Table of Progress

2005~2009	2010	2011
<p>2005 Jun. MOU with the Orissa Gov.</p> <p>2007 May. Port environmental approval /cancellation for coastal preservation</p> <p>2007 Jul. Environmental approval for mill construction</p> <p>2009 Dec. Cancellation for forests preservation from the Indian Gov.</p>	<p>2010 Jul. Compensation price decided at the Compensation Advisory Committee</p> <p>* Socio-Economic Assessment carried out prior to establishment of the committee</p>	<p>2010 Aug.- 2011 Jan. Indian Gov. reinvestigates and conditionally re-approves Environmental approval</p> <p>• Conditions of Approval</p> <ol style="list-style-type: none"> 1) Environmental Approval <ul style="list-style-type: none"> - Dedicate 25% of the steel sites to green lands - Invest 2% of profit into CSR activities 2) Port Construction Approval <ul style="list-style-type: none"> - Take measures to prevent coastal erosion - Should further acquire approval for fishing boat Jetty and the use of coastlines for wastewater discharge pipelines 3) Converting forests <ul style="list-style-type: none"> - The Orissa state government should submit official report confirming that no person has lived in the forest area for 75 years and nobody is dependent on the forest or forest land for livelihood.
		<p>2011 May</p> <p>Indian Gov. approves to the Orissa Gov. for forest conversion (under the assurance of no person living in the forest area)</p> <p>11.4.13 Orissa Gov. submits report on confirmation of Forest Regulations Implementation to the Central Ministry of Environment and Forest</p> <p>Orissa Gov. submits opinion to Indian Gov. about the two petitions (2011.4.14) from the local opposition group.</p>

2 CASE STUDY

Family-Friendly Management (Creating Work Environment for Women)

In 2011, POSCO was authenticated as a family friendly corporation by from the Ministry of the Gender Equality & Family. POSCO, as a family-friendly company, is trying its best to create a favorable work environment for female workers and to support for their growth. POSCO believes it will bring out the fullest potential of female workers contributing to the competitiveness of the company as well as ensuring diversity of the organization. In particular, POSCO helps relieve some of the childcare burden of its employees through childcare centers, and contributes to increasing the birthrate.



- 4 teams - 2 shifts per day : balancing work and life (Refer to page 70 "Employees" section)
- Create work atmosphere for women : embracing diversity and enhancing competitiveness.

Providing Childcare

- Childcare centers - The daycare centers in Pohang, Gwangyang, and Seoul accommodate up to 100, 100, and 80 children respectively. They help relieve the childcare burden, expand female employment, and contribute to increasing the birthrate.
- Resting room for female workers - Especially for mothers and expectant mothers can take a rest and breastfeed their babies.
- Maternity Leave - Offers maternity leave of up to 2 years, twice the time legally guaranteed.
- Monthly leave for infant diagnosis - Offers a monthly day-off for diagnosis for the health of mother and infant

Support for Female Workforce Growth

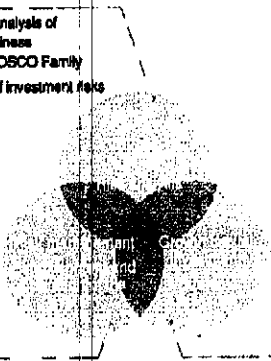
- Mentoring Day for Women - Female employees meet their role models and learn about leadership from them in Pohang, Gwangyang, and Seoul.
- Leadership Programs outside the company - Supports for female workers to join forums and workshops to encourage networking with others and motivate for further growth
- Communication channel among female employees: Operates "Women Leadership," an in-house on-line study group, where female employees share information and concerns.

Risk Management System

Amidst increasing uncertainties in the business environment, POSICO focuses on identifying potential risk factors and preventing them with the belief that managing risks is as important as gaining competitiveness. Through these efforts, POSICO will maintain a friendly relationship with stakeholders and secure the engine for sustainable growth as well as preventing risks in advance.

Improving Growth Capital Investment Risk Management System

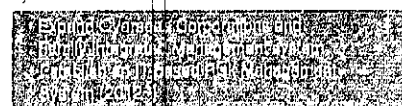
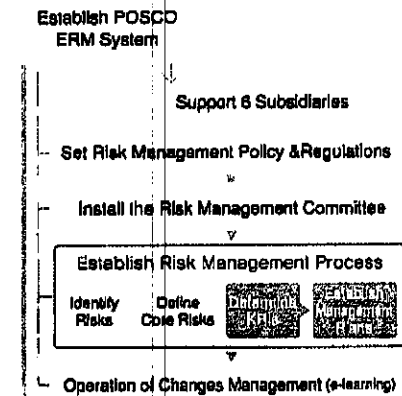
- Special Analysis of Core Business of the POSICO Family
- Review of Investment Risks



- Create the Guide for Risk Factors
- Set the standard for target profit of invested project
- Establish management plans for capital investment projects
- Analyze investment portfolio
- Develop investment decision-making tools

Establish an Integrated Family Risks Management System

2011 2012 2013



ISO31000 Certificate (2013)

ERM

Introducing Enterprise Risk Management System

POSCO has been establishing the Enterprise Risk Management system (ERM) to integrate risk management activities conducted separately by each department since 2010. An ERM team was launched under the Strategic Planning Division in 2010 to be in charge of establishing an enterprise-wide risk management system. The ERM group will play a role as the control tower when it comes to risk management and its responsibilities include planning of risk management activities, identifying core risks and major risk indicators, and operating the risk management committee.

Directions of the ERM System

POSCO built a system to manage growth capital investment-related risks in 2010 and plans to gradually phase in the ERM process to complete an integrated risk management system on the Family level till 2013. Firstly, we enhanced the deliberation process for the new investment to establish growth investment risk management system. Also a set of preventive measures were prepared including the Guide on Risk Factor, especially for investment. At the same time, risk monitoring and responses have been improved through in-depth analysis of the on-going projects and portfolio analysis. Secondly, we established risk management policy and instituted risk management regulations as the primary reference for compliance to set the direction of the 2011 ERM system and express the determination about risk management. Based on that, POSICO is currently establishing a risk management process to proactively responding to core risks.

Risk Management Organization

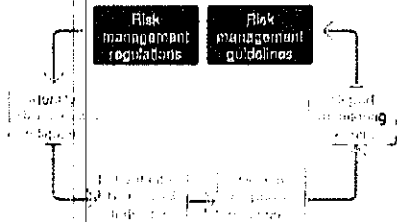
POSCO is operating the Risk Management Committee, ERM Group, and other departments to help manage risks of subsidiaries to ensure smooth operation and effective monitoring of risk management. The Risk Management Committee is a general consultative body in charge of managing entire business risks, whose responsibilities include deliberation of general directions, policy and regulations, limit and overall planning of risk management and other related issues. The ERM Group establishes an integrated monitor and response system to meet the ISO31000 standards, helps subsidiaries establish their own ERM system on a regular basis, and evaluates risk management activities on the Family level. Risk management organizations of related departments and subsidiaries are responsible for managing core risks unique to their own fields.

Risk Management Process

Focus on Core Risks

POSCO is enhancing its risk prevention by identifying core risk factors and create plans to manage those risks in connection with management strategies and yearly goals. We select core risk of the enterprise through risk pooling and evaluation, derive Key Risk Indicators from the causal analysis of selected risks, and minimize the occurrence of risks through monitoring and improvement efforts.

Risk Management Policy



Core Risk Monitoring and Management

POSCO categorized core risks into investment, financial, and operational risks, to establish a system where KRIs by each category are identified and reported to the management in a timely manner. At the same time, the evaluation results of risk management is reported to the Risk Management Committee, which can monitor the implementation of the risk management activities in compliance with the company's policy and regulations.

Change Management to Spread Risk Management

POSCO runs e-learning courses and other educational programs to help employees understand the importance of the risk management and actively promotes ERM via various internal and external media and meetings, where employees can exchange information on ERM. All our efforts are to spread atmosphere to manage risks in advance among the POSCO Family.

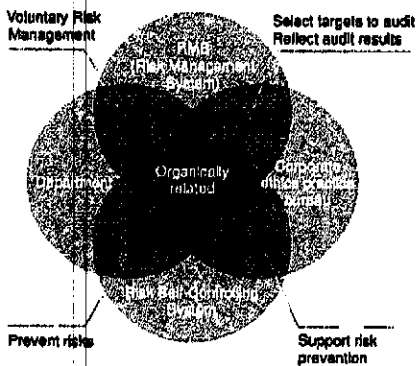
RMS

Establish Risk Self-Controlling System

POSCO built the RMS, a company-wide risk management system in 2004 for efficient management of risks. The system classifies the work process systematically, determines risks by process, and evaluates them according to their grade. Well aware that risk management should start at the site, POSCO is putting the Risk Self-Controlling System in place so that each department can manage their own risks.

RSS helps prevent risks from expanding by immediately sending an e-mail notice as soon as a potential risk is detected. For two years from 2008, RSS reported a total of 110 risk signals in the fields of purchase, sales, investment, service, and operation, and in 2011, more than 40 risk signals in raw materials and outsourcing were reported.

Organization Chart of Risk Management



Enhancing Risk Preventive Measures

POSCO accumulates auditing know-how through the audit management system and make systematic efforts to prevent the same risks from recurring. In 2011, POSCO assessed the management of 14 subsidiaries at home and abroad and took administrative measures for the 654 problem cases, worth 2.1 billion KRW. Also, we were able to reduce management risks by assessing and improving the process of new subsidiaries including Daewoo International. In 2012, POSCO plans to expand the management assessment of new subsidiaries and strengthen the prevention of the violation risk of the international anti-corrupt regulations for more effective risk management as it strives to accomplish its vision in 2020.

Internal Control of Financial Report

POSCO has been conducting self-evaluation of internal control since 2004 after establishing an evaluation system of financial reporting process including CEO/CFO approval procedure on internal control, and the operation of the Public Announcement Committee in December 2003.

Internal Control Evaluation System

Internal control and its effectiveness are to be evaluated by the third party to help the management make approval decisions. The management report on the operation of the internal control system every year to the BOD and the Audit Committee in accordance with the law on Corporations and External Audit revised in 2008.

Stakeholder Engagement

POSCO continuously communicates with our stakeholders the belief that corporate management starts with stakeholders. In 2011, POSCO announced its goal of becoming a "Firm of Endearment" to set forth its management principle from the stakeholder's perspective. Based on this principle, POSCO will strive to achieve sustainable development growing together with all stakeholders of the company.

Firms of Endearment

In June 2011, POSCO expressed its determination to become a "Firm of Endearment", going beyond being a great company to its stakeholders in and outside the company. To this end, POSCO divides stakeholders into six categories of society, partner, investor, customer, employee, and environment based on the "SPICEE" model and looks for ways to be loved from each group. We identify action principles by each stakeholder group and practice them to become a firm of endearment.

* Firms of Endearment: A corporate model first advocated by Professor Rajendra Sisodia, who theorized that companies trying to meet the needs of their various stakeholders – community, society, suppliers, partners, customers, employees, and environment – rather than just shareholders would thrive more and called them "Firms of Endearment," or companies that people love.

POSCO Charter of Firm of Endearment (proclaimed 2011. 06. 09)

POSCO has grown and developed as a Korean national company with the aim of becoming a great, powerful and solid company with global competitiveness. Now POSCO will become a Firm of Endearment beyond being a great company contributing to the sustainable development of society and human welfare by practicing the principles and values of POSCO. We can be by all stakeholders through pursuing business, human, social, and environmental values harmoniously.

Environment

Create Harmony Between Men and Nature

- Deliver low-carbon green growth for sustainable environment protection
- Raise efficiency of resource and energy and utilize environment-friendly technology to take the initiative in the green industry
- Develop new materials and energy to improve the ecosystem and promote more eco-friendly lifestyle and culture

Employee

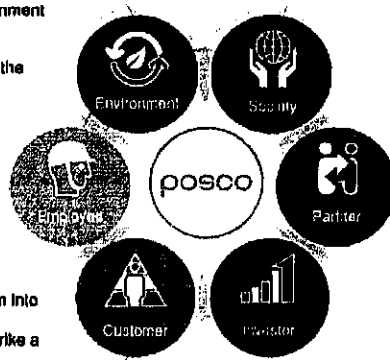
Practice Human Respect and Encourage Self-Realization

- Develop employees' ability and qualities to nurture them into the best talents
- Offer fair compensation to employees and help them strike a good work-and-life balance to improve quality of life
- Practice human respect based on autonomy and trust as well as encourage employees' growth and self-realization

Customer

Support Customers' Success

- Satisfy customers with customer-oriented marketing and trust-based relationship.
- Realize customer value by facilitating their competence and competitiveness.
- Advance the ecosystem of the market and accomplish sustainable growth with customers.



Society

Serve as Responsible Corporate Citizen for Social Development

- Develop the local society and fulfill social responsibility to contribute to the society
- Lead a fair society in collaboration with civil groups and the government
- Create social value and culture as a free corporate citizen

Partner

Attain Shared Growth as Family

- Ensure fair trade practice through healthy communication and mutual trust
- Foster competitiveness and growth potential of suppliers via win-win collaboration
- Establish a virtuous circle or sustainable and inclusive growth to enhance the competitiveness of the ecosystem

Investor

Make Shareholders Take Pride in Investing in POSCO

- Improve management transparency and communication to secure share-hold trust
- Protect interest of shareholders by increasing corporate value
- Raise future shareholder value for sustainable growth

Employee Education and Practice for Stakeholder communication

POSCO established the Bureau for Firms of Endearment to provide systematic support and management of communication with stakeholders. Also, POSCO developed the Firm of Endearment Diagnosis Model and conducted a survey to listen to the voice of stakeholders. Based on its findings, POSCO identified 27 tasks and set action plans for each department. We offered various opportunities for our employees to understand what a 'Firm of Endearment' really means; from Professor Sisodia's lecture, to executive forum discussing strategies, and debate sessions for employees. We encourage gradual changes among employees through various campaigns, and use cartoons about a firm of endearment, which is more fun and easily accessible, to educate employees on ways to realize our vision.

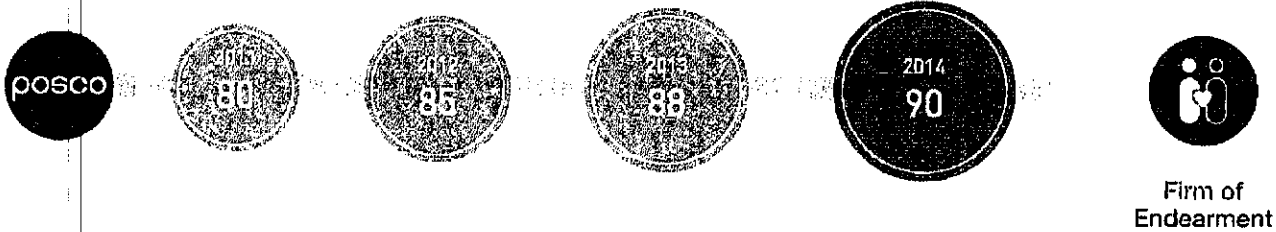
Stakeholder's Network for Communication

POSCO set up networks in and outside the company for smooth communication with stakeholders about a Firm of Endearment. We launched a 'cultural board' to promote the values of a firm of endearment and are currently monitoring, finding best practices, and suggesting program ideas.

In January 2012, we held a stakeholder forum consisting of outside experts to gather opinions from stakeholders on how to become a Firm of Endearment. The forum will be held quarterly to discuss research results and create practice models to spread this concept.

Category	Achievements in 2011	Plans for 2012
Regulations	<ul style="list-style-type: none"> • Declare the aim of a "Firm of Endearment" • Proclaim the Charter of Firm of Endearment 	<ul style="list-style-type: none"> • Establish POSCO Vision as a Firm of Endearment • Code of Conduct for Global POSCO Family
Raise awareness on Firm of Endearment	<ul style="list-style-type: none"> • Create Cartoon Guide • Campaigns and Education programs 	<ul style="list-style-type: none"> • Spread the values of Firm of Endearment among POSCO Family employees • Campaign for creating a company with an "Edge"
Enhance communication channels and raise external recognition	<ul style="list-style-type: none"> • Launch the Culture Board • Stakeholder Forum for Firm of Endearment 	<ul style="list-style-type: none"> • Close cooperation between domestic and international research institutes • Publish Firms of Endearment White Paper and manage its practice
Execution management	<ul style="list-style-type: none"> • Stakeholder Survey • Identify Tasks for Improvement 	<ul style="list-style-type: none"> • Company-wide and departmental KPI Operation of Firm of Endearment

Firm of Endearment Indicators
 (Unit: points)



Media Analysis

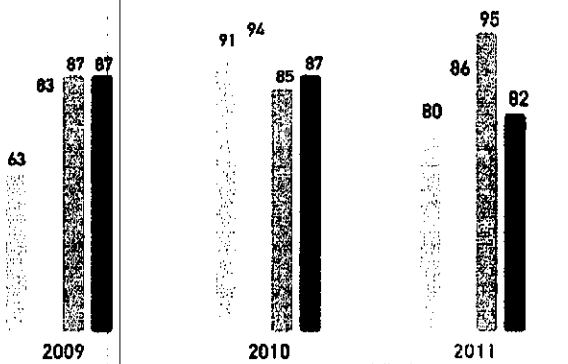
POSCO has conducted media analysis annually since 2005 in order to identify issues of interest to our stakeholders and sustainability management trends. In 2012, among the news articles reported by the domestic and international media from January 2011 to December 2011, 644 Korean articles and 185 foreign articles related to the company were the subject of analysis. They were classified again into four categories of general, economy, environment, and society for time series analysis for the three consecutive years.

After the analysis of the reports with sustainability management key words, we have found that news coverage related to general issues comprised 10%, economic performance 49%, environmental performance 12%, and social performance was at 29%. The company had a bigger exposure in the economic and social news than other sections. In particular, there was a lot of coverage in the economy section as sagging market, M&A, and slump in the stocks. Overall, 85% of the news coverage was positive. Positive coverage dealt with expanding to non-steel business as a new growth engine, environment-friendly technologies, benefit sharing for win-win growth, expectations on the M&A, declaration of the vision of "Firm of Endearment," resource development to raise the self-sufficiency rate of raw materials. On the other hand, the delayed construction of the steel mill in India, POSCO being the heaviest energy consumer and lack of consideration of human rights of local residents, were the negative coverage POSCO received. POSCO is looking to take measures to address its weaknesses and minimize stakeholder's concerns based on the findings.

Results of Media Analysis

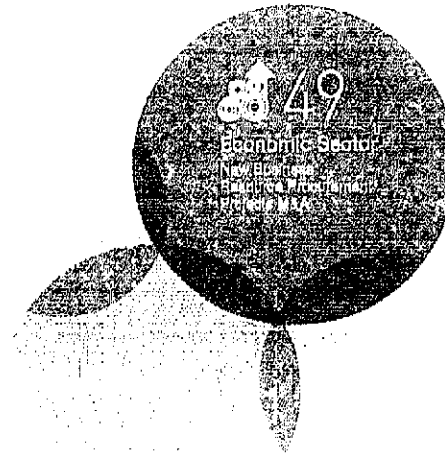
Positivity* Level Trends

General Economic Environmental Social (Unit : %)



Exposure for Each Sector

(Unit : %)



* Positivity Level = The number of positive articles / Total number of articles

Major Reports by Sector

Sector	Count (Total/Positive)	Key Topics
General	95(79/16)	<ul style="list-style-type: none"> Firm of Endearment Declaration Focus on Ethics Management Excellent Corporate Governance
Economic	411(354/57)	<ul style="list-style-type: none"> Raise self-sufficiency of raw materials by securing resources Reorganize business portfolio by launching new business Develop overseas market Synergy from M&A
Environmental	97(92/5)	<ul style="list-style-type: none"> Develop new technologies Start green business (new renewable energy sources)
Social	242(199/43)	<ul style="list-style-type: none"> CSR activities Win-win growth program Employment & social enterprises

Stakeholder Survey

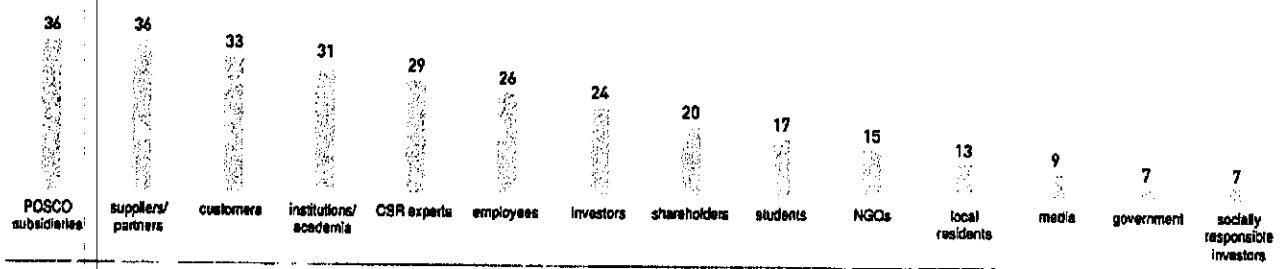
POSCO conducted a survey to identify major issues and stakeholders' needs. The survey was conducted with 2,500 persons including internal stakeholders – employees of POSCO and its subsidiaries – and our external stakeholders – customers, communities, business partners, shareholders, and the government. The survey consists of 14 questions including the overall satisfaction with the Report, POSCO's major issues for stakeholders, and improvement for POSCO's sustainability management. POSCO picked 32 keywords by analyzing media, peer group KPIs, issues at the company's operational and executive meetings prior to the survey to identify stakeholder's interests. The keywords are classified into general sustainability management, economy, environment, and society to create more relevant survey questions, which will be refined through continuous internal and external trend analysis and advice from experts.

The survey showed that in the general sustainability management sector, stakeholders are highly interested in stakeholder engagement as the CEO revealed his firm determination to protect stakeholder's interest shown in the Firm of Endearment Declaration and Charter. In the economy sector, they showed keen interest in business performance amid an unstable world economy and worsening market conditions, while eco-friendly technologies, as a potential growth engine in the future, attracted the most attention in the environmental sector. Stakeholders also show continuously high interest in CSR activities with labor-management relationship emerging as a major concern following the implementation of multiple labor union laws. When asked the ways to improve POSCO's sustainability management, one of the respondents suggested the company disclose honestly failures, accidents, and unfulfilled goals as well as successes. Other opinions include: publish how survey findings are reflected in management, and put substance before appearance in creating a report. POSCO will share the opinions gathered from the survey with related departments and be committed to making progress in sustainability management by reflecting every year's findings to the next year's report and promoting changes and improvement.

Issues of High Interest by Stakeholders (Unit : persons)

Category	No. of Responses			
General	Sustainability management	131	Results of external evaluation	84
	Stakeholder	113	Risk management system	54
	Corporate Ethics Management	108	Corporate Governance	43
Environmental	Eco-friendly technology	123	Energy	97
	Environmental management system	119	Pollutants Management	87
	Response to climate change	113	Environment improvement performance	57
	Resources Management	107		
Economic	Business performance	109	New business	88
	Innovation activities	102	Corporate value	7
	R&D	101	International projects	34
	Raw materials	92	Group Management	33
Social	Social contribution	128	Work environment	71
	Labor-management relations	104	Local economy	69
	Safety/health	95	Human rights of community	69
	Job creation	86	Compensation / welfare	65
	Fair Trade	78	Employee Education	57
	Supply chain management	75	Customer management	38

Survey Recipients (Unit : persons)



Stakeholder Engagement Activity (Outside Experts Interviews)

As the voluntary International Standard, ISO 26000 2010, Guidance for social responsibility was published, stakeholder engagement is considered a core activity of sustainability management. POSCO conducted interviews with 10 expert representatives of different areas to understand our stakeholders' perspectives on major issues of the company and listen to the expert advice for improvement.



Angela Joo-Hyun Kang
CEO, Global Competitiveness
Empowerment Forum

POSCO, as a company with rich CSR activity experience and assets, needs communication with stakeholders through substantial reports.

POSCO has been involved in a wide range of CSR initiatives. In particular, it has set good examples for domestic and international corporations in the social contribution sector by carrying out programs to embrace ethnic, religious, and cultural diversities based on its principle of multicultural management. The current report will be an important Indicator showing POSCO's efforts and activities.

However, I want to point out that it would be even better if POSCO can display its various activities in a more effective and systematic manner. POSCO's CSR activities are introduced around SPICEE but it is hard to grasp the point at a glance. Simply listing its activities is not enough. POSCO need to arrange activities and performance of each department more organically, and deliver a clear message through systematic framework and intuitive storytelling, and employ a more strategic and focused way of communication to be well received by each group of stakeholders.

What is most important is to present the possibility of creating new business opportunities beyond risk management in the social and environmental sector. It is ideal to contain the determination and strategies of the company toward sustainability management of the next generation. I sincerely hope POSCO complement these problems to enhance the internal and external strategies for CSR communication.



Kwon Youngsul
Hanlyung Academy, Manag-
ing Director

It is time for changes and innovation for sustainability management through maximization of in-house resources with potential.

POSCO has a diversity of programs for stakeholders. However, it can be mistaken as those just for a region or the nation. In fact, a giant corporation like POSCO should have more things to give to the world through its R&D efforts. For example, how about developing a super-light folding wheel-chair as the population is aging fast? It would make more people's life easier. Or how about reducing the weight of plates for cars to cut CO₂ emission as a result? It would make the air we breathe cleaner. I believe these are true social responsibilities large corporations need to take seriously.

Now is the time to grab opportunities and prepare for risks. Companies need to be prudent but agile at the same time. In this era of rapid change, hesitate for a moment and POSCO is out of business. It is dangerous if POSCO does not optimize your potential resources. Maximizing profits and optimizing efficiency can not be achieved without thorough preparation.



Professor
Kim Gyeongmook
Dukseong Women's University,
Business Administration De-
partment

You need to turn the non-financial values of a Firm of Endearment fulfilling its social responsibility into financial ones.

First of all, the report offers excellent in-depth analysis in various fields. But I'd like to point out that the link between the company's vision, goals, and action principles with its business is rather weak. In particular, POSCO need to look for ways to connect CSR activities with business strategies. Simple donations or philanthropy is not enough to meet social responsibilities as a Firm of Endearment. Its CSR should be closely linked with business activities.

In this sense, it is critical to find CSR activities relevant to the company's business. One good example is POSCO's "benefit sharing." The system helps resolve negative images of Korean large conglomerates and establish Win-Win relationships with its partners. POSCO is able to present the system as a global standard.

In addition, there seems a lack of analysis on how POSCO's non-financial CSR activities are related to the company's profit-making. POSCO need to analyze how individual activities are linked to contribute to the ultimate financial performance. This is not an easy task. Still, I'd like POSCO to develop indicators which can quantify and objectify each activity. It is very significant to show the connection between a firm's social contribution and its stock price and financial statements.

CSR is a continued process, not completed. It is important to reach internal and external consensus around the vision.

POSCO's sustainability report is advanced as it is trying to look at changing social issues in a different perspective. However, you must not stop there. POSCO need to keep asking why the changes happened and how you would respond to them.

POSCO has released the Sustainability Report for 8 years and it is not enough to evaluate it by its contents only. What matters now is for whom POSCO create the report. It should be understood by the outside stakeholders while its findings are reflected to the company's policy and management decisions.

What penetrates all these is the corporate mission and vision. Corporate vision can vary depending on the business environment and policy changes. I believe the sympathy with internal and external stakeholders on a corporate mission and vision is the most important asset of a firm. This also is what CSR is all about. An organization can last in society through CSR activities based on a shared vision and mission with its stakeholders.

I want POSCO to reestablish itself as a company investors want it to be through multi-faceted efforts.

I'd like to talk about POSCO in several respects as an investor. First of all, in terms of corporate governance, POSCO is doing well. However, it seems that POSCO selected its outside directors mostly based on their names. I doubt that they can spend enough time to consider the BOD's agenda due to their busy schedule. Outside directors are key elements for investors to evaluate a company. Strategic arrangement of terms and a transparent payment system are also needed.

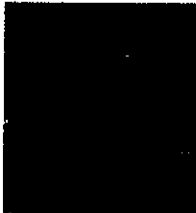
In the economic respect, POSCO has failed to predict market trends for many years. It is nothing more than a lame excuse to say one could not project the global recession. Stock prices slumping is not welcome news for shareholders. POSCO needs to respond more proactively. In the social respect, POSCO should adopt a new set of cultural values; non-authoritarian, flexible, soft, and transparent. Also, more efforts are needed for win-win growth. I think both fair trade and mutual cooperation are required to achieve win-win growth, and the former should come first. A successful business should be able to look 100 years ahead environmentally. POSCO also needs to cut CO₂ emissions during the production process by using the existing Finex technology as well as developing renewable energy sources and other eco-friendly technologies.

I ask POSCO to communicate with more precise facts and indicators for sustainability management.

POSCO's sustainability management activities have focused on the environment and CSR. However, POSCO should be able to make sustainable growth as a corporation in the market economy and create world-class products and services and gain market dominance and global competitiveness. These are key factors to determine a company's sustainability for which we need to prepare contents and indicators.

POSCO aims to become a 'Firm of Endearment' and make a commitment to achieve the goals set in each department. I'd like to see these in the report. Also, Firm of Endearment indicators need to be presented by each group of SPICEE. Sustainability management or CSR activities should not just meet legal and institutional standards but go further to match ethical and moral standards. And the relevant activities should be dealt with in the report as well.

When it comes to the transparency of corporate governance, it would be better to provide facts about the independence and transparency of the BOD in its composition and operation. I think the RMS section is better organized than most other companies. But the general tone of the report is rather advocatory. It should be more about giving facts. POSCO need to think about who will read the report and what they would want from it. If you think it is just some chore you need to deal with every year to submit, it would not be easy to communicate effectively with society through the report.



Professor Rho Hankyun
Kookmin University, Business
Administration Department



Ryu Youngjae
CEO, Sustinvest, Co., Ltd.



Professor Park Oheoo
Seoul National University, Col-
lege of Business Administra-
tion



Professor Bae, Jongseok
Konyo University, College of
Business Administration

A company with its management principles based on human respect and its employees, has limitless potential.

Being a 'Firm of Endearment' starts with the employees. A company, not loved by its employees, cannot be loved by anyone else. Nor would it be sustainable. Employee happiness comes before anything else. POSCO need to respect employees to realize the corporate values. The following conditions need to be met to become a company which respects human rights.

First, POSCO needs to admit performance is measured in more than one dimension. Just like you cannot compare the values of profitability with those of a person's happiness, performance of each stakeholder cannot offset each other. We need to understand the difference of each group of stakeholders and come up with different criteria to evaluate them. Second, we need to create the kind of corporate culture where employees can reach their full potential as well as providing employee education to help enhance individual capability. Individuals can only seek happiness at work by getting involved in the process of achieving something meaningful. To help everybody demonstrate their abilities is the first step to practicing human respect. Third, based on the previous two conditions, POSCO need to establish a healthy organization where employees are willing to work hard.

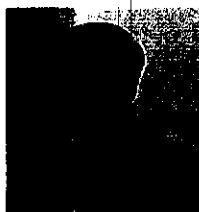


Yu Jung
Center for Good Corporations,
Manager

I wish POSCO to implement responsible human rights management through effective guidelines.

I think POSCO's sustainability management report is relatively substantial compared to that of other domestic corporations. It means that it is more than a promotional pamphlet. In the report published several years ago, POSCO briefly mentioned relevant facts such as human rights issues of the subsidiaries made news. I was impressed with POSCO's effort to do what a sustainability management report is supposed to do. In this year's report, the "Media Analysis" matrix was getting attention. Classifying various corporate issues into positive and negative, POSCO seems to be committed to delivering facts as it is.

In early March of this year, the center for good corporations sent an opinion letter regarding POSCO's Orissa project, which unfortunately was not reflected very well in the report. It certainly has been upgraded from the previous ones, still details – as the center recommended to include – were not covered enough. It would have been better if more controversial points had been reported in detail. Also, I wish POSCO to prevent non-financial risks of overseas investment through more effective guidelines.



Eun Jonghwan
EcoMen, CEO

POSCO needs a new environmental communication strategy, easy for non-professionals to sympathize with and more than just delivering information.

Most Korean corporation's sustainability management reports seem to have clear limits in communicating with stakeholders. In many cases, they look like no more than a pamphlet for advertising. POSCO apparently made efforts to go further than that. With expert interviews as well as substantial content, I think POSCO is doing pretty good with the content of the report and practice.

The environment section shows POSCO paying more attention to its partners than the previous year through various initiatives including Family environment management, which is well represented in the report. It is a remarkable progress even considering that POSCO has been creating sustainability management reports for many years. On the other hand, it tends to be difficult for non-professional readers to understand with all the technical terms and numbers. There are several ways to make environmental data more accessible; by using numbers average readers can relate to, or using story-telling to show improvement. For example, POSCO can describe the effect of greenhouse gas emissions in the number of trees POSCO'll save. Also, I suggest publishing a digest report of around 20 pages along with the main report.



Professor
Chang Daeryun
Yonsei University, College of
Business Administration

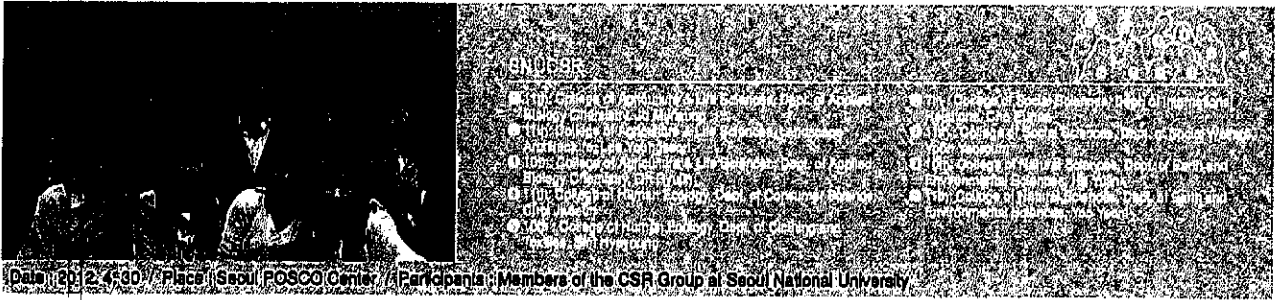
Media is as important as content. You need to communicate the quintessential POSCO spirit sincerely.

POSCO's sustainability management report is good in content but there is room for improvement in delivery. A good amount of information about the company has been presented in detail. I think you need to think harder about the format of the report to deliver the message more clearly. One of the important codes of the modern society is "sincerity." It is not working if stakeholders get an impression that its CSR is commercial. This is not about content, but about packaging. Some policies introduced in the report left something to be desired. In fact, Firm of Endearment or POSCO 3.0 is not a new concept, at all. It is popular concepts a group of scholars advocated before POSCO adopted them.

POSCO has its own "DNA" or slogans such as, "Right Turn spirit" and "Help the nation through steelmaking". The message is delivered more effectively when it is consistent. I think it should be applied to communication of its vision and policy directions. We are coming to the age of trans-media, via integrated media and cross media. I hope you will take a step closer to stakeholders, going beyond your CSR activities. Also, I recommend that POSCO keep looking for ways to promote sustainability management through SNS and other apps.

Stakeholder Engagement Activity (University Students Talks)

POSCO held stakeholder talks with university students to gather opinions from our next-generation leaders. We will take our sustainability management a step forward by incorporating some fresh ideas of college students. The 1st talks with university students was joined by the CRS Group of Seoul National University and mainly discussed feedback on POSCO's sustainability management report and ways to improve sustainability management activities.



Date: 2012.4.30 / Place: Seoul POSCO Center / Participants: Members of the CRS Group at Seoul National University

“Corporations aim to accumulate wealth. I think a business should add social values while making profits in order to accumulate wealth sustainably and effectively.”

Sim Hyeyoung • As numerous outside evaluations show, POSCO has an excellent sustainability management system. However, POSCO does not seem to make enough effort to promote what it is doing. Will it reveal its strengths better if POSCO describes its advantages differentiated from other companies?

Yoon Yeoreum • In this sense, it is important what belief a company has when pursuing sustainability management. POSCO has many slogans such as Firm of Endearment or visions, but it is not enough to reveal its own characteristics. It just makes POSCO look like a stable company without any special feelings.

Lee Youngseon • Still, we cannot deny that its sustainability management report is more substantial than those of most other companies. I know that POSCO has many cases of best practices, but not all the programs can be successful. If POSCO is willing to share its failures as well, it will be able to truly join the ranks of global leaders.

Yoo Yeoni • One thing I'd like to point out is that the report needs to be easier to understand for better communication. POSCO's sustainability management report contains technical terms in steel and environment making it difficult to read.

Choi Jaeeun • It is hard to digest the environmental statistics to understand how it will impact our lives. Some numbers we can compare with will surely help.

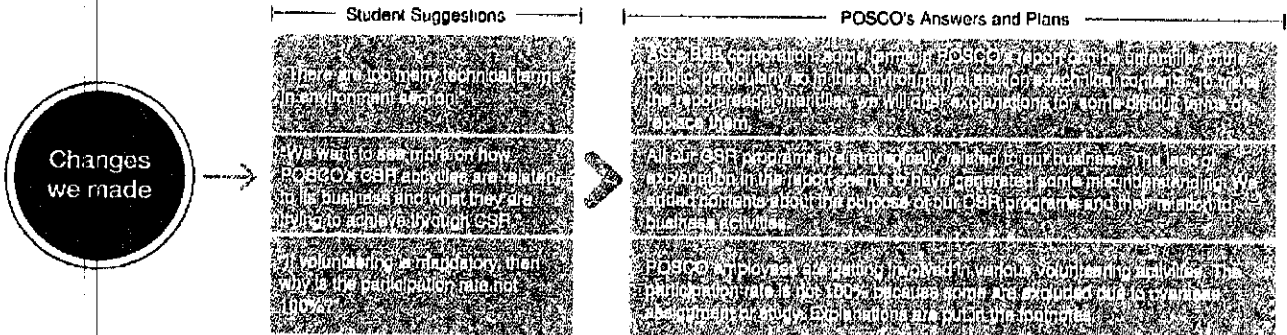
Jo Munsung • As for social contribution, various initiatives were introduced. POSCO seems active in CSR programs as it is recognized. However, some of the activities on the list do not look relevant to POSCO's business. For example, I cannot but wonder why POSCO is running multi-cultural programs. Just because it's trendy?

Lee Youngseon • I think POSCO can make the report more lively and trustworthy by adding case studies or interviews.

Cho Eunae • For a company with factories, like POSCO, local residents are a very important stakeholder group. In this respect, it is meaningful to have their voices heard in the report.

Ha Yujin • As a woman, I was impressed with a variety of programs for female workers. It helped break down my prejudice about POSCO, as "a male-centered" company. However, it is hard to know about the results of the programs. I'd like to suggest you include the satisfaction survey of female workers to announce its achievements.

Oh Gyujin • I know it is sensitive issue, but I wish the report covers more about irregular workers and employment of the disabled. This will make the report fully reflecting latest social issues and stakeholder concerns.



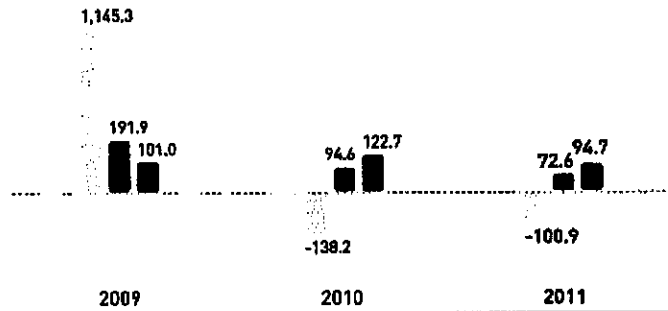
Activities and performances by Stakeholders (SPICEE)

Society

- CSR Committee
- Social Contribution Activities
- Pohang/Gwangyang Community Cooperation Team
- Community engagement
- POSCO Newspaper
- Corporate image research
- NGO Day
- Sustainability Experts Forum

Total Taxes Paid

National Taxes ■ Local Taxes ■ Custom duties (Unit : billion KRW)



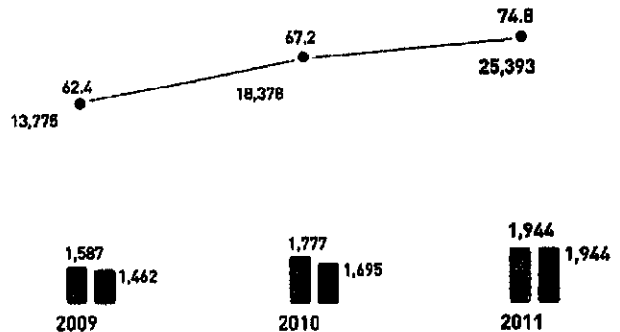
* Local taxes are based on the taxation standard.
* Inland tax has a negative value due to tax refund.

Partners

- Suppliers
- Suppliers Relationship Management (SRM)
- Win-Win Growth Committee Growth Committee
- POSCO Family Suppliers' Management Exchange Meeting
- Outsourcing Partners
- Inter-departmental face to face meetings
- Management exchange meetings

Purchase Cost

Raw Materials Cost ■ Other Materials Costs ■ Outsourcing Costs (Unit : billion KRW)
● As % of revenue (Unit : %)



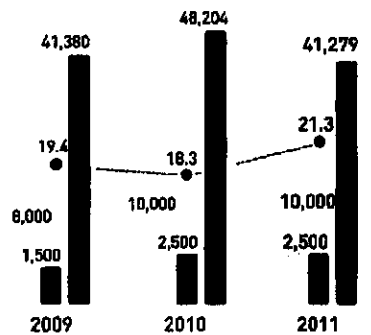
* Numbers are based on the 2011 Manufacturing Cost Report.

Investors

- CEO Forum (yearly)
- Earnings Release (quarterly)
- Disclosure (website)
- Face-to-Face Meeting
- Visiting Research for Credit Assessment

Dividend Payout

Dividend per share ■ Interim dividend per share ■ Earnings per share (Unit : KRW) ● Payout ratio (%)



* Numbers are based on the 2011 Audit Report.

Interest Expenses

(Unit : billion KRW)

