

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

## 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 : ●●●●●●(5 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



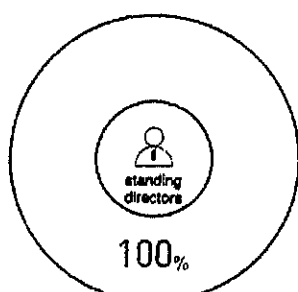
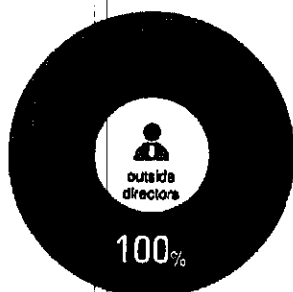
Chairman : Chung Joonyang

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

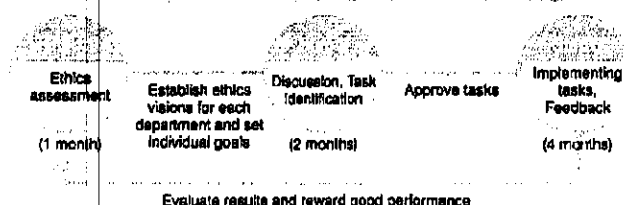
We believe it is the first priority to offer employee education to help them establish a strong set of values to make the business ethics part of our corporate culture. The Ethical Leadership Education is provided yearly for the leader group, Visiting Ethics Class is targeted at the employees working 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"> <li>Conducted on-line by all the POSCO Family employees around the world at the beginning of each year</li> </ul>   |
| Publication of CEO Message about Ethics Management                              | <ul style="list-style-type: none"> <li>Determination about ethical management delivered at the beginning of each year and on June 2, when the Code of conduct was declared.</li> <li>Non-ethical behaviors should be reported to executives not just to senior managers, starting from 2011</li> <li>Reflecting the results of ethics program in the evaluation for selecting heads of departments, adding ethical practice category to the criteria for appointing employees</li> <li>Bribery is reported to the police and disciplinary measures are published on the company's Intranet</li> <li>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.</li> <li>Achievements in 2011: 286 employees and 18 executives of POSCO and its subsidiary companies were submitted to disciplinary action.</li> </ul> |
| Enhanced Responsibilities for Disciplinary Action against Non-ethical Behaviors | <ul style="list-style-type: none"> <li>Reports for ethical violations to the Ethical Counseling Center or the Cyber Ombudsman Center on POSCO's website, by phone/fax/mail/internet</li> <li>Achievements in 2011: upward adjustment of compensation up to 1 billion KRW</li> </ul>  |
| Reward for reporting non-ethical behaviors (2004~)                              | <ul style="list-style-type: none"> <li>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</li> <li>Achievements in 2011: 232 gifts were returned the proceeds of the internal auction totaled 12 million KRW</li> </ul>  |
| Gift Return Center (2003~)  | <ul style="list-style-type: none"> <li>All proceeds were donated to charity</li> <li>Achievements in 2011: Total proceeds stood roughly at 5.4million KRW</li> </ul>   |
| Wreath sent to congratulate promotion were auctioned as well (2009~)            | <ul style="list-style-type: none"> <li>The gift money from stakeholders or fees from lectures outside the company were donated to charities.</li> <li>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.</li> </ul>  |
| Donation of the Gift Money and Lecture Fees                                     | <ul style="list-style-type: none"> <li>1 leader for each division (total 123 persons) is appointed to act as ethics ombudsman.</li> </ul>  |
| Corporate Ethics Practice Leader Program  |  |

### 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."

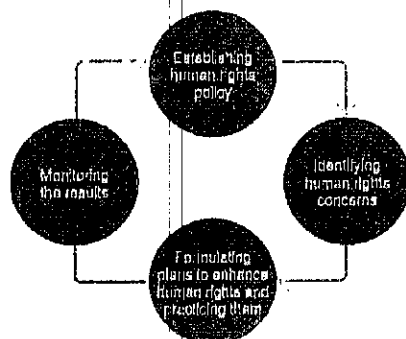
POSCO abides by the Standards of Child and Compulsory Labor and Discrimination Convention of ILO in all its business activities. Freedom of association is guaranteed at all workplaces. In order to promote the employment of the disabled and members of other social minority groups, POSCO runs four social 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.<br/>MOU with the Orissa Gov.</p> <p>2007 May.<br/>Port environmental approval /cancellation for coastal preservation</p> <p>2007 Jul.<br/>Environmental approval for mill construction</p> <p>2009 Dec.<br/>Cancellation for forests preservation from the Indian Gov.</p> | <p>2010 Jul.<br/>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.<br/>Indian Gov. reinvestigates and conditionally re-approves Environmental approval</p> <p>• Conditions of Approval</p> <ol style="list-style-type: none"> <li>1) Environmental Approval <ul style="list-style-type: none"> <li>- Dedicate 25% of the steel sites to green lands</li> <li>- Invest 2% of profit into CSR activities</li> </ul> </li> <li>2) Port Construction Approval <ul style="list-style-type: none"> <li>- Take measures to prevent coastal erosion</li> <li>- Should further acquire approval for fishing boat Jetty and the use of coastlines for wastewater discharge pipelines</li> </ul> </li> <li>3) Converting forests <ul style="list-style-type: none"> <li>- 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.</li> </ul> </li> </ol> | <p>2011 May<br/>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, POSCO focuses on identifying potential risk factors and preventing them with the belief that managing risks is as important as gaining competitiveness. Through these efforts, POSCO 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

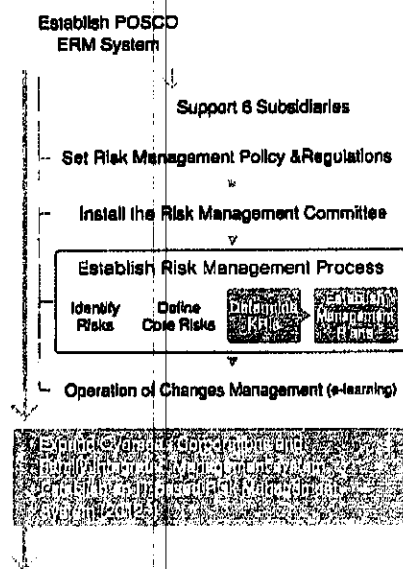
- Special Analysis of Core Business of the POSCO Family
- Review of Investment Risks



- 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, POSCO is currently establishing a risk management process to proactively responding to core risks.

### Risk Management Organization

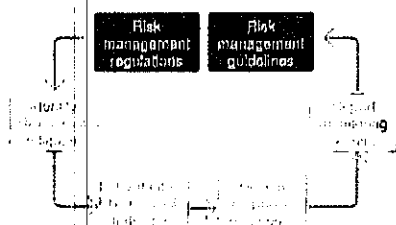
POSCO is operating the Risk Management Committee, ERM Group, and other departments to help manage risks of subsidiaries to ensure smooth operation and effective monitoring of risk management. The Risk Management Committee is a general consultative body in charge of managing entire business risks, whose 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

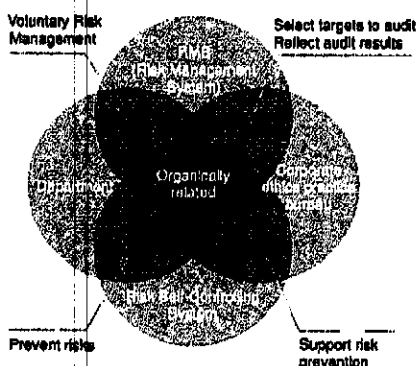
POSCO categorized core risks into investment, financial, and operational risks, to establish a system where KRIs by each category are identified and reported to the management in a timely manner. At the same time, the evaluation results of risk management is reported to the Risk Management Committee, 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

### Organization Chart of Risk Management



### 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.

### 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. 08. 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

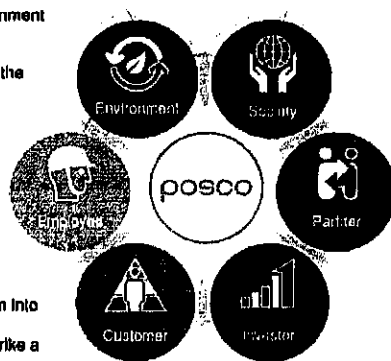
##### Practice Human Respect and Encourage Self-Realization

- 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

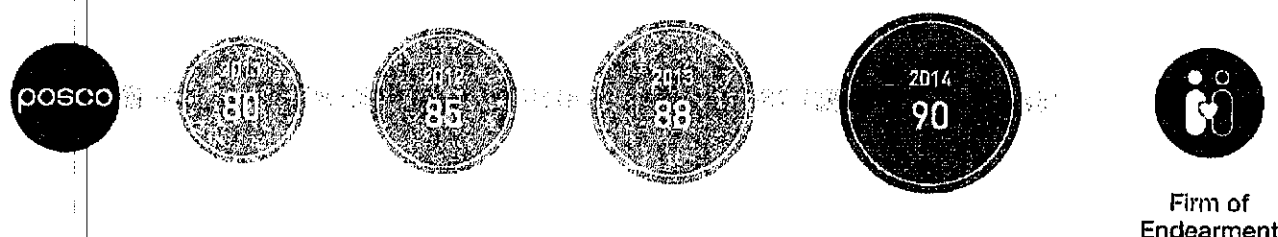
POSCO set up networks in and outside the company for smooth communication with stakeholders about a Firm of Endearment. We launched a 'cultural board' to promote the values of a firm of endearment and are currently monitoring, finding best practices, and suggesting program ideas.

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

## Firm of Endearment Indicators

(Unit: points)



## Media Analysis

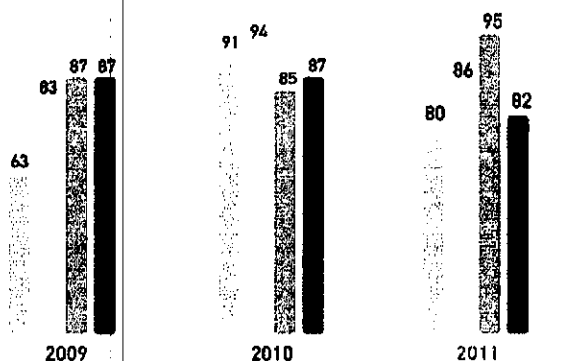
POSCO has conducted media analysis annually since 2005 in order to identify issues of interest to our stakeholders and sustainability management trends. In 2012, among the news articles reported by the domestic and international media from January 2011 to December 2011, 644 Korean articles and 185 foreign 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

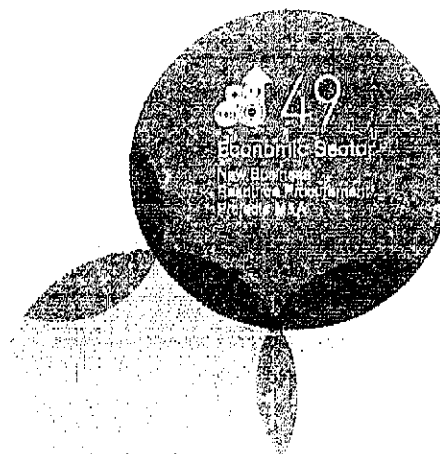
General Economic Environmental Social (Unit : %)



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

#### Exposure for Each Sector

(Unit : %)



### Major Reports by Sector

| Sector        | Count (Positive/Negative/Total) | Major Reports   |
|---------------|---------------------------------|---|
| General       | 95(79/16)                       | <ul style="list-style-type: none"> <li>Firm of Endearment Declaration</li> <li>Focus on Ethics Management</li> <li>Excellent Corporate Governance</li> <li>Not listening to local residents about steel mill construction in India</li> <li>Resident complaints about new steelmaking factory</li> </ul>  |
| Economic      | 411(354/57)                     | <ul style="list-style-type: none"> <li>Raise self-sufficiency of raw materials by securing resources</li> <li>Reorganize business portfolio by launching new business</li> <li>Develop overseas market</li> <li>Synergy from M&amp;A</li> <li>Unstable stock prices</li> <li>Reckless M&amp;A</li> <li>Questions raised on social and economic contribution to communities related to the Indian steel mill project</li> <li>Lower credit rating</li> </ul> |
| Environmental | 97(92/5)                        | <ul style="list-style-type: none"> <li>Develop new technologies</li> <li>Start green business (new renewable energy sources)</li> <li>Heavy consumer of electricity</li> <li>Environmental conditions for the steel mill construction in India</li> </ul>   |
| Social        | 242(199/43)                     | <ul style="list-style-type: none"> <li>CSR activities</li> <li>Win-win growth program</li> <li>Employment &amp; social enterprises</li> <li>Industrial accidents</li> <li>Conflicts with local residents in India about the steel mill project</li> <li>Asking for compensation for the money received from Japan under the 1965 settlement</li> </ul>  |

## 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.

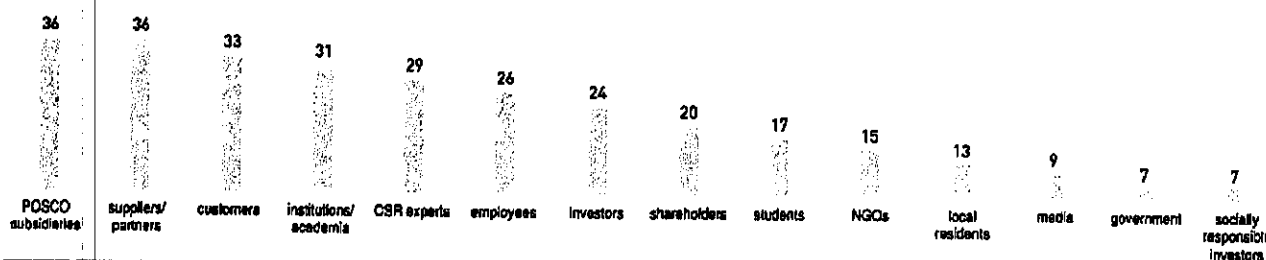
### Issues of High Interest by Stakeholders

(Unit : persons)

| Category      | No. of Responses                    | 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**  
Hankyung 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 CO<sub>2</sub> 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**  
Dukeung 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 CO<sub>2</sub> 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 Hanyun  
Kookmin University, Business  
Administration Department



Ryu Youngjae  
CEO, Sustinvest, Co., Ltd.



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



**Professor Bae Jongseok**  
Koryu 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.

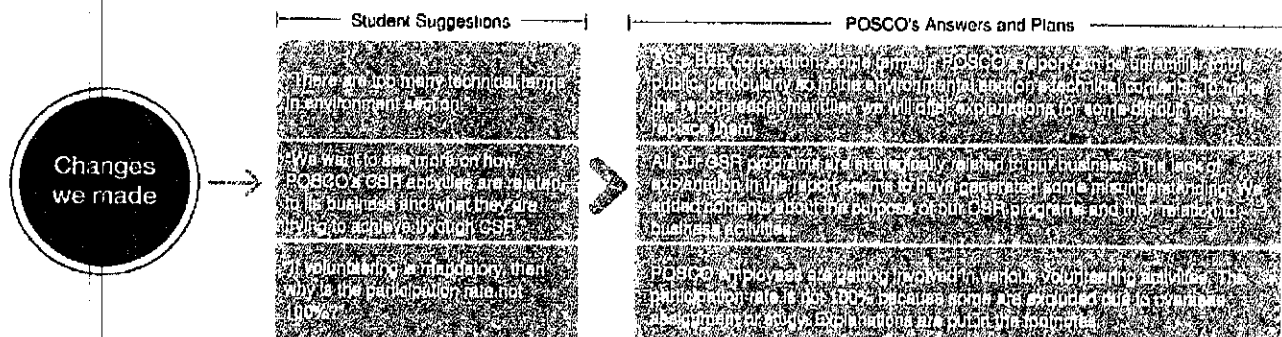
**Jo Munsung** • As for social contribution, various initiatives were introduced. POSCO seems active in CSR programs as it is recognized. However, some of the activities on the list do not look relevant to POSCO's business. For example, I cannot but wonder why POSCO is running multi-cultural programs.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





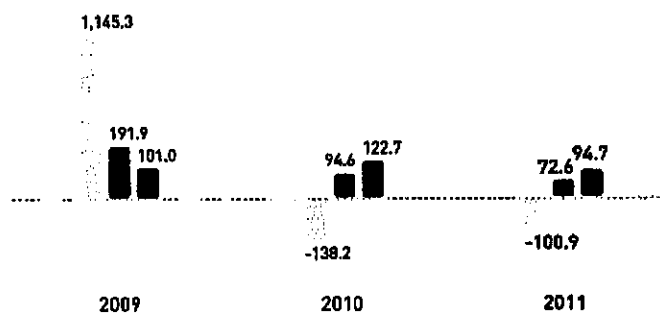
## Activities and performances by Stakeholders (SPICEE)

### 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.

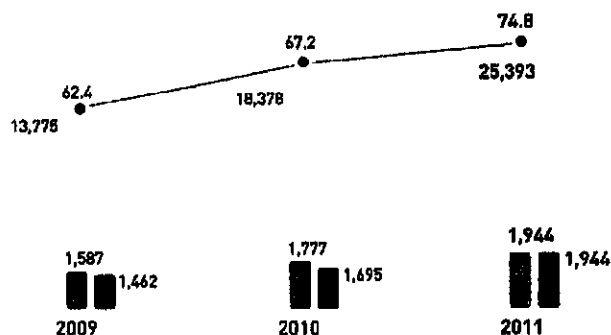
\* Inland tax has a negative value due to tax refund.

### 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 : %)



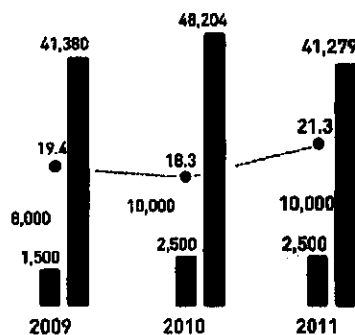
\* Numbers are based on the 2011 Manufacturing Cost Report.

### Investors

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

#### Dividend Payout

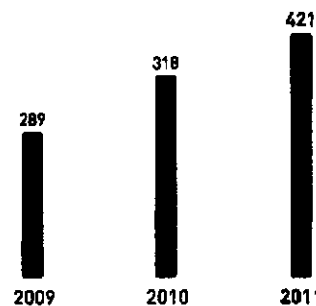
Dividend per share ■ Interim dividend per share  
■ Earnings per share (Unit : KRW) ● Payout ratio (%)



\* Numbers are based on the 2011 Audit Report.

#### Interest Expenses

(Unit : billion KRW)



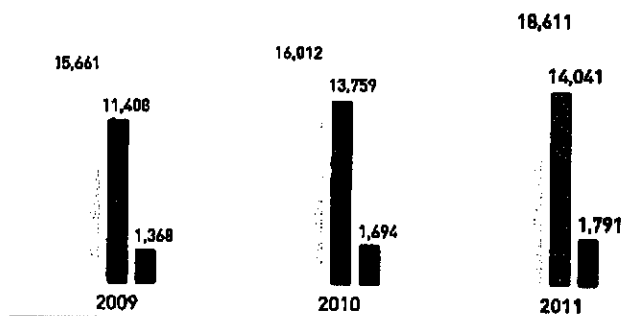


## Customers

- Customer Relations Management System (CRM)
- Customer Satisfaction Research
- Joint Research (Early Vendor Involvement, EVI)
- EVI Forum
- Frequent Management Exchange Sessions

### Sales Volumes by Products

hot-rolled steel ■ cold-rolled steel ■ stainless steel (Unit : tons)

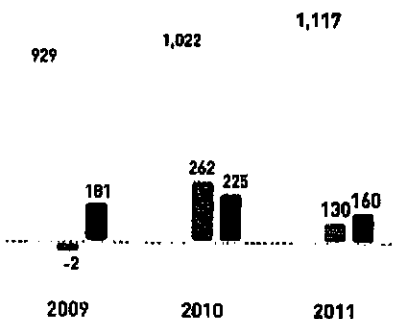


## Employees

- Labor-Management Council
- Young Board, Junior Board: promote communication among employees
- Talk Channel TongTongTong (Suggestion Bulletin, POS-B, Policy Change & Improvements Notice Boards)
- PIRI (POSCO's Internal SNS)
- Internal blogs
- Happiness Index
- Employee engagement trends
- Operation Meetings

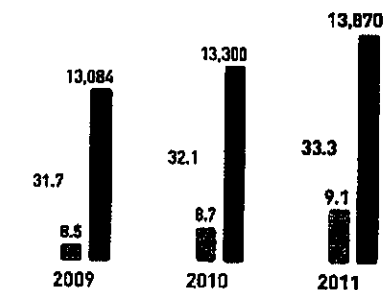
### Wages

Fixed wages ■ Provisions for severance & retirement benefits ■ Variable wages (Unit : billion KRW)



### Pensions

National Pension premiums ■ Subsidies to personal pensions (Unit : billion KRW)  
■ Number of beneficiaries to the personal pension subsidies (persons)

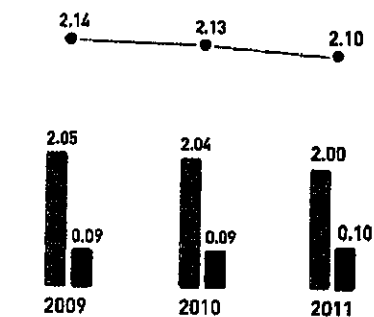


## Environment

- Environmental Digital Monitoring System
- Environment Improvement Council (Gwangyang)
- Environmental Information System
- Steel Conference, Environmental Technology Forum
- POSCO Green School
- Carbon Report

### CO<sub>2</sub> Emissions Intensity

■ Direct emission ■ Indirect emission ● Total emissions (Unit : t-CO<sub>2</sub>/t-S)



### Environmental Cost

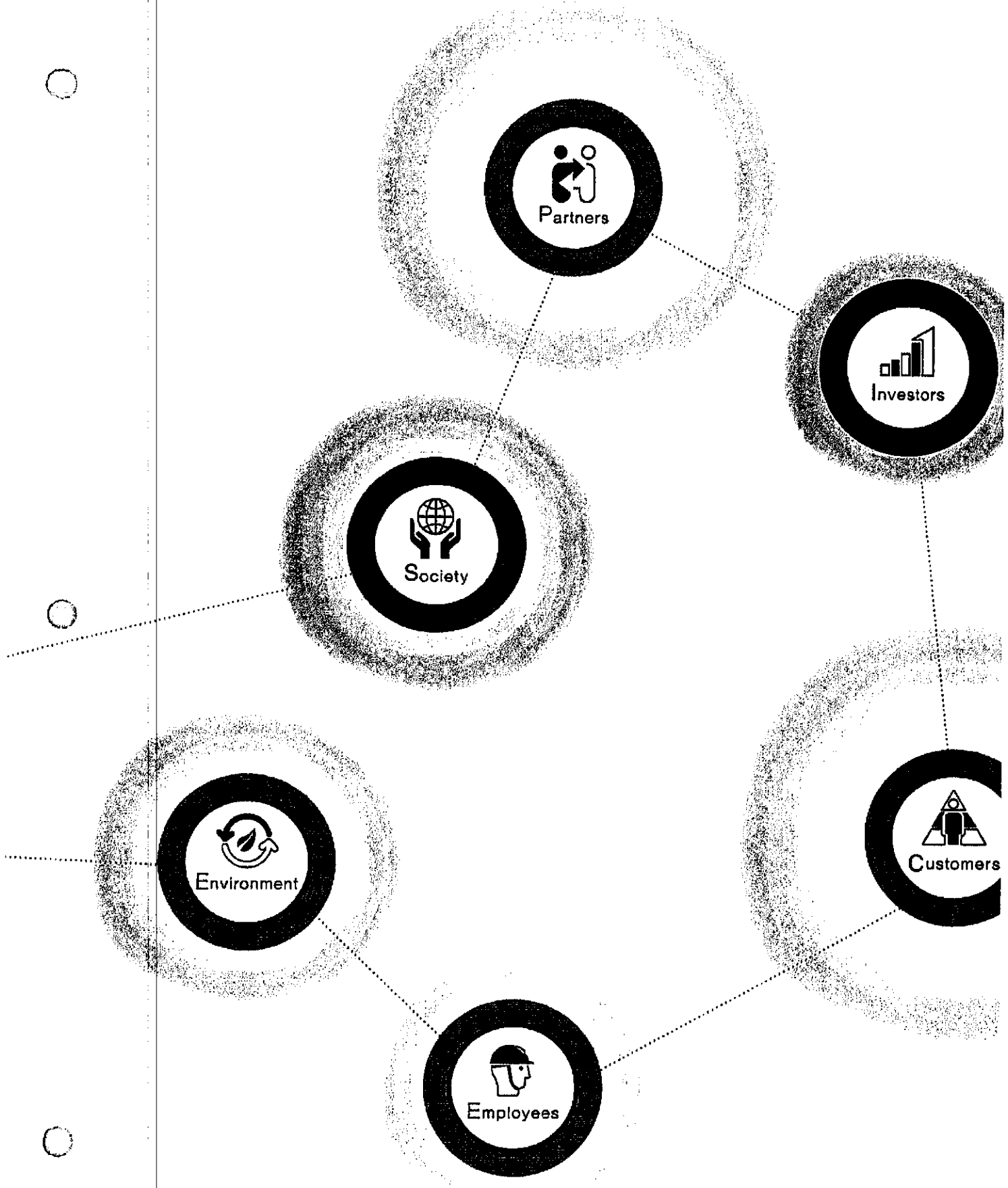
(Unit : billion KRW)



# Sustainable Management

We create the world where we grow with society, communicate with people, and become one with the nature. POSCO strives to fulfill its social responsibilities paying close attention to the effects of the steel industry on the economy, society, and the environment. We are pursuing sustainability management as a corporation in the transparent and ethical corporate culture and practicing the principles of environmental protection and respect for human rights. POSCO has a dream to become a "Firm of Endearment" by all the stakeholders, leading the green age as a global leader of infrastructure around the steel industry and contributing to humanity. Our journey will continue with our dreams close in sight.







# Green Movement



**The environment** is where people build a happy and beautiful world in harmony with nature. POSCO believes the greatest value for the future generation lies in preserving our planet earth. POSCO constantly seeks to internalize environmental goals in its daily management activities. We declared POSCO Family Environmental Management Directive in December 2010 and proclaimed "POSCO Charter of Firm of Endearment" in June 2011, spreading environmental management throughout the POSCO Family. We are creating the green future of the earth through various initiatives to minimize environmental impacts on community, preserve ecosystems, save energy and increase energy efficiency.

## About Environment

| Environmental Management   |   | Preserve Biological Diversity |  |
|----------------------------|---|-------------------------------|--|
| Issue                      | <ul style="list-style-type: none"> <li>Global POSCO Family Environmental Management</li> </ul>  | Issue                         | <ul style="list-style-type: none"> <li>Awareness raised on the importance of preserving biodiversity at home and abroad.</li> </ul>  |
| Performance                | <p><b>Global POSCO Family Environmental Management Activities</b></p> <ul style="list-style-type: none"> <li>Held the 1st environmental Management Committee in December 2011.</li> <li>18 Domestic subsidiaries acquired the ISO 14001 certification.</li> <li>Held the 1st POSCO Family Green Management Award Ceremony</li> <li>Developing Financial Performance Indicators related to Environmental Management (to be applied after 2013)</li> </ul> <p><b>Environmental Management Performance</b></p> <ul style="list-style-type: none"> <li><b>Water Management</b> : maximizing Reuse of Discharged Water (Recycled water : 9,000 tons per day at Pohang Works, 20,000 tons per day at Gwangyang Works)</li> <li><b>Air pollution</b> : reduce fine dust emission at steelworks by 40%, those from the dust collector chimneys by 50%</li> <li><b>Resource Management</b> <ul style="list-style-type: none"> <li>Recycled 98.3% out of 26.83 tons of byproducts.</li> <li>Built a slag-powder factory, capacity 1mil. ton per year, at Gwangyang Works in July 2011</li> <li>Exported 25,000 tons of granulated slag to Taiwan for the first time in July 2011</li> </ul> </li> </ul> | Performance                   | <p><b>Preserve Marine Biological Diversity</b></p> <ul style="list-style-type: none"> <li>Developed steel slag marine forest, Triton to restore marine ecosystem.</li> <li>Artificial fishing reefs made of steel.</li> <li>Restored coral reefs using steel slag.</li> <li>Restored mangrove forests.</li> </ul> <p><b>Cleaning the Ocean</b></p> <ul style="list-style-type: none"> <li>Retrieved polluted sediments using steelmaking slag.</li> <li>Launched the "POSCO Volunteers for Clean Ocean."</li> </ul>  |
| Response to Climate Change |   | Environmental Communication   |  |
| Issue                      | <ul style="list-style-type: none"> <li>GHG/Energy target management</li> </ul>  | Issue                         | <ul style="list-style-type: none"> <li>International cooperation and exchanges with the community</li> </ul>   |
| Performance                | <p><b>Implement GHG/Energy Target Scheme</b></p> <ul style="list-style-type: none"> <li>Submitted action plan to achieve the target, December 2011.</li> </ul> <p><b>Green Steel</b></p> <ul style="list-style-type: none"> <li>Offer incentives according to GHG emission reduction performance of the operational department at steelworks since January 2011.</li> </ul> <p><b>Green Life</b></p> <ul style="list-style-type: none"> <li>Staged Green Walk Campaign : participated by 5,562 families from 36 companies, 2011</li> </ul> <p><b>Green Business</b></p> <ul style="list-style-type: none"> <li>POSCO Power completed a stack module plant, a core facility of the fuel cell production system (March 2011).</li> <li>POSCO CHEMTECH completed secondary battery anode material plant with annual production capacity of 2,400 tons.</li> </ul>  | Performance                   | <p><b>Environmental Activities</b></p> <ul style="list-style-type: none"> <li>Signed an MOU with SMEs to support environmental management and conducted programs (since April 2011).</li> <li>Resident environment Monitoring Group at Pohang Steelworks (2nd term) in action.</li> <li>External performance of the environmental management in 2011: <ul style="list-style-type: none"> <li>Ranked 30th in the Global 100 Most Sustainable Corporations by the Davos Forum</li> <li>Selected as the leading company in sustainable management by SAMDJSI for the seven straight years.</li> <li>Named as a top Asia-Pacific company and the best Korean company in Carbon ranking by the Environmental Investment Organization (EIO)</li> </ul> </li> </ul> |

## Circulation of Resources throughout the process producing one ton of steel

Steel is an eco-friendly material, both safe and innovative and can play a key role in resource recycling in the upcoming age of green economy. In this respect, the steel industry will become a core engine of the world's green economy.

### Steel Industry, Infrastructure for the World's Green Growth and Core Engine for the Future

The steel and related industries create a great number of jobs and contribute to the stable growth of the global economy.

- **Core sustainable material in the green economy**

Steel is the best green material that fits the new global paradigm of "low-carbon green growth" toward the economic growth with less pollution.

- **Used everywhere in our daily lives**

Steel is a basic material, versatile and convenient and its use is expected to expand even further with its eco-friendliness and usefulness in the green future.

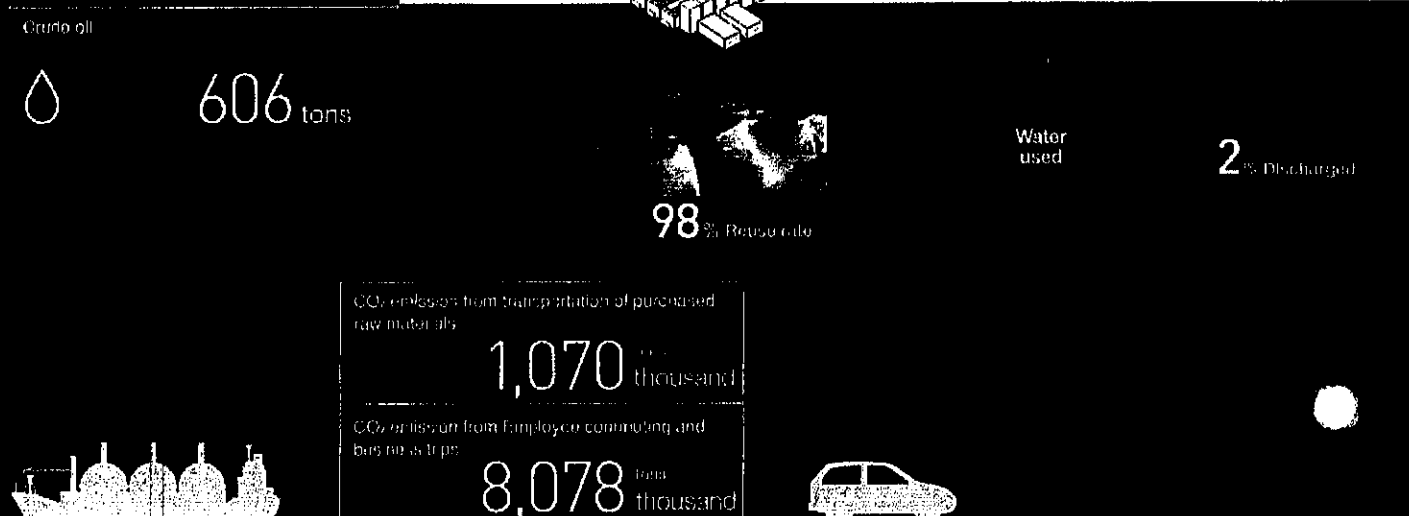
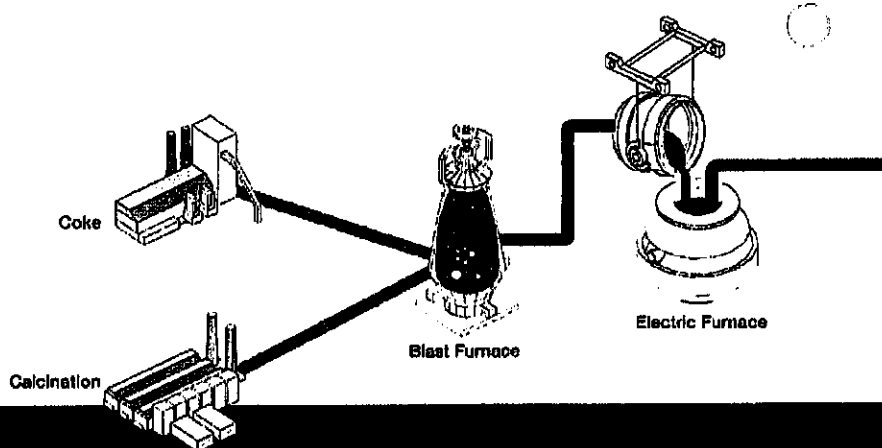
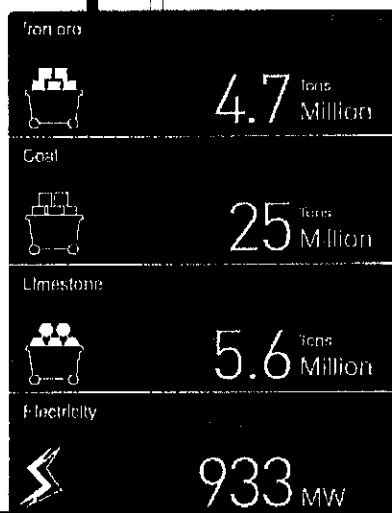
- **A Progressive Industry, safe and innovative**

The steel industry is an innovative and progressive industry putting focus on the safety and health of its workers.

- **Life Cycle Assessment, New solution for the green economy**

In the green economy, life cycle assessment will determine the competitiveness of a material. Steel is an eco-friendly material throughout the life cycle including design, production, manufacturing, use & maintenance, recycling and discharge process.

## Input

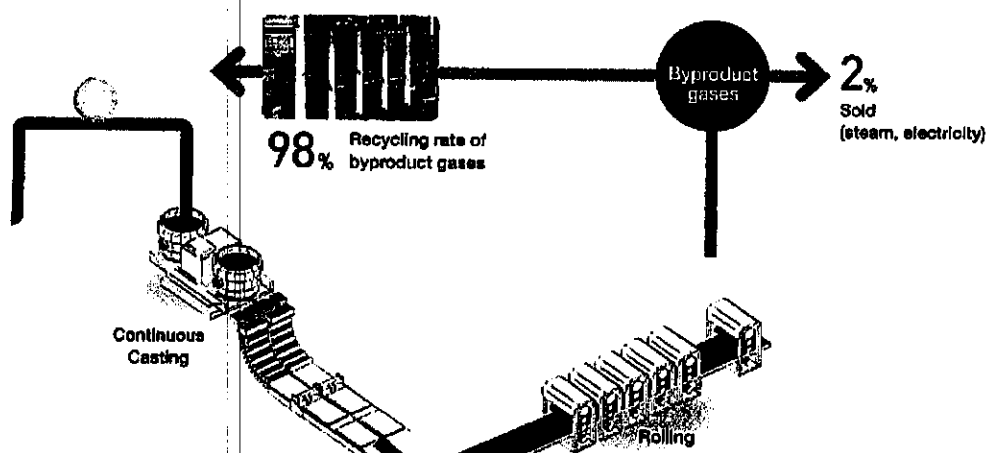


## Eco-Friendly Steel

Consumed over 1.3 billion tons a year throughout the world, steel is used in most industries including automobiles, ships, construction, semiconductors, home appliances, and various machinery and parts. Not only that, steel is used as basic material for the green environment such as high-efficient automotive steel sheets, renewable energy sources, smart grid, and high energy-efficient housing complexes. Steel is an eco-friendly material in which production cost is relatively low and can be fully recycled, and the recycling rate of steel products such as automobiles and cans is 76%.

|                          |   |     |                              |   |
|--------------------------|---|-----|------------------------------|---|
| <b>Energy efficiency</b> | The reduction rate of energy used to produce one ton of crude steel for the past 30 years | 50% | <b>Use of by-products</b>    | Recycle by-products of steelmaking as materials for road and building construction        |
| <b>Recycling</b>         | The recycling rate of steel products such as automobiles and cans                         | 76% | <b>Use of finished steel</b> | Utilized as green materials for new renewable energy sources and high-efficient buildings |

## Output



|                    |       |                     |
|--------------------|-------|---------------------|
| Steel production   | 37.33 | 100s Million        |
| Products sold      | 34.49 | 100s Million        |
| Resources recycled | 26.37 | 100s Million        |
| Effluents          | 1.6   | m <sup>3</sup> /t-5 |
| Landfill           | 23    | 100s Million        |

29% Used in-house 69% Used outside

Byproduct 2% Incinerated

CO<sub>2</sub> reduction effect in society due to expanded supply and usage of energy efficient steel products in 2011

High-strength steel sheet for automobiles

631

100s Million t-CO<sub>2</sub>

Low-carbon, ultra-thin steel sheet

2,600

100s Million t-CO<sub>2</sub>

Granulated blast furnace slag

5,021

100s Million t-CO<sub>2</sub>





## What are POSCO's strategy and plan to practice environmental management?

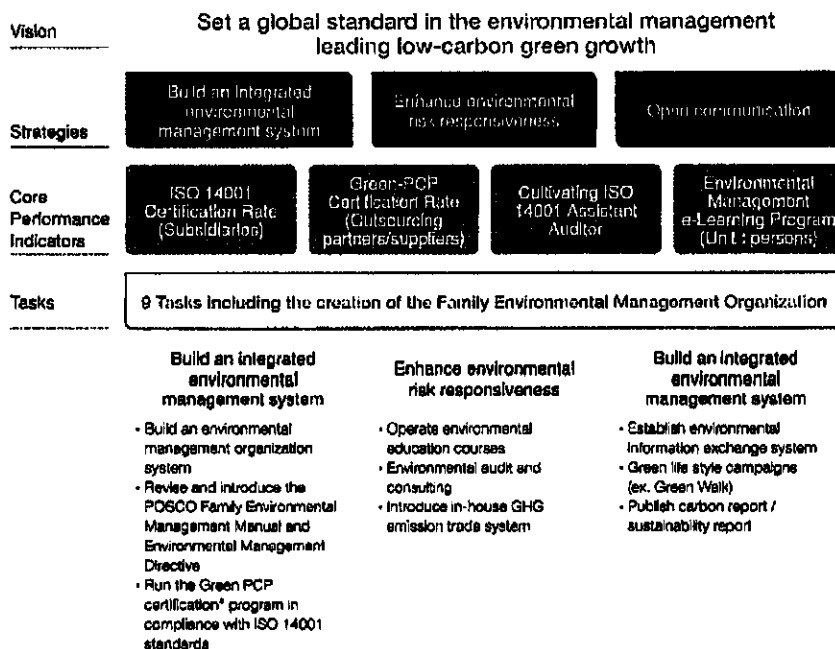
As POSCO's business expands, a comprehensive environmental management and environmental risk management at the POSCO Family level is increasingly important. In order to establish an environmental management system that includes subsidiaries, suppliers and outsourcing partners, the POSCO Family Environmental Management Directive was declared, with the CEO of POSCO and presidents of major Subsidiaries attending in December 2012. POSCO also established vision, strategy, and action plans to implement the directive. Recognizing environment as the core element of its management strategy, the POSCO Family established three key strategies (building an integrated environmental management system; environment risk management; and open communication) and nine implementation tasks including the establishment of the environmental management system at the Family level, continued environmental improvement, leading low-carbon green growth, and raising eco-efficiency.

### POSCO Family Environmental Management Directive (Revised in December 2010)

Recognizing the environment as the core element of our management strategy, we will practice the following in order to spearhead low-carbon green growth, assuring environmental integrity based on technology development and open communication.

- Build a Family-wide environmental management system based on ISO14001 and secure global leadership.
- Comply with environmental regulations and continue to improve the entire process in consideration of the environment.
- Minimize the discharge of contaminants by adopting cleaner production methods and implementing the best available control technologies.
- Capitalize on natural resources and by-products efficiently to establish a resource-circulating society and improve ecological efficiency.
- Lead low-carbon green growth by using cleaner energy sources and implementing green technology.
- Disclose our environmental management performance to secure management transparency and sustainability.

### POSCO Family Environmental Vision/Strategy/Action Plan



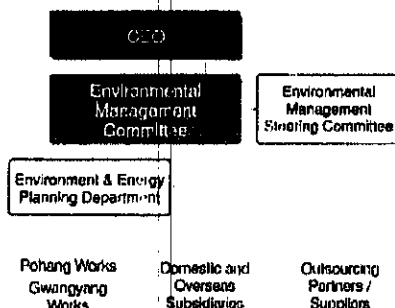
\* Green POSCO Certified Partner: POSCO's voluntary certification program for outsourcing partners and suppliers for adopting the environmental management system.

## Organization

Chaired by the CEO, POSCO operates the Environmental Management Committee, consisting of presidents and executives from domestic and overseas subsidiaries, outsourcing partners, and suppliers. The Environmental Management Committee holds regular annual meetings to analyze domestic and international environmental trends and discuss issues to establish mid-term environmental and energy strategies at the POSCO Family level. The Committee oversees the whole process and shares detailed action plans and results of the activities to establish a global environmental management system at the Family level.

The draft mid-term plans discussed at the Committee are evaluated and decided upon together with the mid-to-long-term business strategy at the Management Committee (expert committee under the Board of Directors). At the monthly Enterprise Management Meeting and Executives' Meeting chaired by POSCO's CEO, environmental performance is examined with other management issues.

### Environmental Management Committee



### Organization of Environmental Committees

| Category       | Environmental Management Committee  | Environmental Management Steering Committee  |
|----------------|---|--|
| Meetings held  | Annually (December)   | Quarterly  |
| Organization   | <ul style="list-style-type: none"> <li>Chairman : CEO</li> <li>Members : CEO at Subsequent subsidiaries</li> </ul>  | <ul style="list-style-type: none"> <li>Chairman : CEO's of subsidiaries</li> <li>Members : Executives in charge of environmental management at subsequent subsidiaries</li> </ul>  |
| Main Functions | <ul style="list-style-type: none"> <li>Approve POSCO Family environmental management directive and manual</li> <li>Approve POSCO Family environmental management strategies and goals</li> <li>Discuss major environmental issues and establish response measures</li> <li>Reporting of environmental management performance and present the Green Environmental Management Award throughout the Group</li> </ul> | <ul style="list-style-type: none"> <li>Establish implementation plan for each environmental management task</li> <li>Organize and operate subcommittees for each issue such as environmental risks</li> <li>Communication including audit, consulting, and government-related activities</li> <li>Spread outstanding environmental technology and management system</li> </ul> |

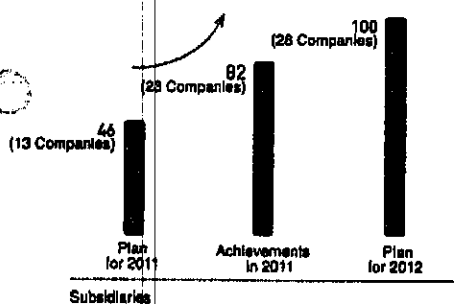
### Environmental Management Achievements and Plans

In December 2011, POSCO held the 1st Environmental Management Committee, chaired by the CEO, to share our progress and the achievements of Environmental Management in POSCO Family. As 18 out of 28 major subsidiaries acquired ISO14001 certification by 2011, we plan 10 additional overseas operations to acquire certification until 2012. As for SMEs, POSCO developed Green POSCO Certified Partner (Green-PCP) program, a voluntary certification program, and 95 major outsourcing partners and suppliers are planning to acquire the certification until 2012. In order to enhance environmental risk responsiveness, POSCO supports subsidiaries with environmental education courses, training ISO14001 experts, and conducting environmental audit and consulting programs.

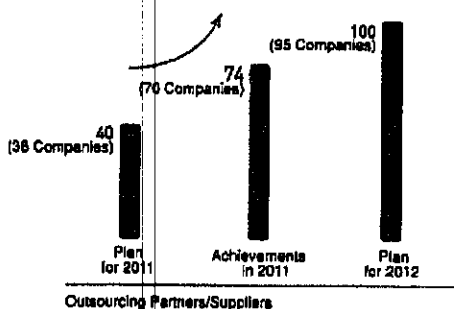
In December 2011, POSCO announced 'Green Environmental Management Awards' for subsidiaries with outstanding environmental management performance. We hope this annual award will motivate employees and share best practices of the awardees with the rest of the POSCO Family. With the goal of applying financial performance indicators related to the Family environmental management activities after 2013, we are in the process of developing indicators and conducting researches to validate its applicability.

#### POSCO Family KPI Performance and Targets

##### ISO 14001 Certification Rate (Unit : %)



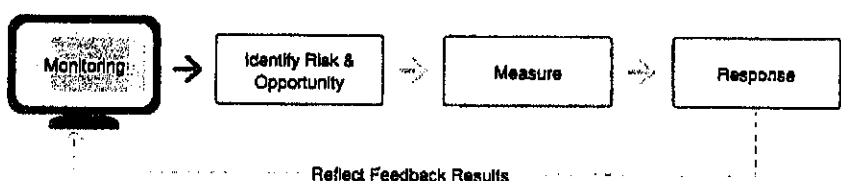
##### Green-PCP Certification Rate (Unit : %)



### Environmental Risk Management

POSCO has an internal management system in place to identify, analyze, and manage environmental risks and opportunities. We follow closely rapidly changing international trends including global environmental regulations and understand its impact on business management while conducting regular inspection of air, water, and ecosystems around our steelworks to learn the environmental impact on POSCO's business activities – addition of domestic and overseas operations, production – and managing environmental data through a real-time monitoring system.

The findings of the analysis are reported to the Environmental Management Committee, chaired to be reflected in the mid-and-long term business strategies and investment decisions. We will resolve the risks and share the results in connection with environmental technology consulting, environmental risk TFT, and the Family Environmental Management community activities.

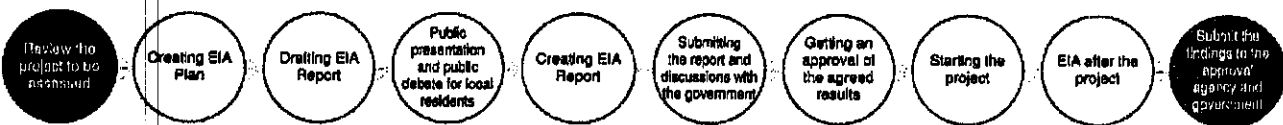




## What are POSCO's environmental management activities and achievements?

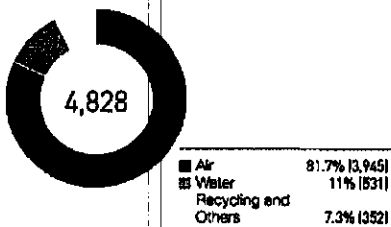
POSCO is conducting a regular examination of the ecosystem-air, water, and other living environment-around Pohang and Gwangyang steelworks to preserve the surrounding environment. We commission professional agency to perform environmental impact assessment prior to the construction of overseas plants and national steelwork facilities and submit the findings to the government. In addition, POSCO checks the air pollution level around Gwangyang Steelworks on a regular basis using an environmental monitoring vehicle fitted with mobile inspection equipment. We also measure the pollution level of a specific area at the request of the residents and provide the results immediately to update them on the environmental conditions.

### Procedure of Environmental Impact Assessment (EIA)



### Environmental Facility Investment in 2011

(Unit: billion KRW)



## Managing Environmental Performance

POSCO has been running an ERP-based environmental management system (POEMS: POSCO Environment Management System) for the systematic management of environmental data since 2001. The environmental data collected through the TMS at Pohang and Gwangyang Works is transmitted in real-time to the local government and the Ministry of Environment. Major environmental indicators are displayed on the electronic display located outside the plant so that local residents can see them as well. POSCO acquired the ISO 14001 certificate in 1996, and internal and external audits are taken annually. Environmental management as part of the POSPIA 3.0 campaign is restructuring inefficient parts of the system and integrating scattered elements.

## Environmental Accounting

Since 2005, POSCO has been operating an environmental activity costing system based on the ABM (Activity Based Management) method to simultaneously analyze costs and environmental benefits in accounting. It is designed to simultaneously analyze costs and environmental benefits from energy recovery and turn by-products to resources and provide information to major stakeholders as well as each department. Investment in environmental facilities in 2011 was 482.8 billion KRW, taking up 12.9% of total equipment investment. 701.8 billion KRW was spent in maintenance and operation of the environmental facilities. As a result of our continued focus on improving the environment, POSCO invested a total of 5,077.7 billion KRW since its establishment. This amounts to 9.7% of total equipment investment.

### Environmental Cost

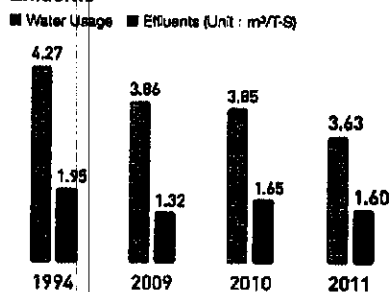
(Unit: billion KRW)

| Category   | Details  | 2009  | 2010  | 2011  |
|--|--|-------|-------|-------|
| Operation cost of environmental facilities       | Operation cost of environmental facilities   | 2,371 | 2,683 | 2,851 |
| Resource treatment expenses                      | Processing, transportation, incineration/landfill, outsourcing treatment of byproducts | 2,158 | 2,208 | 2,253 |
| Depreciation                                     | Depreciation expense of environmental facilities                                       | 1,425 | 1,527 | 1,168 |
| Depreciation expense of environmental facilities | Depreciation expense of environmental facilities                                       | 338   | 407   | 313   |
| R&D on environment                               | Environmental R&D expenses   | 133   | 170   | 119   |
| Energy collection expenses                       | Byproduct gas collection, Hot water, steam, and electricity collection                 | 519   | 510   | 314   |
| Total  |  | 6,944 | 7,505 | 7,018 |

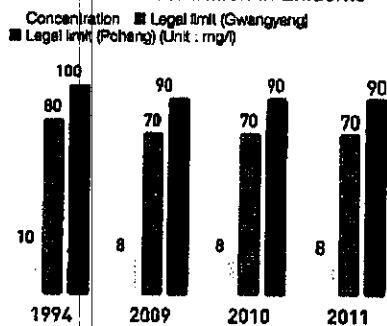


Water Treatment Facilities

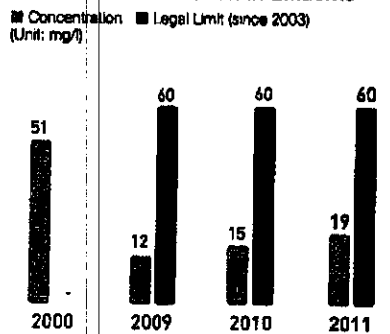
#### Water Intake for Operations and Effluents



#### Final COD Concentration in Effluents



#### Final T-N Concentration in Effluents



## Water Management

Stakeholders are getting more interested in the potential impact of business activities, especially from water usage. Recognizing the importance of water resources, POSCO conducted an analysis on risk factors that water may have on business. As a result, POSCO established mid-to-long-term water management strategies and has been practicing them to reduce the risk of water shortages and secure the stable supply of water. POSCO participated in the Water Management Project by the WSA from 2007 to 2011 to have a better understanding about the world-wide water usage trend, risk and opportunity, and to benchmark waste water treatment technologies of the global steel makers. Also, POSCO has been active in the WBCSD sharing useful information such as guideline on SCM water management and WBCSD Water Tool. We have been participating in the Water Disclosure program of the Carbon Disclosure Project with an aim of helping investment organizations, corporations, and governments to realize related risks by providing information about corporate responses to climate change, for three years since it first started in 2010.

### POSCO Mid-and-Long Term Strategy for Water Management



### Reducing Water Usage

POSCO is committed to enhancing water saving awareness by various plant activities such as staging campaigns and sharing the best practices of leading steel mills. The water usage and discharge data for each plant is analyzed and assessed by specialists to identify areas that need improvement, and used as basic data in activities to reach optimal water efficiency. Gwangyang Works is committed to reducing more than 10% of its water usage by 2013 through water reclamation as well as decreasing water usage. We are looking for ideas and put them into practice to cut water consumption while improving the wastewater discharge process and installing a rainwater harvesting system.

### Activities to Maximize the Reuse of Effluent

In order to increase the use of discharged water, Pohang Works plans to collect wastewater from rolling separately for low-chlorine and high-chlorine water, treat them separately, and then reuse 6,000 tons daily beginning from the latter half of 2011. Meanwhile, Gwangyang Works is recycling more than 20,000 tons daily after treating relatively clean wastewater including alkaline wastewater from cold rolled mills. With a goal of reusing more than 50,000 tons daily, the steelworks is committed to find ways to recycle water from Donghoan and discharged water from the sewage treatment plant through R/O treatment.

\* R/O : Reverse Osmosis

### Developing Substitute Water Source

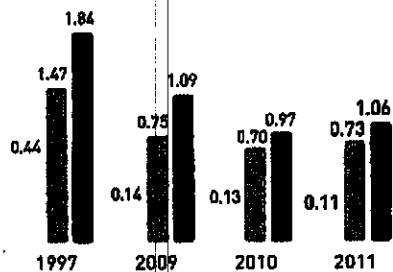
POSCO completed the desalinization pilot plant at Gwangyang Donghoan in December 2010. Studies on R/O technology that enable optimal facility operation are currently under way, which will be used in building the zero discharge system in the future. Also, we have a plan to recycle sewage from Pohang City for industrial use in collaboration with the government. Due to the lack of wastewater recycling facilities in the nation, most of our treated wastewater is currently used to clean sewage plants or for agricultural use and river flow management. All these efforts are expected to resolve the water shortage issue of the steelworks.

### Promoting Ecological Behavior in the Seongang Waterway to Restore the Ecosystem

Pohang Steel Works formed an eco-friendly habitat for marine life on the Seongang waterway recycling heat energy. The ecological habitat, 1,800m in length, 10~15m in width, and placed in water 2~4m deep, is designed to restore fishery resources effectively. Construction began in October 2010 and finished in March 2011. In the habitat, two slag fish reefs and three slag bags, with transplanted marine plants, nurturing marine life and purifying water. As a result, now a growing variety of marine life such as the mullet and black porgy are living healthily.

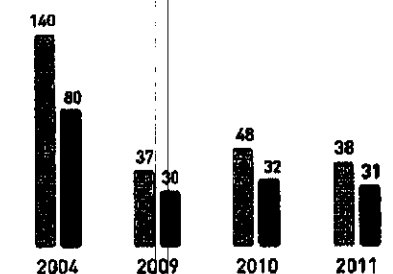
### Air Pollutants Emission

Dust ■ SOx ■ NOx (Unit : kg/T-S)



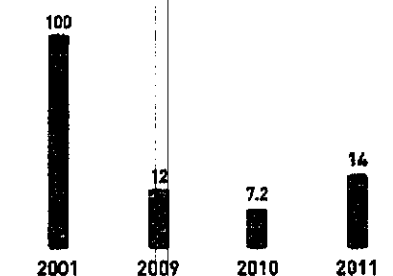
### Chemicals Emission

■ Pohang ■ Gwangyang (Unit : tons/year)



### Reduction of Dioxin Compared to 2001

(Unit : %, Based on the 2001 figure)



## Air

Pohang Works is implementing the "fine dust reduction task in Iron & Steel Making" to reduce the fine dust emission at the steel works. The key activities include reducing dust from the raw materials yard, roads, transportation equipment, as well as dust from equipment and chimneys, and installing the Vortex type dust net for the first time as a domestic steel maker and putting water sprinklers in place on major roads around the steel works. Also, POSCO installed additional dust collectors and controlled dust in a closed environment to prevent it from scattering. As a result of the entire project that cost approximately 150 billion KRW, fine dust concentration at the steel works decreased by about 50% compared to that of 2007. By 2014, additional silos with a capacity of 180,000 tons will be added to the current fine dust reduction system.

17 industrial sites in the Gwangyang Bay region, including Gwangyang Steel Works, have been involved in the 1st Voluntary Agreement for Air Pollution Reduction in the Gwangyang Bay Region along with the Jeollanam-do Office and the Ministry of the Environment. As a result, POSCO has reduced air pollutants by 15% using the standard from 2003, surpassing the agreed reduction target of 13%.

\* Vortex type windscreen : Provides better protection against wind by 10% than the existing polyethylene screen.  
\* Dust : Particulate matter in diameter of 10µm or less

## Stench/Odors

POSCO has established a system that monitors odor concentration in real-time to find the impact on the surrounding area of the steelworks emissions and climate change. When concentration goes up preventive measures are taken so that dust and odors do not leak out, impacting local residents. After thoroughly examining facilities and open locations that may emanate odors, facilities have been installed to eliminate odor generating substances and on-site departments are assigned with the task to closely monitor and take improvement measures. POSCO plans to invest approximately 310 billion KRW by 2013 in air quality control that includes stench and odors.

## Chemicals/Dioxin

POSCO completed the 1st round of projects for the government and civic-group led "Voluntary Agreement to Reduce Chemicals Emissions" (2005-2011). The company has been working with other industries in various programs; information exchanges and application of emission reduction technology. POSCO's consistent effort was rewarded with a significant reduction of chemicals discharge; by 69% in 2011 compared to the year 2004.

Also, POSCO concluded a voluntary agreement with the government to reduce Persistent Organic Pollutants (POPs). Through a series of efforts from the installation of a dioxin removal system and improvement of facilities and process, in 2011 POSCO was able to reduce dioxin levels by 14% less than 2001 levels, surpassing the reduction target by 40%.

\* Voluntary Agreement : (30/50 Program: the target is to reduce chemicals discharge by 30% within 3 years, and by 50% within 5 years).

## Chemical Control Framework

Chemical substances contained in products are increasingly controlled by strict regulations around the world. Against this backdrop, POSCO posted the results of the certified tests (ex. MSDS, \* REACH, \* RoHS, \* PFOS\*) by materials in reference to the EU RoHS and the latest candidate list of SVHC at POSCO's e-business site ([www.steel-n.com](http://www.steel-n.com)), available to the public. Packaging materials are considered finished products in the REACH framework and generally create no intentional discharge. However, POSCO M-TECH, responsible for packaging by materials, had an independent certifying organization to conduct an SVHC\* investigation to confirm its safety to prevent accidental discharge of substances.

\* SVHC (Substances of Very High Concern) : The producer or importer of the articles shall submit SVHC notifications to ECHA when the substance has been included on the candidate list as discussed above and the substance is present in the articles above a concentration of 0.1% weight by weight (w/w) and the total amount of the substance in the articles exceeds one ton per producer or importer per year.

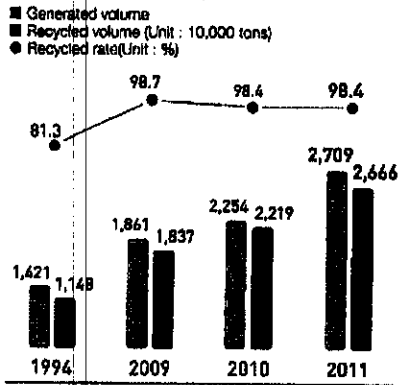
\* MSDS : Material Safety Data Sheets

\* REACH : Registration, Evaluation and Authorization of Chemicals, the European Union Regulation on chemicals

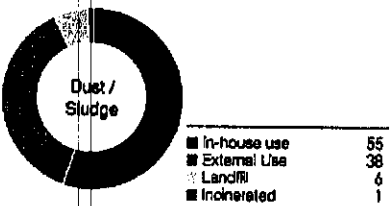
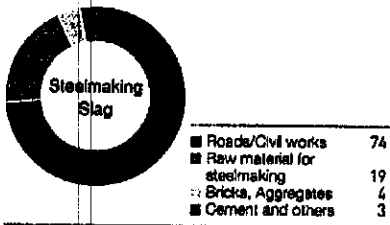
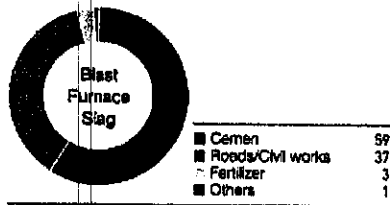
\* RoHS (Restriction of Hazardous Substances) : regulations set by the EU on the restriction of uses for certain hazardous substances

\* PFOS (Perfluorooctane Sulfonate) : fluorosurfactant that contains persistent organic pollutants

### Utilization Rate of by-Products



### Details of Recycled by-Products in 2011 (Unit : %)



## Resource Management

The total amount of by-products produced at Pohang and Gwangyang Steel Works in 2011 was 27.09 million tons. Among the by-products, slag\* accounts for 63% (blast furnace slag 40%, steelmaking slag 23%), dust and sludge 13%, and others 24%. POSCO recycled 98.3% of the by-products and the rest was treated safely through either incineration or solidification for landfill. All the blast furnace slag and steelmaking slag are recycle as cement material, aggregate substitute, or others. POSCO found diverse ways to reuse its by-products to create high-additional value.

\* Slag : A byproduct of the process of smelting ore. There is blast furnace slag, produced in the process of iron making and steelmaking slag, generated from the steelmaking process.

### Eco-Friendly Use of Slag as Cement

Granulated blast furnace slag is obtained by quenching molten iron slag from a blast furnace with water spray, then dried and ground into a fine powder. It is used as cement clinker, saving exhaustive mineral resources and reducing CO<sub>2</sub> emissions. In 2011, POSCO substituted 6.39 million tons of slag for cement, which is estimated to reduce total emissions of GHG by 5.0 million tons.

POSCO developed a new cement material, PosMent, which is of better quality and eco-friendlier than the existing slag cement. PosMent, can help preserve natural resources such as limestone and reduce carbon emissions by roughly 70% compared to the conventional cement production process.

\* Cement clinker : A nodular material made by heating ground limestone and clay at a high temperature. The nodules are ground up to a fine powder to produce cement.

\* Slag cement : A mixture of Portland cement and slag powder at a specific rate.

### Slag Powder Production

In July 2011, POSCO completed a slag powder plant with an annual capacity of 1 million tons to produce greener slag cement (mixing 40% of slag powder and 60% of cement) at Gwangyang Works. Slag powder is a high-strength cement material, produced by cooling molten iron slag from a blast furnace with water spray, and then grinding at a roller mill into a fine powder. POSCO plans to nurture slag cement industry as a high-added value industry as it develops stronger cement substitutes and other new materials while contributing to the green growth by reducing fossil fuel consumption.

### Export of Granulated Slag

POSCO made its first export of granulated slag based on an annual contract. Working together with Daewoo International, we successfully developed a new overseas market and exported 25,000 tons of granulated slag to Taiwan for the first time on 29 July 2011. We are going to expand our overseas market to Southeast Asia and build infrastructure for the stable export of slag. We will conduct research to diversify slag use and raise its added values and develop an eco-friendly cement material with the POSCO brand.

### Developing Technology to Utilize Byproducts

Considering byproducts of steel making process as valuable green resources, POSCO has been conducting the activities of "By-product Profitability Improvement Mega-Y" at the Family level. Economic benefits from improving by-product profitability increased by 164 billion KRW over the previous year, and the aggregate amount is 500 billion KRW.

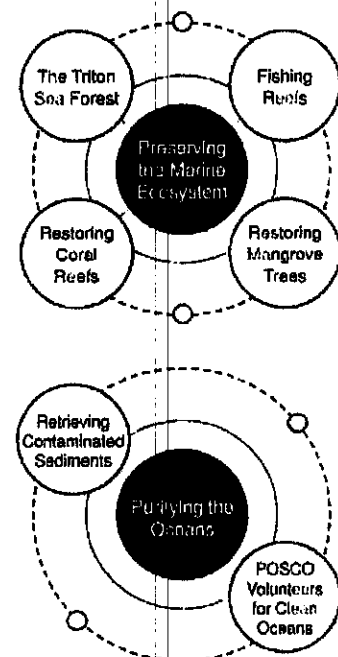
POSCO processes and uses SNNC's slag generated from the refining furnace, and nickel-containing by-products from outside companies as nickel substitute as part of its effort to foster collaboration between related industries as well as subsidiaries. POSCO will continue to expand the resource circulation within the Family; one example is expanding the sourcing network for non-steel materials in connection with the POSCO M-tech urban mining project.

## What is POSCO doing to preserve biological diversity?

POSCO is keenly aware of the growing importance of protecting biodiversity. It has been high on the agenda of global environmental organizations including WBCSD and Rio+20 and the Korean government set related regulations.

POSCO established a set of strategies, working together with domestic and overseas operations, the government and local residents to carry out diverse activities to preserve our ecosystem. With special focus on protecting the sea, we are involved in marine ecosystem restoration and ocean cleaning programs.

### Ocean Preservation Activities

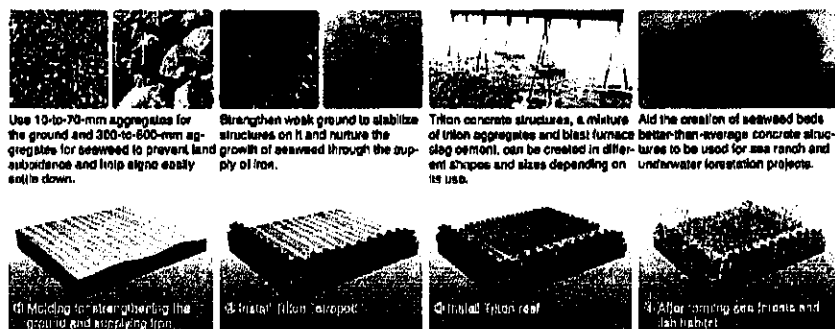


## Preserving Marine Ecosystem

### Triton Sea Forest

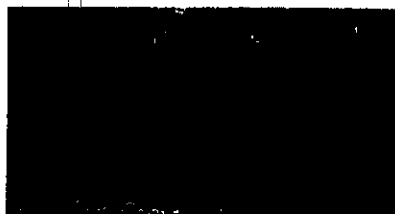
POSCO developed a steel slag marine structure, Triton, which is effective in restoring marine ecosystems. Triton can restore fishery resources such as algae, fish and shellfish within a short time period. Steel slag is richer in calcium and iron-beneficial to a marine ecosystem-than normal aggregates, which helps growth and photosynthesis of algae and purification of the seawater by eliminating contaminants. In addition, the underwater forests have the effect of capturing CO<sub>2</sub> through slag carbonation and algae photosynthesis. POSCO created Triton forest in an 8 to 13-meter-deep fishery in the waters off Yeosu's Geomun Island to help restore the crippled local marine ecosystem. Artificial forests were formed in the waters off Ulsan and Tongyeong, as well. In particular, the slag sea forest in Pyeongsan, Namhae, in line with an MOU it signed with the Ministry for Food, Agriculture, Forestry and Fisheries, was inhabited by 10 times as many sea creatures than natural rock formations nearby. The success was realized after just 18 months, leading to a higher quality of life for residents.

\* Triton : The god of the seas in Greek mythology. He blows into a twisted conch to call upon dolphins and fish, and has the ability to restore forests.



## Artificial Fishing Reefs

As the first Korean company to develop artificial fishing reefs in 1988, POSCO has improved and supplied fishing reefs with outstanding performance of nurturing fishery resources. POSCO's new fishing reefs are in the shape of octagonal hemispheres in three sizes; small, medium and large for different types of seas. The new reefs can be plunged into the deep sea and are much more stable than conventional concrete structures. Also, they are light and easy to transport and install and can be placed on the seafloor. Sea creatures, food for fish and shells, can easily attach themselves to the steel surface of the reefs and the iron contained in the slag reefs nurtures phytoplankton. POSCO also created a sea ranch off Tongyeong placing a large number of fishing reefs, where one can see various fish such as black porgy and Korean rockfish swimming around. As such, fishing reefs are designed to suit the sea environment and provide optimum living conditions for marine creatures.



Creating an eco-friendly coral reefs

### Restoring Coral Reefs

The technology POSCO used to restore coral reefs by forming eco-friendly reefs using steel slag is low-carbon technology adaptive to the ocean climate change. POSCO invested 4.5 billion KRW from 1998 to 2009 in R&D to commercialize the technology. Now the company is working on restoring coral reefs and the marine ecosystem in the waters off the POSCO steel mill in Indonesia.

Coral reefs attract diverse sea creatures and serve as natural breakwater protecting the coastal area from tidal waves due to tsunami and typhoons. However, they are gradually deteriorating due to rising water temperatures and discharged pollutants. Restoring coral reefs is one way in which POSCO preserves marine ecosystems.

### Restoring Mangroves in Thailand

In April 2010, POSCO Thailand held a special event to plant 2,000 mangrove seedlings in a wetland in Chonburi Province, near Bangkok. This was an opportunity to communicate with the community as well as discuss ways to prevent the loss of oceanic soil, global warming and climate change including tsunamis. Mangrove trees, whose leaves are known to store and secret salts, grow in swamp areas between the land and sea and capture twice the amount of carbon dioxide rainforests do. In addition, they reduce the number of tsunami occurrences by 75% and create an important habitat for birds.

The mangrove has 54 varieties around the world occupying a quarter of the earth's coastline. Its importance as a natural coastal breakwater is growing but, unfortunately, reckless development has made a fifth of the mangrove forests since 1980, at a pace more than three times faster than average forests on land. POSCO will double its effort to recover biological species abroad.

## Cleaning the Oceans

### Recovering Contaminated Sediments

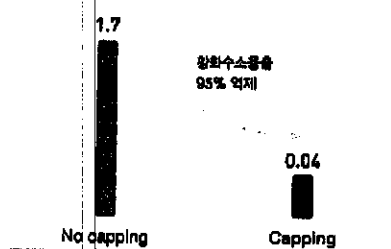
POSCO uses steelmaking slag as "sand capping" for seafloor sediment. The slag capping covers seafloor sediment to absorb the contaminants and prevent them from dissolving. This eco-friendly technology helps the marine ecosystem restore itself and nurture sea life living on the sediment without generating suspended particles by adjusting the size of slag particles. Heavily polluted shores or freshwater lakes often have more contaminants on the seafloor than in the water itself. This is because sea water does not circulate freely accumulating contaminants at the bottom. This increases nutrients in the marine system causing red tide, green tide, or blue tide, disturbing the growth of sea life.

Recovering polluted sediment is effective in such areas. POSCO put a layer of sand capping made of 1,300 tons of steelmaking slag in the oyster farm in Gosung Bay, Tongyoung. This reduced the amount of dissolved contaminants by more than 95% increasing the phytoplankton population and oyster production.

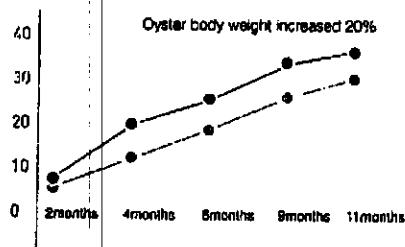
### Test results of Tongyoung's Oyster Farm, Gyeongnam Province

● No capping ● Capping

(based on: the amount of hydrogen sulfide dissolved from sediments / Unit : ppm)



(Based on: wet weight at the bottom / Unit: g)



### POSCO Volunteers for Clean Ocean

Meanwhile, we founded the "POSCO Volunteers for Clean Ocean" in November 2009, for the preservation and purification of the marine ecosystem, retrieving discarded fishing nets, tires and tents which are difficult to clear. The Volunteers for Clean Ocean started with the in-house scuba diving club comprised of about 300 members of POSCO employees and their families. They undertake sea surface and underwater cleaning programs every month at Pohang and Gwangyang. Their volunteering activities include the elimination of starfish that disturb the underwater ecosystem and damaging fishery including abalone. The scuba diver-volunteers conduct marine education for local residents in coastal villages, with which each department forms a special one-to-one relationship. The volunteering group will continue its efforts to win the sympathy of the public by staging environmental campaigns with underwater filming of the marine environment as well as its garbage removal.



## How is POSCO responding to Climate Change?

At the Seventh Green Growth Committee held in February 2010 chaired by the Korean President, POSCO declared the 2020 Voluntary Greenhouse Gas Reduction Goal to respond proactively to climate change and sustainable growth. POSCO will reduce CO<sub>2</sub> emissions per each ton of crude steel by 9% from 2.18t-CO<sub>2</sub>/t-S (average emission levels from 2007 to 2009) to 1.98t-CO<sub>2</sub>/t-S by 2020. In order to meet this goal, coupled with efforts such as reducing coal usage and enhancing energy efficiency, POSCO will invest approximately 1.5 trillion KRW by 2018.

### Global Green Growth Leader

Cut CO<sub>2</sub> emissions intensity by 9% by 2020 below the average of the past three years  
Reduce indirect GHG emission by 14 million tons  
(high-efficient steel material supply & green business)

Invest 7 trillion KRW in low-carbon steel & green business by 2018  
Create 87,000 jobs in the green industry

**GREEN STEEL**

Innovate steelmaking process. Develop high strength steel sheets and ultra lightweight materials with high energy efficiency.

**GREEN BUSINESS**

Tap into the POSCO Family's capacities to expand renewable energy.

**GREEN LIFE**

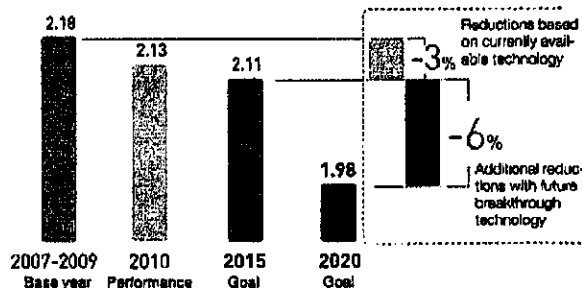
Carbon neutrality program, Green Walk Campaign, Green Steel Works.

**GREEN PARTNERSHIP**

Cooperation on climate change policies (APP, GSEP). Transfer and spread green technology.

### CO<sub>2</sub> emission intensity reduction goal

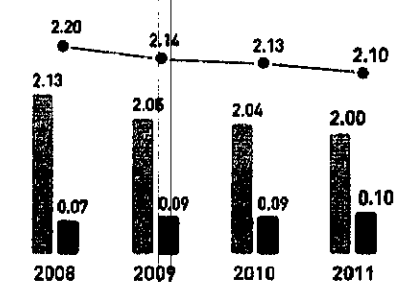
(Unit: t-CO<sub>2</sub>/t-S)



- Emission goals were set according to POSCO's greenhouse gas calculation guideline tailored to the iron and steel industry, which was developed in reference to IPCC Guideline for National Greenhouse Gas Inventories, WBCSD/IRRI Greenhouse Gas Protocol, World Steel Association Guidelines, ISO TC 17/SC draft Calculation method of CO<sub>2</sub> emissions intensity from Iron and Steel production (2010.6.27).
- Scope of calculation: Pohang and Gwangyang Works
- Direct emission (Scope 1): CO<sub>2</sub> emissions from automobile operation on site were not included
- Indirect emission (Scope 2): Indirect CO<sub>2</sub> emissions via use of purchased electricity
- Coal emissions figures are based on 2006 figures and have been applied the same since 2007.
- CO<sub>2</sub> emissions figures follow the Corporate Greenhouse Gas Emission Reporting Guideline, and may differ from calculations based on the "Greenhouse Gas & Energy Target Management Guideline" announced by the government in March, 2011.

### CO<sub>2</sub> Emissions Intensity

■ Direct emissions ■ Indirect emissions  
● Total emissions (Unit: t-CO<sub>2</sub>/t-S)



### Implementing the Greenhouse Gas and Energy Target Management System (TMS)

Under the government's TMS, 458 companies with factories producing at least 25,000 metric tons of carbon dioxide a year must set energy-saving and greenhouse gas-reduction goals. POSCO had the third party verify the amount of GHG emissions and energy usage of a total of 10 sites including Pohang and Gwangyang and submitted a report to the government. According to the government-announced reduction target for 2012, POSCO is required to reduce 963,000 tons, the biggest amount to the projected emission for 2012, among the companies on the list. POSCO submitted its emissions reduction plan to the government in December 2011.

\* It is subject to future changes according to the government's specification on the companies, reviewed results of the emissions in the base year, and objection from companies.

### Green Steel

During the period from 1999 to 2008, POSCO invested a total of 1.4 trillion KRW in energy efficiency improvement facilities such as CDQ(Coke Dry Quenching) and TRT(Top-gas Recovery Turbines), saving 2.91 million TOE of energy. Innovative technologies are under development; extracting CO<sub>2</sub> from steelmaking by-product gases, in-process heat energy retrieval & usage technology, and hydrogen steelmaking. POSCO strives to reduce emissions by enhancing energy efficiency and expanding the accumulated energy efficient production technology throughout the plants. POSCO operates an integrated management system for greenhouse gases and energy, looking for effective methods to reduce emissions and energy use through analysis and evaluation of alternatives. The findings are reflected in the decision making regarding CO<sub>2</sub> emissions and energy use of the new businesses and processes in connection with costs. In November 2010, POSCO

### Social GHG Emissions Reduction Effect (Based on the Supply in 2011)

| Category  | High-strength steel sheet for automobiles | Low-core-loss electrical steel sheet | Granulated blast-furnace slag |
|---|---|--------------------------------------|-------------------------------|
| Social CO <sub>2</sub> emission reduction effect<br>(Unit: 1,000 t-CO <sub>2</sub> /year) | 631                                       | 2,600                                | 5,021                         |
| Sales<br>(1,000 tons)   | 783                                       | 441                                  | 6,396                         |

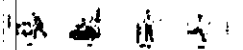
### CO<sub>2</sub> Emissions Other Sources

(Unit: t-CO<sub>2</sub>)

| Category                                  | Other Emissions |
|---|-----------------|
| Transportation of purchased raw materials | 1,070,053       |
| Employee commuting                        | 5,548           |
| Business trips (domestic/overseas)        | 2,530           |

- Calculations based on WBCSD/WWF Greenhouse Gas Protocol
- The volume of purchased raw materials is 87.00 million tons
- The number of employees as of end of 2011 is 17,553

## GREEN 100 BOOK



For further information on the  
POSCO Family's Green Walk Cam-  
paign, refer to the following:  
Webpage: [www.greenwalk.co.kr](http://www.greenwalk.co.kr)  
Mobile page: [m.greenwalk.co.kr](http://m.greenwalk.co.kr)

introduced an incentives system for the shop floor departments for their energy efficiency improvement efforts and performance, which has been in operation since January 2011. In addition, POSCO is the leading supplier of energy-efficient steel materials; high-strength steel sheets for automobiles, which improves a car's fuel efficiency by decreasing its weight, and low-core-loss electrical steel sheets, which contributes to enhancing efficiency of motors and transformers. These efforts have reduced approximately 3.23 million tons of CO<sub>2</sub> emissions in 2011.

### Green Life

POSCO runs a carbon neutral program, which publicly collects ideas about carbon neutrality projects and supports them. Marking the third year of the program in 2012, a category of "response to climate change" has been newly added and a carbon neutrality reporter group has been launched to lead the campaign to spread awareness about the significance of carbon neutrality. POSCO launched the "Green Walk Campaign" that POSCO Family employees and their families can participate in. Employees can take part voluntarily in the four Green Actions (Walk, Switch Off, Reduce, Recycle). 5,562 families from 36 companies have participated as of December 2011 and will be expanded to major partners and suppliers to include over 10,000 families.

### Green Partnership

POSCO is actively involved in domestic and international collaborative initiatives such as the Global Superior Energy Performance Partnership (GSEP) as well as the climate change response activities taken by the World Steel Association. The purpose of the GSEP, launched at the Clean Energy Ministerial (CEM), is to accelerate energy efficiency improvements throughout industrial facilities and large buildings to enhance energy security and cut GHG emissions. Within GSEP, there are six working groups, including Power and Cement and POSCO is a member of the Steel Working Group.

## Green Business

### Fuel Cells for Power Generation

- POSCO Energy
  - Constructed a 50MW per year fuel cell BOP\* manufacturing plant in the Pohang Young-il bay rear industrial complex.
  - Expanded investment to develop highly efficient next-generation SOFC technology
  - Currently operating 50MW fuel cells in 18 regions nationwide
  - Completed a stack module production plant, fuel cell core facilities, in March, 2011
  - Developed 100KW fuel cell for buildings: finish installation in Seobuk Hospital and Children's Park in January 2012, conducting a five-year pilot project in collaboration with the city of Seoul
- \* BOP: Balance of Plant. An auxiliary system in charge of fuel distribution and power conversion

### Wind Power Generation

As dramatic growth is projected in the world's offshore wind power market, POSCO Energy is building its competence getting ready for going global beyond the domestic market.

- Tamra Offshore Wind Farm: started construction of a wind farm of 30MW capacity in Dumo-ri and Geumdeung-ri, Jeju Province (to be completed in September 2013)

### Waste-to-Fuel

POSCO established POSCO E&E in August 2009 to have it focus on waste to energy business and transferred its shares to POSCO Energy (formerly POSCO Power) in December 2011.

- Municipal Solid Waste (MSW) power generation project: generating power by combusting MSW as refuse-derived fuel (RDF)
  - Busan RDF and power generation facilities: construction started in October 2010 and will finish in 2013.
  - Nation's first RDF power plant using MSW. Generated 25MW/h electricity.
- Waste-to-energy facility in Pohang: Negotiation closed in December and construction to be started in late 2013. Will use RDF to produce 12MW/h of electricity.
- Sludge-to-power business: process sludge to be used as auxiliary fuel for power plant.



- Suwon sludge-to-power facility : Produce fuel through drying and processing of sewage sludge as auxiliary fuel for thermal power plant. Planning to acquire business right of Suwon sludge-to-power business by the end of 2012.
- Sewage-powered energy business : thermal energy of sanitary sewage used to power households.
- Designated as a priority supplier of the Sewage-to-power project of Tancheon Water Reclamation Center, Seoul in August 2011. Construction to start in late 2012. Projected to produce 200,000 GCal of heat a year from the waste heat from sewage.

### Solar Power Generation

- POSCO Energy
- Shinan Solar Power Plant (In Palgaum and Anjwa Island, South Jeolla Province): 1st round of project (12MW capacity) under way. Started from a 2MW plant in an abandoned salttern in 2012. Scheduled to complete construction of power plants with a total capacity of 2,600MWh a year, equivalent to power 800 households.
- Solar Power Generation in Nevada, US: Construction of a solar power plant with capacity of 300 megawatts, with a goal to be operational by October 2014

### Power Generation from Low-Temperature Waste Heat

- POSCO is in the process of developing "Kalina" power plant technology to take advantage of low-to-medium temperature waste heat, untapped resources to date. Kalina is highly efficient in generating power from low temperatures, below 200 degrees Celsius. This method saves raw material cost significantly by using waste heat from the plant and can be installed anywhere geothermal power generation is possible.
- Develop power generation from low-temperature waste heat technology : Test bed (with goal of 800KW capacity) under construction at the Gwangyang sinter plant. To be completed in July 2013.

### Smart Grid

- POSCO ICT
- Grid connection and Micro-Grid operational platform building: Energy Storage System test and EMS performance validation in progress
- Working to set the standard model and reference for the Smart Industry with RIST (a research institute wholly owned by POSCO) at oxygen plant in GW, since May 2010.

### LED

- POSCO ICT
- Laid groundwork for becoming a leader of the LED lighting market; start construction of Pohang assembly plant, develop a full lineup of products, explore new markets at home and abroad.
- Plan to provide the LMS (Lighting Management System) solution, integrating design, installation, and IT, right from the manufacturing stage of LED lighting.

### General Materials

Working with POSTECH and RIST, POSCO is conducting a future-oriented general material business, supplying core materials for green energy industry.

- Magnesium, Titanium : light metals
- Lithium : core material for secondary battery, cathode/anode
- Carbon material : recycled from coal tar, a byproduct of steelmaking, to substitute imports
- Rare-earth metal : core materials for high-efficient electric materials
- Urban Mining: recycling resources

### Secondary Battery Material – Anode Material

- POSCO CHEMTECH(Acquired Negative Active Materials Division of LS Mtron, formerly Carbonix Inc.)
- Completed production facility with 2,400 ton per year capacity in Yeongi-gun, South Chungchung in 2011. To start commercial production in late 2012.
- Linking with natural graphite anode material, artificial graphite, and WPM(World Premier Material) businesses

For more details on climate change, refer to the POSCO Carbon Report.



The ceremony for the completion of Shinan Solar Power Plant complex



LED lightings applied in POSCO

PUBLIC  
FILE  
65

## What is POSCO doing to promote internal and external environmental communication?

POSCO actively participates in domestic and overseas associations such as the World Steel Association as well as seminars and conferences, for international cooperation and information exchanges on major issues of the environment and shares the latest environmental technologies with global steelmakers. In its effort to practice environmental management and win-win growth with partners, POSCO has been carrying out various programs since April 2011 under an MOU between POSCO and SMEs

### Domestic and International Cooperative Activities

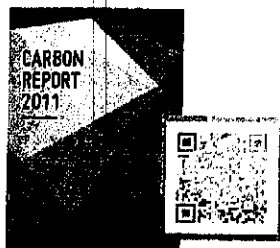
| Category      | Activities  | Details   |
|---------------|---|---|
| Domestic      | KOSA Environmental Policy Conference  | Responding to changes in environmental policies and finding ways of voluntary environment improvement activities                          |
|               | Korea Business Council for Sustainable Development  | Sharing and discussing issues on corporate sustainability management  |
|               | Business Institute for Sustainable Development  | Building partnerships for sustainable development   |
|               | FKI Business Council for Green Growth   | Discussing technology and policy for green growth   |
|               | Mutual Cooperation Committee for Marine Resources (Ministry of Food, Agriculture, Forestry and Fisheries) | Cooperation for restoring marine ecosystems and replenishing marine resources   |
|               | Cooperation for Environmental Education with Environmental Foundation                                     | "Green School with POSCO," Environmental Education for elementary, middle and high school students  |
| International | World Steel Environmental Policy Committee of WSA   | Committee established to facilitate information exchange and cooperation of global steelmakers on climate change and environmental issues |
|               | Global Superior Energy Performance Partnership (GSEPP)  | An initiative of the Clean Energy Ministerial (CEM) to save energy in industrial process and commercial buildings                         |
|               | 2012 World Conservation Congress  | Global environmental conference held by the IUCN every 4 years. To be held on Jeju Island in September 2012                               |
|               | World Business Council for Sustainable Development  | Identifying and sharing business cases for sustainable development, advocating sustainable development of businesses                      |
|               | The Environmental Committee (ENCO) of SEAISI  | World Steel Water Management Project  |

### Consultation with the Community

Since 2009, Pohang Works has been operating an environmental watch group, consisting of local residents to monitor the surrounding environment of steelworks and the industrial complexes and to reflect the voices of the residents in improving the steelworks environment. Currently, the monitoring group in its 2nd term has 15 members, residents from five areas (Songdo near steelworks, Haedo 1-dong, Haedo 2-dong, Jacheol-dong) and serves as a communication channel connecting the company and community. GW Works is actively promoting the company's environmental improvement efforts to residents at local environmental events. They invited civic groups, environmental groups, resident representatives (Taein-dong, Gwangyoung-dong), and local lawmakers to a tour of the steel mill and listened to their opinions. In October 2011, Gwangyang Works gave a presentation on the company's environmental management activities for local public officials in environmental departments in South Jeolla.

### Disclosing Environmental Information and Receiving Awards

Well aware of the importance of communication with stakeholders in practicing environmental management, POSCO discloses its environmental objectives, related activities and performance information through the Sustainability Report, Annual Report, and the POSCO website, since the first environmental report in 1994. In response to stakeholders' heightened interest in climate change, POSCO published the 2010 Carbon Report in February 2010, the first in the global steel industry. Also, POSCO has been active in disclosing environmental information through the Carbon Disclosure Project as well as SAM DJSI, an evaluating organization of sustainable management indexes. Such efforts were rewarded with ranking 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos and being selected as the leading company in sustainable management by SAM DJSI for seven years in a row, the best performance by a Korean company.



#### Disclosing environmental information

POSCO has been reporting its responses to climate change through the Carbon Report since 2009.



# Win-Win Movement

**Partners** are members of the POSCO Family with which the company grow together based on overall competence and trust. POSCO is at the forefront of establishing a fair trade order through its Fair Trade Corporate Compliance Program and balanced growth of business ecosystem as it supports ventures through a variety of measures. We are working hard to give real benefits to our partners by offering SME financial support and other competence-building programs as well as POSCO's own support initiatives. POSCO will continue its effort to fulfill its responsibilities as a leading company in key industries contributing to fair and healthy industrial development.

## About Partners

|             | Fair Trade   | Venture Support Programs   | Win-Win Growth   |
|-------------|--|--|--|
| Issue       | <ul style="list-style-type: none"> <li>• Voluntary observance of fair trade practice by the POSCO Family</li> <li>• CP Grade Evaluation of POSCO subsidiaries</li> </ul>   | <ul style="list-style-type: none"> <li>• Idea Marketplace</li> <li>• Membership Programs</li> <li>• Idea Camp</li> </ul>   | <ul style="list-style-type: none"> <li>• Unique POSCO Program</li> <li>• Competence Building of SMEs</li> </ul>  |
| Performance | <p><b>Spreading voluntary fair trade compliance among POSCO Subsidiaries</b></p> <ul style="list-style-type: none"> <li>• Increased CP operation among the POSCO Family : 64 companies in 2011</li> <li>• Support subsidiaries with the CP program : 18 subsidiaries implementing the CP</li> <li>• Promoting fair trade culture : posting articles to online business ethics webzine, emailing weekly trends, publishing/distributing a guidebook that reflects revisions to the Fair Trade Act, Fair Trade Academy</li> </ul> <p><b>POSCO subsidiaries get a grade A in the CP evaluation</b></p> <ul style="list-style-type: none"> <li>• Achieved a great result at the 2011 CP evaluation of the Fair Trade Commission (Grade A for two subsidiaries).</li> </ul> | <p><b>Launching Event of Idea Marketplace</b></p> <ul style="list-style-type: none"> <li>• Launched October 27, 2011, in an effort to establish venture support platform : other programs include StarCEO Forum, angel investor lectures, and venture capitalist mentoring.</li> </ul> <p><b>The 1<sup>st</sup> POSCO contest for New Business Ideas</b></p> <ul style="list-style-type: none"> <li>• Collected 1,387 ideas in late 2011 and giving awards to the 13 best ideas</li> </ul> <p><b>The 1<sup>st</sup> Membership Program</b></p> <ul style="list-style-type: none"> <li>• In Jan 2012, a 6-week mentoring program offered to the 9 selected companies.</li> <li>• In Feb 2012, the idea marketplace business presentation held to attract investment (POSCO Invested 3 billion KRW)</li> </ul> | <p><b>Expanding Unique POSCO Programs</b></p> <ul style="list-style-type: none"> <li>• Benefit Sharing : compensated 82.6 billion KRW between 2004 and 2011</li> <li>• Techno-partnership : offered technological consulting to 222 SMEs between 2006 and 2011</li> <li>• Cash payment to SMEs : within 3 business days of delivery, twice a week</li> <li>• More executives participating in the POSCO Family Executives Win-Win Growth Support Group (from 196 in 2010 to 271 in 2011)</li> </ul> <p><b>Financial Support for SMEs</b></p> <ul style="list-style-type: none"> <li>• Set up a fund of 1,380 billion KRW</li> <li>• Set up a 200 billion KRW fund for shared growth between large and smaller companies</li> </ul> <p><b>Technological Cooperation to Enhance R&amp;D Capability</b></p> <ul style="list-style-type: none"> <li>• Private &amp; Public Sector Joint R&amp;D Fund Agreement : with the SMBA (Small &amp; Medium Business Administration), raised 10 billion KRW in R&amp;D Fund</li> <li>• Management Doctor Program : since May 2011 (26 companies including KC Cottrell)</li> <li>• Win-Win Supply Chain Research Group : performed 16 tasks in 2011 (joined by 30 SMEs)</li> </ul> <p><b>Enhancing SME Competitiveness and Partnership</b></p> <ul style="list-style-type: none"> <li>• Increased the number of POSCO-certified suppliers and items : certified suppliers : from 38 in 2010 to 42 in 2011<br/>certified items : from 64 in 2010 to 70 in 2011</li> <li>• Support SMEs in the global market : Global Growing Center in operation since June 2011</li> </ul> |



## What is POSCO doing for fair trade order and in what direction?

Since POSCO adopted the Compliance Program (CP) in 2002 to conform to a fair market order and promote liberal competition among businesses, it has continued its efforts to foster the culture of voluntary compliance ever since. POSCO declared the Code of Conduct in June 2003 to express the determination of the CEO and all employees in the pledge to honor the Code of Conduct at the beginning of the year since 2005. Since 2004, POSCO's BOD nominates the CP Director who is in charge of the overall supervision of the Compliance Program and reports the operation status to the Board on a regular basis. The Internal Transactions Committee installed under the BOD for more transparent transactions with subsidiaries in 2004, has deliberated on 68 agendas up to 2011, and the Fair Trade Support Team was installed in 2004 to oversee fair trade related tasks. Renamed the 'Fair Trade Group', it has worked to ensure compliance with fair trade standards within the company.

### The Compliance Committee

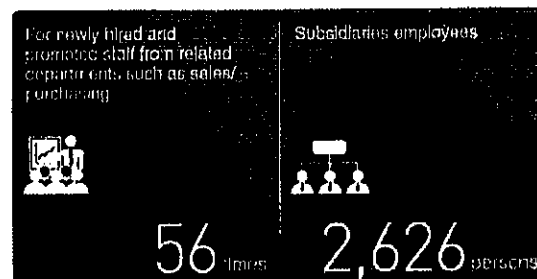
The Compliance Committee is comprised of the heads of those departments most relevant to fair trade, such as marketing, purchasing, and outsourcing. Important issues related to the Compliance Program are discussed at regular meetings. The organization under the Compliance Committee appoints the Compliance Leaders to assist Compliance Committee members and provide consultation related to compliance issues to the departments as well as education.

### 2011 Education Programs

#### **E-learning Fair Trade Courses**



#### **Gathering Classes**



### Self-Audit System

The self-audit system has been enhanced by designating 7 key departments such as sales, purchasing, and outsourcing as mandatory self-audit departments. The website's main role is to provide "a department-level self-audit and consulting system," which is an internal monitoring system. Fair trade related departments conduct self-audits by referring to the checklist, and if possible breaches are identified, must consult with the company's compliance department. For an even upgrade of fair trade practices throughout the Group, POSCO has expanded its Fair Trade website to subsidiaries' integrated fair trade websites since 2009. In 2011, POSCO improved some of the features to make it easier for the Subsidiaries to use.

## Subsidiaries with the CP

| New subsidiaries          | No. of subsidiaries |       |
|---------------------------|---------------------|-------|
| Daewoo International      | 20 (18*)            | 2011  |
| Sungjin Geotech           |                     |       |
| eNioB                     |                     |       |
| POSCO AST                 |                     |       |
| POSCO TMC                 |                     |       |
| POSCO Engineering         | 15                  | 2010  |
| POSCO A&C                 | 14                  | 2009  |
| POSCO ENERGY              |                     |       |
| SNNC                      |                     |       |
| POSCO P&S                 | 11                  | 2008  |
| POSMATE                   |                     |       |
| POSCO Machinery Co., Ltd. | 9                   | 2007  |
| POSCO plantEC             |                     |       |
| POSCO C&C                 | 7                   | 2006  |
| POSCON                    |                     |       |
| POSCO CHEMTECH            |                     |       |
| POSCO M-TECH              |                     |       |
| POSCO E&C                 | 3                   | ~2003 |
| POSCO ICT                 |                     |       |
| POSCO SS                  |                     |       |

\* Numbers in the parenthesis considered the merger of POSCON and POSCO Machinery Co., Ltd.

## 2011 Performance

In 2011, POSCO helped 5 subsidiaries and 45 partners adopt the CP and currently 64 companies have the program in operation. In addition, we conducted an internal audit on our subsidiaries regarding compliance of the Subcontracting Law to further support mutual growth. At the same time, we heightened our employees and management's awareness on fair trade through articles on the webzine, e-mailing weekly trends and publishing/distributing a guidebook that reflects revisions to the Fair Trade Act.

POSCO supports subsidiaries to implement the CP as well to spread the fair trade culture through the Family. As of 2011, 18 Family member companies operate the CP. Also, we run the "Fair Trade Academy" to enhance the capacities of the fair trade personnel, and fair trade study groups form subsidiaries located in Seoul to help to disseminate the culture of voluntary compliance at the POSCO Family level. As a result of these efforts, POSCO Family member companies received excellent grades (2 A grades) at the 2011 CP evaluation by the FTC.

## Future Direction

In 2012, POSCO will dedicate itself to enhance the culture of voluntary compliance and reinforce the implementation of the CP on a POSCO Family level. In order to embed compliance processes into our business, POSCO will institute procedures such as; monitoring, support of win-win growth activities, customized CP education, developing educational content, revising the guidebook, and supporting subsidiaries with the CP operation.

Also, we will actively prevent and deter non-compliance of competition law by our overseas corporations through various measures; offering education on international cartel for overseas corporations and business sites; providing materials on regulations of competition law of each nation.

## CP Components

| Necessary  | Optional   |
|--|--|
| Expressing the management's commitment to compliance | Establishing an internal supervisory system                                  |
| Designation of a Compliance Officer                  | Responding to Detected Offenses and Developing Corrective Action Initiatives |
| Publishing and Distributing the Compliance Guidebook | Building a document management system  |
| Conducting Effective Training and Education          |  |





## What is POSCO doing to create a healthy venture ecosystem?

POSCO is playing the roles of both an angel investor and business incubator at the same time. With the venture support initiative called "POSCO Venture Partners," the company focuses its support on start-ups and ideas, which were neglected in the existing venture capital market. POSCO's investment goes well beyond the IT industry - popular among other angel investors - as well as its traditional steel industry, to reach the entertainment industry.

POSCO established a venture support system to strengthen mutual growth, where ideas are selected through contests and evaluation, and then developed through unique POSCO venture support programs such as an idea camp and membership program. Finally, the business ideas are introduced to potential investors at the idea marketplace.

### POSCO's Unique Venture Support Programs



Idea Camp

In the latter half of 2011, POSCO held the 1<sup>st</sup> POSCO contest for New Business Ideas and collected 1,367 ideas, the 13 best ideas of which were given awards. On October 2011, POSCO hosted a launching event of the Idea Marketplace, with VIPs including the vice minister of the Ministry of Knowledge Economy. The event was a great success featuring various programs such as StarCEO Forum, angel investor lectures, and venture capitalist mentoring.

In January 2012, POSCO launched the 1<sup>st</sup> Membership Program for the 9 selected companies at the idea contest, which were offered a 6-week mentoring program from professionals mentors to complete their business plans. They were introduced to over 100 venture capitalists and angel investors interested in start-ups at the 2<sup>nd</sup> Idea Marketplace Business Presentation on February 23<sup>rd</sup>. The 7 ventures, which gave presentations at the event, received direct investment of more than 3 billion KRW from POSCO. POSCO is also making joint investments with other investors.



Idea Marketplace

To give a second chance to the venture hopefuls, who failed to attract investment, POSCO held an idea camp. The 1<sup>st</sup> camp was set up in the POSCO Global Leadership Center in Songdo for three days from February 3<sup>rd</sup> 2012, with 18 teams participating. The camp provided the participants with one-to-one mentoring services to assess the business model and directions to advance their ideas. Some of the best ideas were offered an opportunity to join the POSCO membership program.

The 2<sup>nd</sup> year of the POSCO Membership Program was used as the final step of evaluating ideas. The 20 candidates, selected after the documentation and experts review, joined the camp for three days starting from April 13<sup>th</sup>, receiving advice on their business items while at the same time, examined for the access to the membership program. The final eight companies joined the membership program, which started on April 30<sup>th</sup> and completed business plans during the 10-week intensive mentoring. Later, they will receive feedback on their business plan at a workshop and participate in the 3<sup>rd</sup> Idea Marketplace (to be schedule on 19 July) to present their ideas for investors.



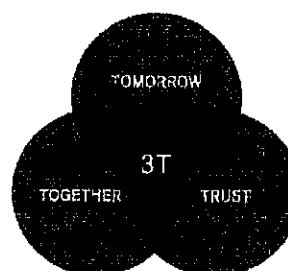
Membership Programs

Future membership programs and an idea marketplace will be conducted under the theme, "addressing youth unemployment" or "support for female CEOs of ventures," for example. POSCO will continue its support of venture businesses as one of its CSR activities to create a healthy venture ecosystem in the nation.

## What is POSCO doing for win-win throughout the supply chain?

POSCO's "win-win growth" policy is made up of 3 Ts: Trust, Together, Tomorrow. Based on its principle of mutual trust, POSCO has exerted much effort into establishing a future-oriented (Tomorrow) win-win growth (Together) with its 1st as well as 2nd, 3rd and 4th tier SME partners. POSCO is currently operating a total of 67 programs in seven different categories to foster joint growth, including its branding program, financial support to solve financial problems and technical cooperation to boost its R&D capabilities. In 2011, in an effort to solidify its win-win growth policy as a company identity, to boost growth among SMEs, POSCO's focus was directed in various fields. POSCO will continue to strive to push for joint growth by actively seeking mutual interests with related SMEs, supporting their key capabilities and fostering growth among communities to enhance mutual growth with stakeholders.

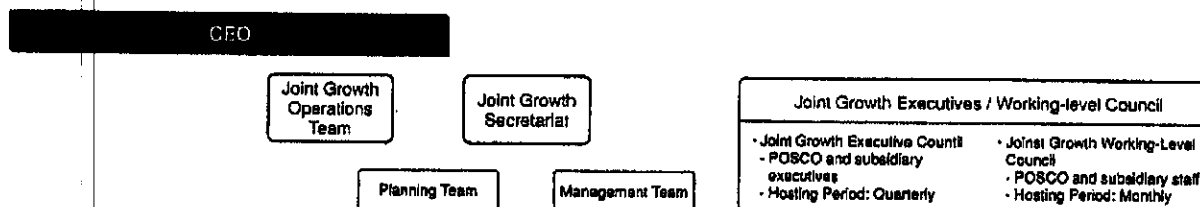
POSCO's "win-win growth" policy, a part of the company identity, is based on 3Ts; based on mutual trust (Trust), it will push for a future-oriented (Tomorrow) joint growth (Together) with its first and second through fourth partner companies.



## POSCO's Joint Growth Program

| Program  | Contents   |
|--|--|
| POSCO's Unique Branding Program  | <ul style="list-style-type: none"> <li>Benefit-sharing policies</li> <li>Technology-oriented partnerships</li> <li>Full cash settlement of purchases by SMEs</li> <li>A Joint Growth support group of POSCO Family executives</li> </ul>   |
| Provide financial support to small and medium-sized businesses to solve financial difficulties | <ul style="list-style-type: none"> <li>Create a fund worth 1.38 trillion KRW</li> <li>win-win growth investment fund</li> </ul>  |
| Technology cooperation to boost R&D capabilities   | <ul style="list-style-type: none"> <li>Technology development project via joint private investment</li> <li>Development of new products under conditional purchase</li> <li>Supporting small and medium-sized businesses with patent development</li> <li>Technology Escrows system</li> <li>Management doctor program</li> <li>Supply chain win-win research group</li> </ul>   |
| Strengthening the competitiveness and partnerships of small and medium-sized businesses        | <ul style="list-style-type: none"> <li>Nurturing the world's best and the world's first products</li> <li>POSCO-certified partners (PCP system)</li> <li>Nurturing medium-sized independent global businesses</li> <li>Supporting SMEs through settlement of their orders</li> <li>In case of changes made to delivery costs, 1st-tier partner company will adjust the cost of 2nd, 3rd and 4th tier partner companies</li> <li>Settlement of middle payments of facilities purchases</li> <li>Support SMEs with overseas marketing</li> <li>Formulate code of conduct for suppliers of POSCO Group</li> </ul> |
| Training / Consulting to boost business skills   | <ul style="list-style-type: none"> <li>Training consortiums, liberal arts and cultural lectures for small and medium-sized business</li> <li>Providing consulting for small and medium-sized businesses</li> <li>Partnerships of innovative productivity</li> <li>Management doctor system (monitoring system)</li> </ul>  |
| Job creating and strengthening communication   | <ul style="list-style-type: none"> <li>Operating a POSCO partnership enterprise recruitment center</li> <li>Operate a website where users can voice their complaints</li> <li>Operate a POSCO family joint growth council</li> <li>Reflect joint growth-boosting performance in executive evaluation</li> </ul>  |
| Joint Growth with Clients Program  | <ul style="list-style-type: none"> <li>Clients - Joint Growth program (refer to page 85)</li> </ul>  |

## POSCO Win-Win Growth Organization





## POSCO's Unique Branding Program

### Benefit Sharing System

POSCO's Benefit Sharing Program, which was launched in July, 2004, strives to achieve joint improvements together with its suppliers and to mutually share the outcome of the performance. Small- and medium-sized enterprises, through autonomous reforms, can improve their industrial structure as well as familiarize themselves with technological developments while POSCO, in the long run, can secure its competitive edge in the market and improve the quality of its products. POSCO compensates 50% of the performance-based revenue raised as a result of assignments over a period of three years, signs long-term contracts (3 years), awards extra points to suppliers during evaluation and provides various incentives including joint patents. Since its inception until 2011, POSCO has awarded a total of 82.6 billion KRW in performance-based compensation to 459 small- and medium-sized enterprises that successfully completed 920 different assignments.

### Techno Partnership

In September, 2006, POSCO formed a technology advisory group together with Postech, Research Institute of Industrial Science & Technology to provide free technological support to small- and medium-sized enterprises. The advisory group entered into the Techno Partnership (customized technological support for small- and medium-sized enterprises) with small- and medium-sized businesses in Pohang and Gwangyang as of late 2011, it provided technology-related consulting to a total of 222 companies. Currently, seven support groups are regular members of the technology advisory group and 661 Ph.D-level advisors are offering their expertise.

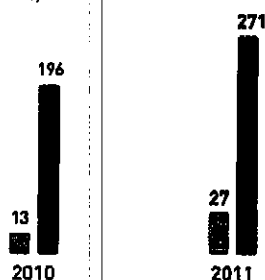
Techno Partnership agreement, which received positive feedback for providing much-needed human resources, facilities and technological support for small- and medium sized businesses, expanded into a company with five subsidiaries.

### Techno Partnership Management Status (as of late 2011)

| Partner Company | Technology Consulting | Test and Analysis | Participating POSCO Groups (7 companies)  |
|-----------------|-----------------------|-------------------|---|
| 222 Companies   | 1,096 Times           | 556 Numbers       | POSCO, POSCO Engineering & Construction, POSCO SS, POSCO ICT, POSCO CHEMTECH, POSCO C&C, SNNC |

### Joint Growth Support Group of POSCO Family Executives (October, 2010~)

■ Number of Participating POSCO Subsidiaries  
■ Number of Participating Executives  
(Unit : persons)



### Cash-Out of All Payments to Small- and Medium-Sized Enterprises

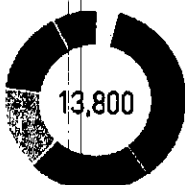
To foster the stable business management of its partner small- and medium-sized enterprises, POSCO has been cashing out to all suppliers registered as a small-and medium-sized enterprise for its payments regardless of the sum within three working days following delivery, twice a week. In addition, during national holidays when capital flow is concentrated, POSCO conducts a daily cash-out starting one week before the holiday to control.

### Joint Growth Support Group of POSCO Family Executives

The joint growth support group, which began with 196 executives from 13 POSCO group companies as of the end of 2010, supports 141 small-and medium-sized businesses as of late 2011, by 271 executives from 27 POSCO Group companies.

### Current Status of POSCO's SME Financial Support

(Unit : 100 million KRW)



|  |     |         |
|--|-----|---------|
| Family Network Loan                              | 36% | (5,000) |
| Win-Win Guarantee Program                        | 22% | (3,300) |
| Partner Company Support Fund                     | 15% | (2,000) |
| Win-Win Cooperation Special Fund                 | 15% | (2,000) |
| Manufacturing Industry Guaranteed Implementation | 8%  | (1,000) |
| Joint Private R&D Investment Project             | 4%  | (500)   |

## Financial Support to SMEs

### Creating Funds Worth 1.38 trillion KRW

In a bid to support small- and medium-sized enterprises that have difficulties procuring business capital, POSCO began operating six financial support programs and raised a fund worth 1.38 trillion KRW. They include the joint private R&D fund(50 billion KRW), POSCO Family network loan (500 billion KRW), win-win guarantee program (330 billion KRW), win-win cooperation special fund (200 billion KRW), POSCO partner assistance fund (200 billion KRW) that allow small- and medium-sized enterprises to take out loans at low interest rates. In addition, POSCO is also taking part in a project being implemented by the Machinery Financial Cooperative that aims to support the local manufacturing industries that forms the basis of Korea's industrial sector (including metal casting, welding, plastic working, etc.) by raising funds worth 100 billion KRW.

### Joint Growth Investment Fund

In a bid to sustain continuous partnerships, POSCO invests in shares of partner small- and medium-sized enterprises, key client businesses and new enterprises. Together with KB Financial Group and Hanhwa Group, POSCO created a 'joint growth investment fund for small, medium and large enterprises' worth 200 billion KRW.

## Technological Cooperation to Boost R&D Capabilities

### Joint R&D Investment Project / New Product Dev, Purchasing Program

The joint private R&D investment project POSCO, along with Small and Medium Business Administration provides SMEs with cash grants for R&D under the condition that POSCO will guarantee the purchase of goods. SMEs can receive up to 75% of the total R&D expenditures or one billion KRW in cash. A successful R&D project will guarantee an SME a 3-year long-term contract rights. Following 2008, in December, 2011, POSCO signed an agreement with the Small and Medium Business Administration and, together with the government, created an R&D fund worth 100 billion KRW. Since 2008 until now, POSCO has funded a total of 18 SME R&D projects. Meanwhile, POSCO is also involved in projects for product development under conditional purchase. When an SME develops a product needed by a large enterprise, the Small and Medium Business Administration supports development costs (up to 500 million KRW within 55% of total development cost) under the condition that POSCO guarantees purchase for a certain period of time.

### Number of Projects by Year

(Unit : Number)

| Category                      | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Total |
|-------------------------------|------|------|------|------|------|------|------|-------|
| Joint R&D Fund                | -    | -    | -    | -    | 6    | 6    | 6    | 18    |
| Purchasing Condition Projects | 1    | 13   | 24   | 11   | 14   | 1    | 7    | 71    |

### Patent Support Programs for SMEs

To boost technological competitiveness, POSCO offers patent support via diverse channels to SMEs. POSCO shares its patents via a website ([www.steel-N.com](http://www.steel-N.com)) so SMEs can conveniently use POSCO patents. POSCO also provides full financial support for patenting costs for POSCO-SME joint patent application. In addition, when delivering goods produced by using POSCO patents to POSCO SMES are exempt from license fees to cut costs and to increase the application of patents. POSCO also operates a 'SME Patent Consulting Center' to offer consultations on patents transferred by POSCO.



POSCO steel-N.com Website



### Technology Escrows system

POSCO introduced Technology Escrows system run by the Large & Small Business Cooperation Foundation and signed 12 Technology Escrows agreements in 2011. It is designed to guard the technological assets from large corporations by depositing SME's intellectual properties such as technological knowhow to the Foundation.

### Management Doctor Program

In a bid to solve technological difficulties of SMEs that have been chosen to be nurtured into independent medium-sized enterprises, POSCO has been operating a management doctor program (business mentoring program) since May, 2011. Through the program, POSCO offers support in all fields related to technology and business management, including machinery, metal, electricity/electronics, materials, control/instrumentation, environment and energy. The program also offers technology consulting in the areas of diagnosis, consulting and training to solve problems related to production process and technological difficulties. In addition, POSCO's management doctor system also offers support in the analysis of the use of R&D facilities. As of 2011, 28 companies, including KC Cottrell are participating in the program.

### Supply Chain Win-Win Research Group

In order to address chronic problems of on-site divisions at the steel mill, POSCO, together with its partner SMEs is striving to seek solutions to comprehensively revamp its systems in the areas of application and purchases divisions. SMEs and on-location engineers come up with solutions through discussions about technological development and ideas for improvement while frequently sharing information via monthly technological exchange meetings. The research group also holds quarterly technology seminars to analyze and share the outcome of divisional activities as well as links new ideas for improvement with benefit-sharing assignments. The organization of the research group and details of operations are decided through the steering committee's vote. As of 2011, a total 30 SMEs, together with POSCO, have been involved in 16 assignments.

## Strengthening partnerships and the competitiveness of SMEs

### Fostering World Best World First Items

Outstanding SMEs that have secured global competitiveness with their 'world best world first' items are invited to be a part of POSCO's joint growth program which includes technological support, consulting and a guaranteed 3-year supply rights. In 2011, POSCO selected 12 new world best world first items. So far, a total of 25 items have been certified as world best world first products.

#### ■ Support Program

SMEs will receive systematic support services by CFT, a support group formed by POSCO, as well as technological support through techno partnership, business management consulting, management doctor program, QSS consulting and a guaranteed 3-year supply rights until the completion of product development.

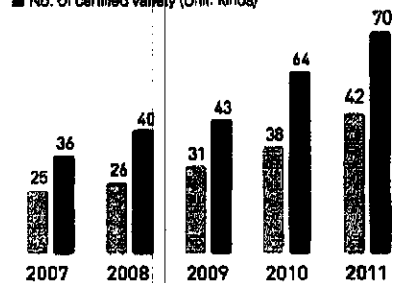
### POSCO's PCP System

POSCO's PCP system aims to foster certified partner suppliers into suppliers with world-class quality and technical competitiveness. POSCO offers a diverse range of benefit programs to certified suppliers (exemption from various subsidy payments, negotiation priority when signing a contract for key materials, etc.).

■ Selection Standard : Positive SRM (Supplier Relationship Management) evaluation of the pertaining sourcing group for two consecutive years, supplier that surpassed set figures in terms of stocked goods

The number of POSCO-certified suppliers by year

■ No. of certified suppliers (Unit: cases)  
■ No. of certified variety (Unit: kinds)

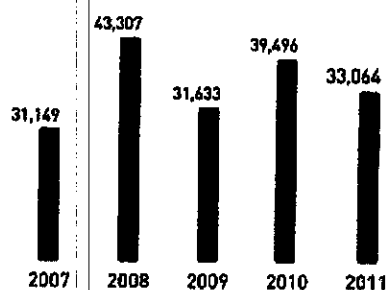


### Fostering Independent Medium-Sized Enterprises

POSCO announced that over a period of ten years from 2011 to 2020, it would foster 30 globally-competitive independent medium-sized enterprises in a bid to establish a positive business ecosystem where SMEs would eventually grow into large enterprises and to create more jobs in order to boost Korea's competitiveness in the global market. As of 2011, POSCO has selected 28 suppliers and client companies and signed an MOU and has been offering comprehensive support in the areas of finance, R&D, professional human resources and overseas marketing.

## Order placement of SMEs

(Unit: 100 million KRW)



## Supporting SMEs with Facilities

POSCO supports local SMEs by transferring steel-manufacturing facilities intended for large Korean companies and overseas companies to help Korean SMEs overcome difficulties that arise from a lack of global competitiveness and to establish a stable foundation for growth. In addition, POSCO is presently allowing local SMEs to partially purchase facilities originally intended for large-scale projects such as the construction of new factories and expansion of existing factories during the business feasibility review stage.

## 1st Tier Companies's Rights in Case of Changes in Delivery Cost

POSCO encourages 1st tier companies to help adjust the costs of 2nd, 3rd and 4th tier companies so that the overall principle of joint growth reaches out to 2nd, 3rd and 4th tier SMEs, in case of changes in raw material costs based on Shared Growth and Fair Trade Agreement and General provisions.

| Category                               | Details   |
|--|---|
| Shared Growth and Fair Trade Agreement | <p>• Article 4(6) : Adjustment of unit price for products to be supplied according to the changes in the price of raw materials</p> <p>In the event that the contract price is increased or decreased by 5/100 of the total contract price due to the changes in the raw material prices, the contract price may be adjusted by mutual agreement.</p>   |
| General provisions                     | <p>• Article 16(4) (Modification)</p> <p>When it is found that the quantity, unit price or costs and expenses applied to the calculation of the contract price has been underestimated or overestimated in comparison with its value in the general market transaction, or the standard price of the Buyer or when the contract price is increased or decreased by 5/100 of the total contract price in comparison with its price at the time of the execution of agreement, an application for adjustment of the contract price may be filed. In this case, discussion thereof must be commenced within 10 days from the application date and the contract price may be adjusted within 30 days. In the event that the contract price is adjusted due to the foregoing reason, the Buyer (first sub-contracted company) shall be, in principle, obliged to adjust such contract price by discussion with its aligned company (second sub-contracted company) in a reasonable manner.</p> |

## POSCO Group Supplier Code of Conduct

- Respect for Basic Human Rights  
Voluntary employment, no child labor, no discrimination, business hours, salary, humanitarian treatment
- Safety and Health Care  
Working environment, Industrial safety
- Environment  
Hazardous substance, wastewater/solid waste and air pollution, prevention of pollution and reduction of use of resources
- Ethics and Fair Trade  
Business integrity, compliance with special terms and conditions for ethical practice and fair trade principle, establishment of trust culture
- Protection of Trade Secret and Intellectual Property  
Management and protection of confidential information, protection of intellectual property
- Quality Management  
Quality management, change management, quality management between suppliers
- Social Contribution of shared growth, social contribution

## Interim Payment for Purchase of Facility

POSCO has been giving support to SMEs for their production and operation by making advance payments for facility purchase to the extent of 20% of the total contract price, and making interim payments for facility purchase since 2010. Interim payments for purchase of facility refer to the system where POSCO makes interim payments in order for its counterparty- a small and medium-sized company- to reduce its preparatory period and the burden of financing as well as to obtain the fund liquidity. Any SMEs that has entered into a contract with POSCO, which amounts to more than 100 million KRW and has more than 180 day-term of contract is eligible. In such case, an interim payment is made after a half of the contract period elapses and to the extent of not exceeding 30% of the total contract price less the advance payment.

## POSCO Group Supplier Code of Conduct

POSCO set up the POSCO group supplier code of conduct in June 2010 so that all of SMEs engaging in a business with POSCO may perform their duties as global corporate citizens. The all suppliers can start a business with POSCO after registering its electronic signature on "e-procurement (www.steel-n.com)", which is an electronic commerce system of POSCO.

## Support for Small and Medium-sized Company's Overseas Market Extension

POSCO is providing overseas market information to the companies through extensive overseas networks of Daewoo International, a group member and one of the leading trading companies in Korea. In addition, it offers various opportunities for the companies to begin relationship with local buyers.



The signing ceremony of the Productivity Innovation Partnership between Large and Small Enterprises

## Education and Consulting for SMEs

### **SME Vocational Training Consortium and Refinement/Culture Workshop**

In 2011, 43,758 professionals completed the SME Training Consortium Workshop. In addition, POSCO held a total of 38 Refinement/Culture Workshops in Pohang and Gwangyang with Officers and families of both POSCO and other operational partners.

### **Customized Consulting for SME**

POSCO provides customized consulting to the first round and subsequent second through fourth rounds of Hope collaborative SMEs and POSCO-group-recommended SMEs. POSCO provides consulting to meet SME's needs for quality, environment, energy, raw Material management, organizational management, and more. SMEs can apply for the consulting program by visiting the "SME Professional Support" Portal.

### **Productivity Innovation Partnership**

POSCO has worked with The Ministry of Knowledge Economy to raise 1 billion KRW to pursue "Productivity Innovation Partnership". During the first two rounds, POSCO has consulted 20 operational partners.

### **"Management Doctor" Policy**

POSCO works with partner SMEs and the Federation of Korean Industries Advisory Group, to form a three-sided support system to improve SME management environment in a practical way. The Management Doctor System effectively utilizes the knowledge and expertise of former CEOs of major corporations and executives, including former POSCO CEOs to effectively guide SME management. As of 2011, 18 SMEs have participated in this program.

## Programs for Job Creation and Communication

### **Operation of POSCO Partner Recruitment Center**

In March 2009, POSCO became the first major Korean conglomerate to open a Partner Recruitment Center to assist SMEs in finding the best talent by providing pertinent information. The opportunity is open to all POSCO outsourcing service SME partners. They just have to visit the recruitment portal, [www.lbkjob.co.kr/jw/](http://www.lbkjob.co.kr/jw/) (Job World) and post an opening. If the SME ends up making the hire through the Job World site, they would have the service fees at Industrial Bank of Korea waived, or receive discounts in interest payments (1 million KRW per 1 new hire through Job World). The Job World site can be used by our partners free of charge.

### **The POSCO Family Shared Growth Council**

POSCO pursues sustainable and systematic support of SMEs working with them like a family, and in order to support that goal, the POSCO Family Shared Growth Council has been in place. As of 2011, POSCO and 12 other subsidiaries are participating in the initiative. Shared Growth and Fair Trade agreement results along with activities of the Family Shared Growth Council and "Excellent Growth Goal" are used as evaluation criteria. The POSCO Family Shared Growth Council meets to discuss, review, and coordinate annual projects on shared growth at a group level, and to decide on its systems and policies. The council not only looks for the shared growth business opportunities, but, announces the tasks to realize "excellent shared growth goal" for the members of the council. The council meeting is held semiannually.

### **The Results of Shared Growth Activities and its Inclusion in Performance Evaluations**

POSCO has established shared growth with SMEs as one of the core management values and incorporated it into the business culture. Building confidence in the shared growth activities between large enterprises and SMEs is also important. That is why it was included as evaluation criteria in the executives review process. As of 2011, POSCO and 12 other subsidiaries are participating in the initiative. Shared Growth and Fair Trade agreement results along with activities of the Family Shared Growth Council and "Excellent Growth Goal" are used as evaluation criteria.

## How does POSCO analyze the achievements of Subsidiaries?

POSCO has an analysis system in place to assess the performance of its suppliers to enhance its supply chain competitiveness. The suppliers of the 10 POSCO Subsidiaries including POSCO, POSCO E&C, POSCO SS, POSCO C&C, POSCO ENERGY, POSCO plantEC, POSCO ICT, POSCO CHEMTECH, POSCO M-TECH, and eNtoB are evaluated in the category of CSR activities as well as by general performance indicators such as credit, quality, and delivery. The evaluation is designed to eliminate potential CSR risks related to supply chain.

### SRM Evaluation for the CSR of Supply Chain

The SRM Evaluation System covers CSR elements as well as economic, social, and environmental aspects. CSR activities are reflected in the evaluation with 100 points given to the companies allocating more than 50 hours to voluntary service. Donation and CSR-related awards are also included in the evaluation, after being converted into the number of hours dedicated to volunteering. Not only that, socially unacceptable companies are deterred from doing business with POSCO by subtracting points from the total evaluation score every time a company does something socially irresponsible or provokes complaints. Unethical practices of suppliers are monitored on a regular basis for earlier detection and its results are reflected in their evaluation.

POSCO is encouraging its first-tier suppliers to help second and third-tier suppliers gain competitive edge in the market benefitting from POSCO's Win-Win growth policy. Additional points (from 0.25 to 3) are granted for financial support for the second and third-tier suppliers to maximize the synergy effect of the POSCO Family value chain. POSCO encourages the first-tier suppliers to help second and third-tier suppliers grow along with them to realize a healthy corporate ecosystem. Safety and environment are also important criteria in the SRM Evaluation. One of the safety indicators is the number of certificates of safety health management system including KOSHA18001. Also, safety training, safety management activities, safety regulations compliance are evaluated to promote the establishment of the supplier safety system. On the other hand, points are deducted as to the number of safety incidents and the cases of safety rules violation at the steel mill. In the environmental category, certification of ISO14001 and other environmental standards, the amount of green buying, eco-friendly products suggestion, and carbon emission control are considered in the evaluation to promote environmentally-friendly supply chain.

#### Evaluation Criteria for POSCO Family SRM (Supplier Relationship Management)

|   |                      |   |
|---|----------------------|---|
| ✓ | Credit               | Credit rating   |
| ✓ | Quality              | Failure rate, defect rate, response, and defects  |
| ✓ | Price                | Orderability, bidding participation rate  |
| ✓ | Delivery             | Rate of delivery delays, number of delivery delays, average number of delivery delays           |
| ✓ | Responsiveness       | Volunteering performance, win-win growth agreement, customer satisfaction, delivery performance |
| ✓ | Environment / Safety | Environmental certification, safety management activities                                       |
| ✓ | Adjustment Points    | Number of safety accidents, credit rating   |





Emp

PUBLIC  
FILE

52

# Happy Movement



**Employees** are POSCO's most valuable asset as well as the source of its competitiveness. POSCO's first priority is the safety and health of its employees based on the principles of respect for human rights. We cultivate an open corporate culture through active communication between employees and always listen to their voices. POSCO is sharpening its competitive edge as it helps its employees grow creatively through a human resources development system and program, Right Reward, and an employee welfare system.

# About Employees

|             | Safety and Health   | Making a Happy Workplace  | Global HR System   |      |    |      |    |  |      |       |      |    |      |    |   |
|-------------|---|---|--|------|----|------|----|--|------|-------|------|----|------|----|---|
| Issue       | <ul style="list-style-type: none"><li>• Safe work environment</li><li>• Promoting employees health</li></ul>  | <ul style="list-style-type: none"><li>• Employee Communication</li><li>• Compensation and Welfare</li></ul> | <ul style="list-style-type: none"><li>• Securing talents</li><li>• Nurturing talents</li><li>• HR system for locally hired employees</li></ul> |      |    |      |    |  |      |       |      |    |      |    |   |
| Performance | <p><b>Activities to Enhancing Safety</b></p> <ul style="list-style-type: none"><li>• Implementing the company-wide Safety Injuries Zero Mega-Y campaign</li><li>• Establishing a cutting-edge infrastructure for safety education</li><li>• Built POSCO Global Safety Center in October 2011</li></ul> <p><b>Promoting Health of the Employees</b></p> <ul style="list-style-type: none"><li>• Expand Health Promotion Center Access to 66 Subsidiaries</li><li>• Pohang in September 2011, Gwangyang in January 2012</li><li>• Continuous improvement of workplace environment</li><li>• Designated by the Ministry of Labor as an "Self-evaluating Organization of Work Environment"</li></ul> <p><b>Expand Safety Injuries Zero Mega-Y Campaign</b></p> <ul style="list-style-type: none"><li>• 28 Tasks in 9 sectors in 2011</li><li>• 35 Tasks in 10 sectors in 2012</li></ul> <p><b>The Number of Mega-Y Tasks</b></p> <table><tr><th>Year</th><th>Number of Mega-Y Tasks</th></tr><tr><td>2011</td><td>28</td></tr><tr><td>2012</td><td>35</td></tr></table> | Year  | Number of Mega-Y Tasks   | 2011 | 28 | 2012 | 35 | <p><b>Promoting Communication Between Employees</b></p> <ul style="list-style-type: none"><li>• Diversifying employee communication channel</li><li>• Spread the culture of trust and communication by: Labor Management Council, Young Board, Junior Board, Talk Channel Tong Tong Tong, and PIRI (POSCO in Real-time Interaction, POSCO's Internal SNS)</li><li>• Created "Happiness Index" to measure the happiness of employees and conducted a survey.</li><li>• Happiness Index Survey conducted for 26,000 employees from 38 POSCO Subsidiaries from September to November 2011.</li></ul> <p><b>Work &amp; life Balance Score in Happiness Index (Unit : points)</b></p> <table><tr><th>Year</th><th>Score</th></tr><tr><td>2010</td><td>76</td></tr><tr><td>2011</td><td>81</td></tr></table> <p><b>Compensation and Welfare</b></p> <ul style="list-style-type: none"><li>• Expanding the Labor Welfare Fund</li><li>- 593 billion KRW in 2010</li><li>- 621 billion KRW in 2011</li><li>• Seek Balance between Life and Work</li><li>- Introduced the 4-team-2-shift schedule and flexible work hour in 2011</li><li>- "Balance between Life and Work" scores improved in the 2011 Happiness Index Survey</li></ul> <p><b>Contributed Amount to Labor Welfare Fund of the Company in 2011</b></p> <p>62.1 billion KRW</p> | Year | Score | 2010 | 76 | 2011 | 81 | <p><b>Securing Domestic and International Talents</b></p> <ul style="list-style-type: none"><li>• Selected "POSCO Undergraduate Scholarship Students" cultivating them into "consilience talents"</li><li>• Nurture change agents consisting of global employees</li></ul> <p><b>Nurture Domestic and International Talents</b></p> <ul style="list-style-type: none"><li>• Establish a self-directed lifelong learning system by ranks</li><li>• Expanding education opportunity to include all the POSCO Family employees</li><li>• Change Leader System launched at the global major business locations (7 selected as Change Leaders)</li></ul> |
| Year        | Number of Mega-Y Tasks  |   |  |      |    |      |    |  |      |       |      |    |      |    |   |
| 2011        | 28  |   |  |      |    |      |    |  |      |       |      |    |      |    |   |
| 2012        | 35  |   |  |      |    |      |    |  |      |       |      |    |      |    |   |
| Year        | Score   |   |  |      |    |      |    |  |      |       |      |    |      |    |   |
| 2010        | 76  |   |  |      |    |      |    |  |      |       |      |    |      |    |   |
| 2011        | 81  |   |  |      |    |      |    |  |      |       |      |    |      |    |   |



## How can we create a safe and healthy workplace?

POSCO puts safety first and considers it as one of our core values based on the principle of human rights. Keeping in mind that our safety management influences not only the life of all the employees but also their families, POSCO is committed to making the workplace safe like we take care of our own family. By putting priority on safety in everyday work, POSCO practices its core value; respect for human life.

### POSCO Family Safety Slogan



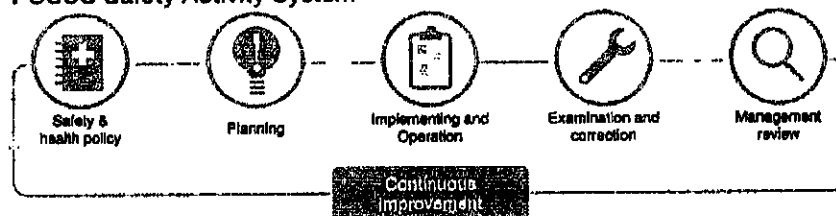
We, the POSCO Family, aware that safety is the utmost value in respecting human life, will keep each other safe and internalize safe behavior, building an accident-free workplace and a happy family.

## Safety

### Implementing Safety Injuries Zero Mega-Y

POSCO expanded and revamped the Office of Safety Innovation in September 2010 and has been implementing the company-wide Safety Injuries Zero Mega-Y campaign to integrate and optimize safety and health activities at the POSCO Family level, which were conducted at the division and regional level. In 2011, POSCO paved the way for zero safety accidents by implementing 28 tasks in 9 sectors. In 2012, POSCO is working on 35 tasks in the newly found 10 sectors, continuing its efforts to achieve the goal of zero safety injuries by; offering essential safety training to all employees utilizing its educational infrastructure; detecting and eliminating safety risks; and establishing a global safety management system.

### POSCO Safety Activity System



### Organization of POSCO's Office of Safety Innovation

POSCO Safety Committee  
(Chairman: Head of Carbon Steel Business Division)

Safety Innovation Office

### SAO (Safety Acts Observation)

The SAO program is designed to urge position holders to compliment workers at the site and ask questions to help employees realize their unsafe practices and correct them for themselves. This enables the company to learn the overall atmosphere of the site including site changes and worker's interests as well as unsafe practices on site.

### ILS (Isolation Locking System)

Analysis on injuries that occurred at POSCO revealed that a large portion of material injuries\* occurred because the energy source was not appropriately locked down. In order to address this issue, the "ILS on dead equipment" that shuts down, isolates, and locks the energy source preemptively to eliminate the hazard at the source, and the "ILS on live equipment" that prevents safety hazards when entering or exiting a facility in operation have been established and are currently in operation.

The "ILS on dead equipment" program shuts down the energy source which can harm workers during operation on site, before operation starts. The "ILS on live equipment" program stops people from entering/exiting facilities in operation. Such risk elements at steelworks are collected and stored in a systematic database system. Risk elements are classified into Levels one to three according to its degree of danger, and a set of actions needed to be taken is specified for each level to keep workers from being exposed to risk factors.

#### \* Material injuries

- ① accidents of 1 or more fatalities
- ② accidents where 2 or more have been injured simultaneously that require 3 months or more of treatment
- ③ accidents where 10 or more have been injured or fallen ill simultaneously



POSCO Global Safety Center

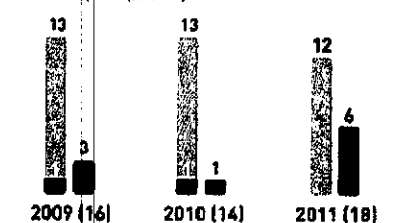
### Innovation in Education and Training

POSCO established an education and training matrix for 36 courses of different levels including beginner, leadership, and professional course. It is designed to help employees build essential safety-related capacities to meet their responsibilities more effectively and expand communication between ranks and change management. The POSCO Global Safety Center, equipped with a lecture hall, exhibition room, 4D theater and laboratory, opened in September 2011 laying the groundwork for systematic and continuous safety training, in both theory and practice. The center operates safety education programs for students and the general public as well as POSCO Family members.

### Safety Management Performance

#### Injury cases

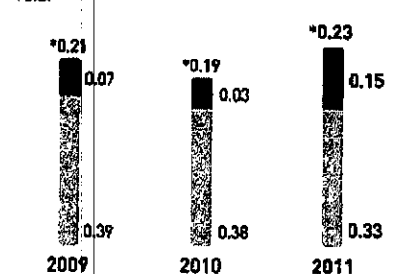
■ POSCO staff ■ Outsourcing service provider staff  
■ Fatalities (Unit : persons)



#### Lost-time Injury Frequency Rate

■ POSCO staff ■ Outsourcing service provider staff

\*Total



## 1 CASE STUDY

### Smart & Fun Safety System

POSCO strives to achieve zero safety accidents through the "Smart & Fun Safety" initiative, where safety information is provided anytime, anywhere and risk-related information at the site is shared utilizing smartphone mobile technology.

#### Implementation of the Fun Safety Smart System

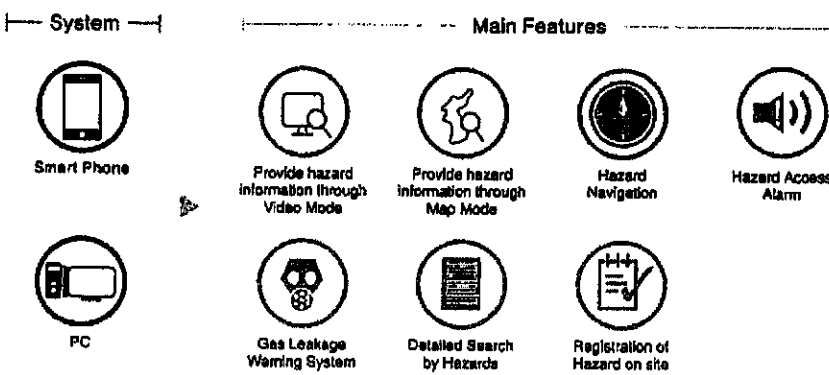


#### Safety Portal Service



### Hazard Forecasting System

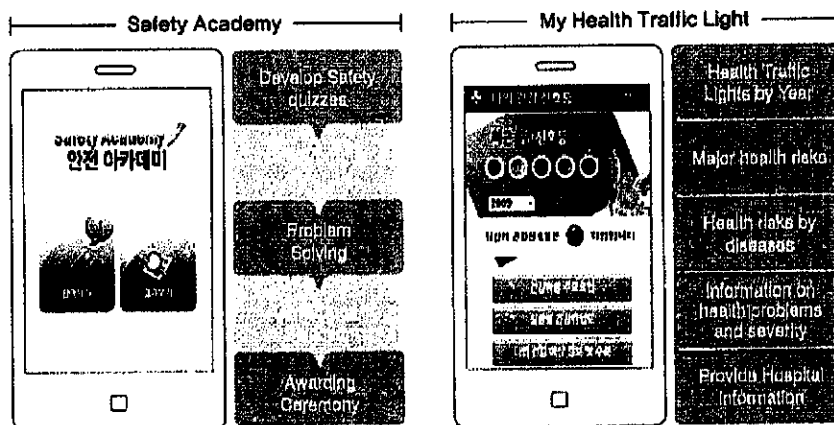
POSCO tries its utmost to secure worker safety in advance by providing real-time risk information within the factory through a hazard forecasting system based on augmented reality technology and location-based technology, and a gas leakage warning system and access to hazard points.





### Development of the Fun Safety Smart System

POSCO will contribute to fostering the culture of safety and a positive image about safety through fun and easy smartphone applications that provide daily safety information.



## 2 CASE STUDY

### POSCO Safety Rating System

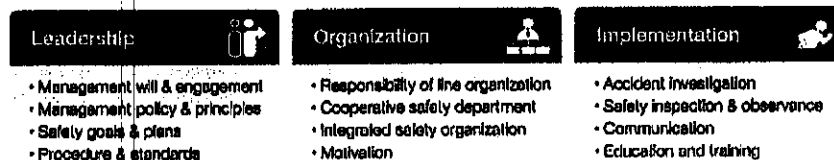
POSCO developed the POSCO Safety Rating System, or PSRS, to recognize risk factors as a main task for securing safety. PSRS is designed to provide assessment and consulting to measure the level of safety management and set directions for improvement. Each department and affiliate conducts a quantitative safety control assessment using the PSRS assessment tool. Based on the results, commendable cases are cultivated as model cases, and areas that need improvement undergo consulting and customized improvement plans. POSCO will create the culture of safety by identifying root causes through the assessment of core safety requirements and deriving customized solutions and follow-up measures.

Assessment tools are divided into four categories of Leadership, Structure, Process & Action, and Facility Safety. A specialist is assigned to each category to conduct interviews, analysis of the processes, and on-site inspections. The results are measured on a scale of Level 0 to five and the level of safety culture is presented. Improvement suggestions are made in the three categories of leadership, organization, and implementation.

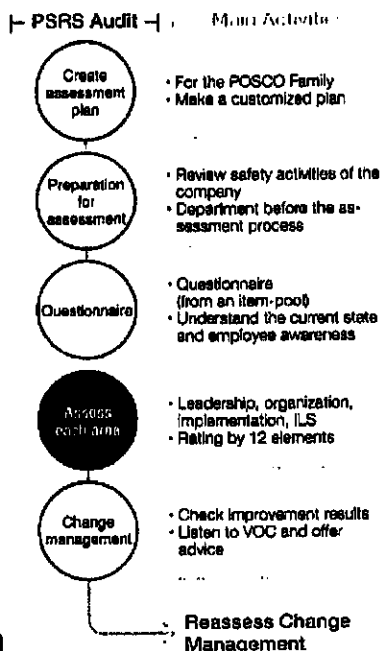
The first step of PSRS is to understand the current safety level of each department based on the assessment results, and the second step is helping to create and implement action plans. The third step is reassessment of the implementation results to provide systematic support to improve safety practices. POSCO scored 2.7 points out of 5.

POSCO plans to spread its Safety Rating System to other companies as well as POSCO Subsidiaries to contribute to the global safety management.

#### Main Components of PSRS



#### PSRS Assessment Order





Checkup

## Health

### Employee Health Management System

POSCO conducts health examination on all employees every year to maintain and enhance their health. For more reliable test results, high-performance equipment such as compound blood culture analyzer and digital radiation equipment were revamped. For employees with health problems, regular tracking/treatment is provided to prevent them from worsening.

Besides these basic health care activities, POSCO has prepared independent tumor marker tests (4 markers) and external commissioned tests (6 tests) to find cancer, a leading cause of death in modern society. Employees can choose which test to take every year.

### Health Management System

Checkup results are recorded and saved to provide systematic and customized healthcare services for employees. Based on the data, health consultations with industrial medicine specialists is offered and customized diet and exercise routines are prescribed.

Afterwards, health information and education are provided and, when necessary, it is recommended employees join counseling sessions and the fitness center of the company. In order to help employees keep in shape and prevent musculoskeletal disorders (MSDs), the Physical Therapy Clinic is available and fully equipped with a body analyzer, disc decompression system, and disk rehabilitation machine.

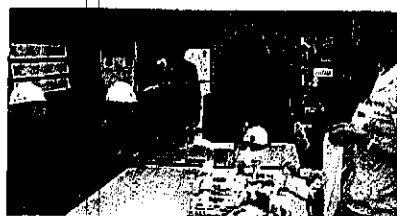
### Health Enhancement Campaign

POSCO is giving its full support for lifestyle changes of individual employees. As all of the employees have succeeded in quitting smoking beginning in 2009, POSCO declared its steel works "smoke-free." The no-smoking campaign – of love for colleagues and for family – has been expanded to all POSCO Subsidiaries encouraging them to pay more attention to employee health. In order to fight obesity, a known cause for numerous diseases, POSCO has implemented a range of obesity control programs for its employees; 8-week weight loss program, healthy walking campaign, and the development of healthy diet. These programs are designed to encourage employees to adopt a healthy life style such as regular exercise and proper eating habits.

### Industrial Hygiene Management

In order to keep in the best shape, the internal and external environment surrounding workers need to be pleasant. POSCO manages harmful factors generated at the workplace consistently and distributes good quality hygiene and protective gear to protect its workers from potential injury. Not only that, we keep reporting the protective gear's inconveniences to the manufacturer to improve the quality and performance.

Also, POSCO developed health standards such as "Protecting hearing" and "Healthy work program for closed areas" to protect those working in the confined or noisy areas. Also, we follow a Material Safety Data Sheet (MSDS) strictly for appropriate use of chemical substances. Thanks to such consistent efforts, POSCO showed an outstanding performance at the "Work Environment Evaluation Management" program, hosted by the Ministry of Labor every year, and designated by the Ministry as a "Self-evaluating Organization of Work Environment."



Health Promotion Center "Visiting Medical Service"

### Expand Health Promotion Center Access to Subsidiaries

POSCO has expanded the medical service provided to POSCO Family members from Pohang (Sep 2011) to include Gwangyang (Jan 2012). Establishing infrastructure – personnel and facilities – to provide additional service, 66 Subsidiaries employees working in steelworks can access the same medical service benefits as POSCO employees free of charge. This service gives the Subsidiaries employees not only easy access to medical services but also a sense of belonging as a member of the POSCO Family.

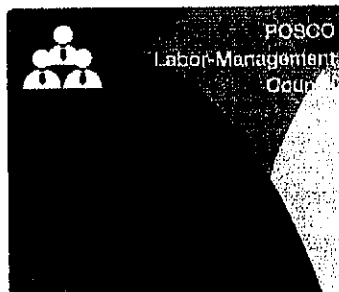
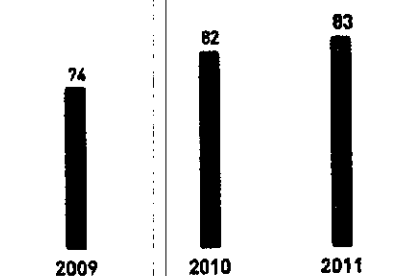


Emp

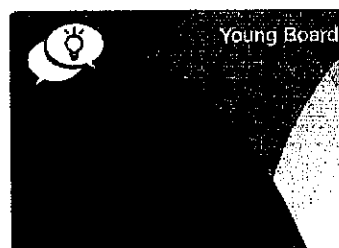
## What does a happy workplace look like, with work and life in balance?

POSCO has conducted a survey of its employees on work engagement in cooperation with outside consulting companies since 2003, and it remained in the top three by 2011. The company did not stop there. Overcoming the limitations such as learning effects due to repeated surveys, we developed happiness index by adopting a new concept in HR trend, "Employee Happiness" and performed research. POSCO set up various communication channels such as POSCO Labor-Management Council, Young Board, Junior Board and Talk Channel Tong Tong Tong. Relevant activities include open dialogue with CEO and programs for trust, autonomy and inter-departmental communications. In addition, POSCO continuously engages in monitoring to create a consensus among employees and offers activities for leaders and employees to improve their trust and communication each other

**Employee Engagement**  
(unit : %)



- POSCO Labor-Management Council
- Employee representative body
- Members of the employee representative body are selected by direct and secret voting (tenure three years)
- 20 members from management and labor unions, 420 rank-and-file members
- Regular quarterly meetings (Discussions on agenda items)
- Quarterly presentation, meeting and workshop on management and policy
- Establishment of "4-teams 2-shifts" and retirement pension system in 2011 "Together with employees" campaign (win-win labor management culture)



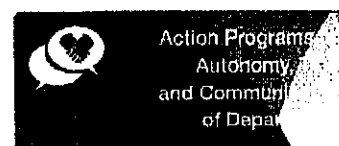
- Young Board
- A communication body of young, competent employees that conveys suggestions on company development directions to the CEO
- Expansion from employees of affiliated companies to POSCO Family including foreign branches
- Activities in 2011
- Establishment of Value Creation Hub, Effective Launching of Global Operations, marketing strategies of be firm of endearment, Family HR diversity management of POSCO



- Junior Board
- A communication body of employees of each department whose ranks are below a certain level
- Nine projects in 2011
- G8 corresponds to a associate, and G9 to an assistant manager in the previous title system.



- Talk Channel Tong Tong Tong
- Online space for a two-way communication
- CEO Story, Idea suggestion room, Policy improvement notification alerts, Anonymous bulletin board (POS-B), Q&A section
- A horizontal communication space between managers and employees that can be read even by the CEO
- Talk Channel Tong Tong Tong was included in POSCO's, POSCO internal blog in June 2012.



- Action Programs for Autonomy and Communication of Department
- Identify improvements needed in organizational culture such as trust and communication and Trust Leadership by department
- Open Communication Facilitator of each department in charge

## 1 CASE STUDY

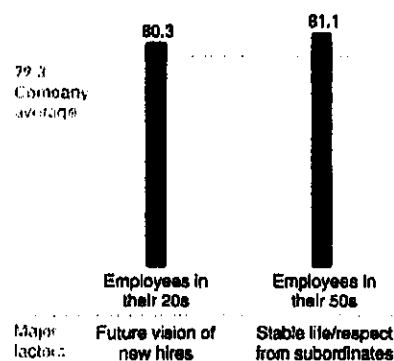
### Introduction of Happiness Index

POSCO introduced the concept of a recent HR trend, "Employee Happiness" and developed and conducted research on its happiness index in 2011. While employee engagement was an indicator to measure how deeply employees are engaged in individual and organizational performance, happiness index is an index aimed to measure how well the goal of creating a happy workplace and happy life is achieved with an inclusion of the concept of happiness. Happiness Index Research focuses on employees reaching their self-realization by striking a balance between work and life, and the company supports their employees to realize its vision so that both employees and the company grows together.

POSCO surveyed 38 Companies of POSCO Family for two months from September 2011 on the Happiness Index, and 26,000 respondents participated. In addition, a survey on work engagement was conducted to compare the results of 2011 to that of 2010. The survey showed that employee engagement increased by one percent (nine percent increase compared to the results before the introduction of "4-teams 2-shifts" operation) thanks to a drop in the number of work nights, improvement in recreational environment at work, and increase in the number of off days for employees.

In particular, the satisfaction levels of the balance between work and life and welfare benefits were higher compared to the previous year, and respondents replied that the biggest happiness at work was "the sense of accomplishment from work", and that the area that needed most improvement was "diversity within the company". POSCO plans to come up with detailed measures and action plans on "Happiness Management" based on the results of the survey to improve the corporate culture.

### Happiness of POSCO Employees by Age

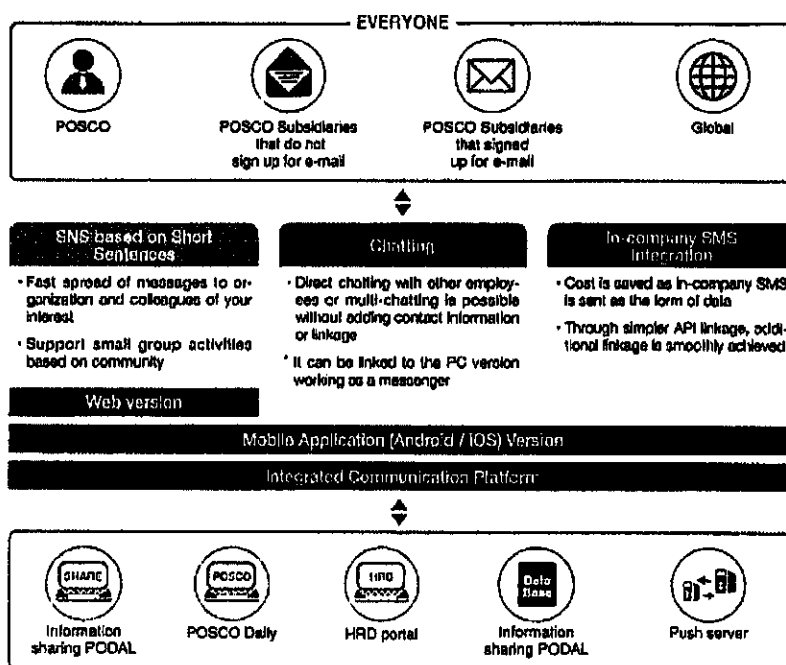


## 2 CASE STUDY

### PIRI

POSCO launched PIRI (POSCO In Real Time In-Interaction), as a tool to promote swift and free communication among POSCO executives and employees. In 2011, PIRI was applied to the POSCO subsidiaries, expanding to become the place of communication for the POSCO Family. Taking a step further, PIRI allowed its users to form small groups and share messages within the group, encouraging small group communication.

Messages favored by executives and employees are posted on the company's website through message recommendation so that they can be shared by more people. Surveys or maps can be posted along with messages, allowing the message to become richer and more condensed. E-mail notification alerts allow users to check messages without going through PIRI. With PIRI, "easy, fast and equal communication" media was born, making tasks such as distribution of CEO messages, sending messages and doing business through discussion, cooperation and education in real-time, easier.





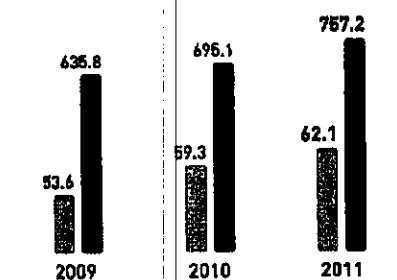


Emp

Safety and Health | Making a Happy Workplace | Global HR System

## Employee Welfare Fund by Year

Total amount funded from company profits  
 ■ Total aggregated amount funded from company profits  
 (Unit : one billion KRW)



## Compensation and Welfare Benefits

Korea already has entered an aging society back in 2000. In addition, due to construction of steel mills and investment expansions overseas, the demand for highly-trained workers within POSCO increased. In order to solve such internal and external problems, POSCO adopted the Salary Peak System and extended the retirement age helping its employees find meaning in life through work.

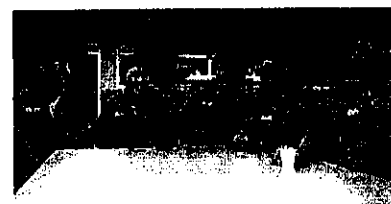
POSCO strives to nurture "knowledge workers" and improve employees' quality of life. With the introduction of the system of "4-teams 2-shifts", the number of off days for employees have doubled. The company also expanded support for workers to take self-improvement programs and to fully enjoy the extra holidays as leisure time. Merit-based personnel management is being strengthened by offering annual salary to employees who reached a certain rank and presenting early promotion opportunities to employees with high performance. Compensation for good management is in place to share management profits.

Employee welfare fund has been established from some of company profits to boost the employees' motivation to work and maximize productivity. The fund is used for individually chosen welfare benefit packages, expenditure for congratulations and condolences, expenditure for morale boosting, scholarship for employees' children, support for medical expenses, home loans and stabilization of livelihood.

## 3 CASE STUDY

## The "4-Teams 2-Shift" Schedule and Flexible Working Hours.

POSCO adopted the "4-teams 2-shifts" schedule and flexible working hours policy to help employees find a balance between work and life. The "4-teams 2-shifts" refers to a system, where 4 teams are assigned to the day and night shifts, with two teams working 12 hours each day while the other two teams have the day off. In opposition to the 4-teams 3-shifts schedule, the daily work hour increases from 8 to 12 hours, but the total annual work hours remain the same while, days off increase by 87 days and enables up to 4 consecutive off-days. With the increased numbers of off-days, employees are presented with more opportunities to immerse themselves in self-development and can enjoy recreational activities such as travel, take up hobbies and learn. At POSCO we support our employees with recreational and sports facilities while providing various educational cultural courses as well. As a result, for the first time in 2011, the shift workers' organizational engagement was higher than that of regular full-time workers, and shift workers in particular were satisfied with being able to strike a work-life balance.



POSCO is implementing the "flexible working hours" policy to improve the working conditions for its workers. The institutional foundation of the system was created with the test operation in 2011, and now is fully operational. The policy includes home working, free working hours and half-day-working, of which the last two are the most favored by employees. Free working hours refer to allowing employees to choose when they start and finish work based on the nature of their work and personal needs, maximizing engagement during work hours while helping employees to balance work and life. In opposition to taking the whole day off, Half day-work is a system that allows employees to take a half day off, so that they can freely work and also have some rest at the same time. Thanks to continuous efforts to improve the quality of life for our employees at POSCO, including the adaptation of the "4-teams 2-shifts" schedule and the flexible working system, the "balance between work and life" score on the 2011 Happiness Index jumped to 81 points in 2011 from 76 the previous year. POSCO is planning to reflect the opinions and improvements in its policies to sustain the positive trend and improve the quality of life for its employees.

## Progress of the "4-Teams 2-Shift" Schedule

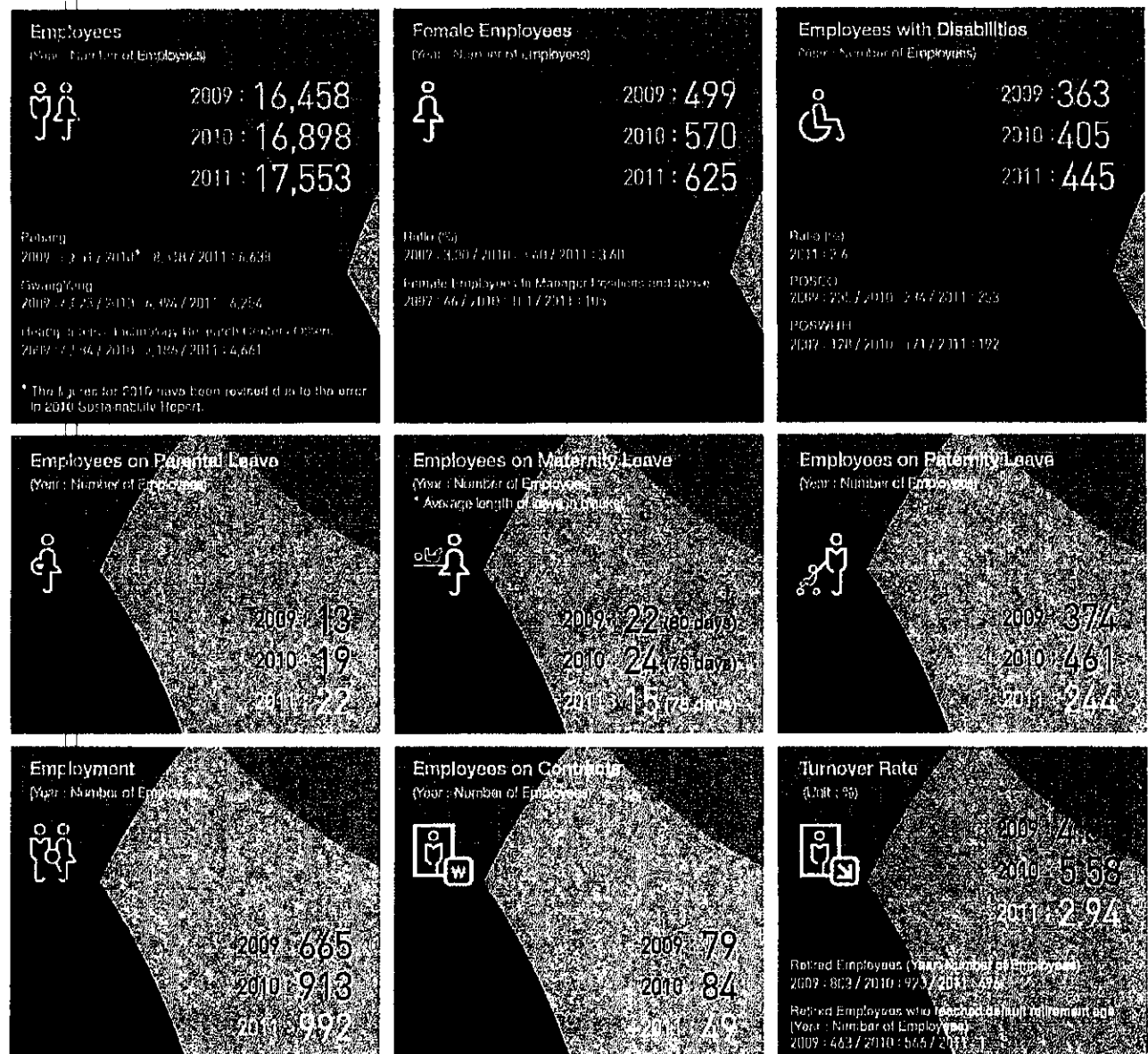
|                                  | 2010.7. 1 | 2010. 10. 16 | 2011. 2. 26  | 2011. 4. 17   |
|----------------------------------|-----------|--------------|--|---|
| Test Operation                   |           |              |  |   |
| Departments under test operation | 15        | 29           | 27   | 15  |
| Full Implementation              | 2011.1. 1 | 2011. 4. 6   | 2011. 8. 26<br>(To be decided after employee voting) | 2011. 10. 17<br>(To be decided after employee voting) |

\* Starting from April 17th, all workplaces will switch over to the "4-teams 2-shifts" schedule (test operation included)

## What kind of POSCO's support makes its employees realize their dream?

POSCO only guarantees the best kind of support to its employees, who are in pursuit of their dreams. Our company spares no effort to foster its new employees into creative, challenging, global professionals. We also create an environment where a vision of an individual is turned into reality, leading to the success of the company and competitiveness of the nation

### Personnel Status





## Hiring Talents

POSCO pursues "Open Hiring" where candidates can apply regardless of academic background, age, nationality, etc. We are pushing forward the "Structural Screening Process", an advanced hiring evaluation system to scout for talents. The "Structural Screening Process" is a capability evaluation process based on the "Assessment Center", utilizing various interview techniques to evaluate analytical, planning, communication skills and leadership of applicants in a comprehensive manner.

Hiring was one of our priorities in 2011 to hunt out global and professional talents of consilience, who will be at the very center of POSCO's future success. Under the "POSCO's undergraduate industry and academia collaboration scholarship" we selected sophomores and juniors and provided various programs, such as liberal arts and engineering consilience courses, internships and overseas studying opportunities, cultivating exactly the kind of talent the company needs, talents with consilience.

## Nurturing Talents

POSCO fosters creative individuals that together turn the company's vision into reality. That's why we are establishing a lifelong, self-learning education system to allow all of our members at the company to be empowered and contribute to the organization. Customized education is provided to all employees from new employees and management, supporting everyone to become a professional in what they do through work-specific professional training. We are also practicing coexistent growth by empowering employees at subcontracting partnering companies under the "HRD Consortium training project".

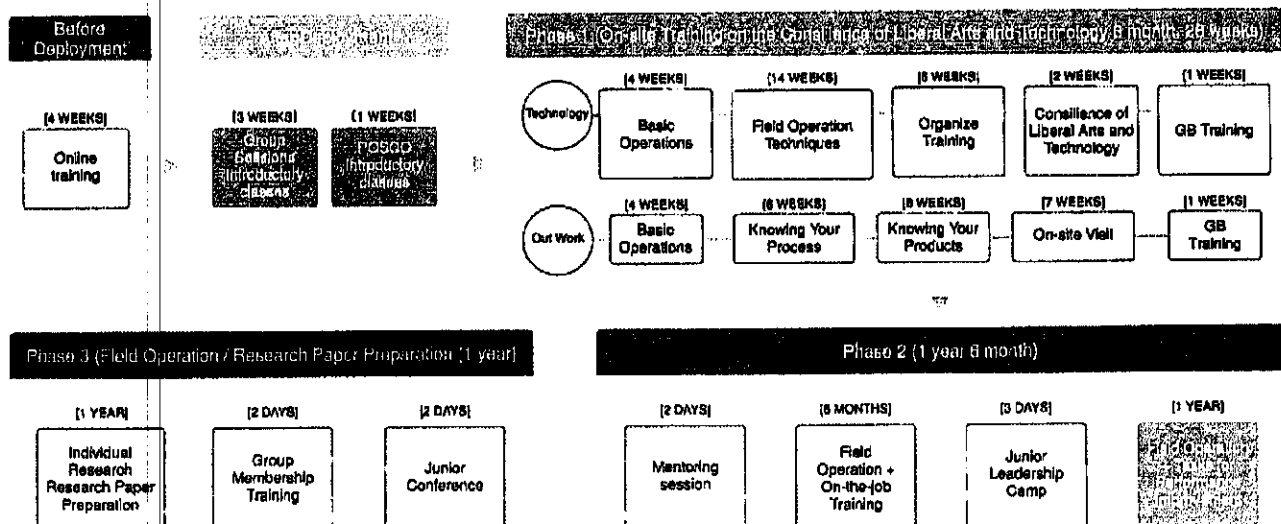


POSCO Strategy University

## Empowering New Employees

POSCO's training for new recruits is focused on empowering employees to share core values of the company and strengthen organization identity of employees to make POSCO a global leader. New employees that have been with the company for less than three years are subject to "training-OJT-Assignment" that offers systemic learning opportunities that cultivate field experience early on and we support seasoned employees to become experts in their individual area. New recruits receive e-learning training, POSCO family introduction and POSCO's exclusive training, which helps them learn the spirit and culture of the organization and take the first step as a true member of the company. Prior to working in the field, recruits are trained in consilience of work and technology for 8 months and after work assignment they engage in OJT, carry out tasks for performance improvement and prepare research papers over the course of first 30 months with the company.

### New Employee Self-Department



### Cultivating Global Leaders of the Next-Generation

POSCO operates diverse education programs to cultivate leaders of the next-generation with creative and strategic thinking, fit for the ever-changing age of global competition.

- Learning roadmap for potential leader : establish an education system to develop the leadership of core talents
- Cultivating managers through problem-solving action learning method: nurture senior position holders, business model-developing problem solving
- POSCO Executive MBA: enhance the management's expertise, management skills, and consilience competence
- Strategy University: cultivate strategic talents with mid and long-term outlook, with knowledge in humanities, oriental studies, and art of war/tactics
- Global Mini-MBA, Intercultural negotiation process, language courses for leaders: cultivating talent for global business
- Employee training before international assignment: Cross-cultural training and language courses



A program at the Creativity Camp

### Cultivating Creative Consilience Talent

POSCO employs the TRIZ University and operates the Creativity Camp to foster employees' creative problem-solving capacities.

- TRIZ University : enhances employees' creative problem-solving capacities. The program has multi-level (1 to 3) international certification courses to enhance expertise.
- Creativity Camp : provides participants an opportunity to learn and apply creative thinking techniques such as scenario planning at their job posts.
- Others : Saturday Learning (for the Family leaders), Monthly Learning, Wednesday Humanities Lecture to cultivate insight and creativity

### Expanding Education at the POSCO Family Level

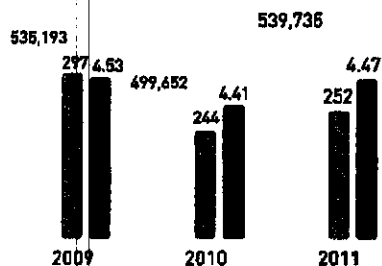
POSCO is gradually expanding education opportunity to include all the POSCO Family employees. From newcomers to the top management, all employees at the POSCO Family share core values and management philosophy through new appointee/enhancement courses by rank, and orientation courses for new employees. POSCO supports employees at outsourcing partners by providing courses in leadership, QSS, and 6 Sigma. The e-learning system has also been expanded to the Integrated Global e-Learning System open to the POSCO Family, outsourcing partners and overseas local employees.

### Self-Directed Learning System

As the education paradigm changes with the advancement of the IT, POSCO has actively implemented the e-learning system, fostering self-directed learning. POSCO focused on enhancing the education results, providing customized courses and increasing user convenience. In 2011, POSCO opened the HRD portal to help employees to make a yearly study plan and take courses themselves. At the same time, we established a channel to listen to the educational needs of the employees and the performance of the trainees are reflected in their competence evaluation through PCS (Personal Score Card).

### Major Education Indexes

No. of Trainees (persons)  
■ Training Hours per Capita (hr)  
■ Trainee Satisfaction\* (Unit : points)



Note : Data is based on gathering classes (POSCO Future Creation Academy, on-site training, lifelong learning, commissioned training) and e-learning courses

\* Overall learner satisfaction survey, conducted for the gathering classes and e-learning courses at the POSCO Future Creation Academy, in terms of the contents, method, and the lecturing skills

### Strengthening Innovation Education to Accelerate Innovation

POSCO continues its training courses to nurture MBB, BB, and GB, the innovative leaders who will drive successful management innovation the POSCO way. In order to nurture operators, who can maintain their own facilities themselves, training courses are provided for QSS Improvement Leader and QSS Master, consultants for improving work sites. Recently, change management education programs have been enhanced by integrating POSCO's core values and the advantages of other training methods to motivate more employees to lead innovation at the company.

### POSCO Training Hours per Capita by Position in 2011

| Position       | Department Group Manager | Team Leader / Plant Manager | Plant Leader | Foreman | Staff |
|----------------|--------------------------|-----------------------------|--------------|---------|-------|
| Training Hours | 190                      | 251                         | 229          | 279     | 251   |



## Global HR(Managing and Nurturing Local Employees)

### Global HR System

In order to ensure that POSCO's core values and work ethics are properly communicated and practiced at the overseas business sites, the Change Agent program, which consists of locally recruited employees, was launched in 2010.

The Change Agent(CA), who completed a 3-week course at the head office and local implementation tasks, have laid the groundwork for the local management and employees to follow POSCO's core values and Code of Conduct in their daily work. In 2011, POSCO trained additional 50 agents from 30 corporations in 9 countries, bringing the total number of agents to 105. In addition, 7 new Culture Leaders were cultivated, who monitor and support the Change Agents' activities at the major business locations. In 2011, POSCO granted awards to some CAs for their outstanding performance and shared their achievements with other POSCO Family at the Innovation Festival, an opportunity to discuss ways to grow together.

One of our efforts to become a true global corporation is hire more and recruit more local employees. We train local employees as leaders, potential position holder, managers or higher level, who integrated the values and work ethics of POSCO into everyday business management. We commissioned the Seoul National University to run Korean language classes for local employees in 2007 and help them learn the POSCO values by offering short-term delegation to the head office and job-rotation programs. Also the Global Leadership Center in Songdo, Incheon, offers various courses for overseas local employees to nurture model employees and managers. For the employees dispatched to overseas branches, we have a "Select & Nurture" program, where training is offered "before, during, and after" the delegation to ensure continuous development of the employees.

Meanwhile, POSCO is implementing global standards in HR in general, including employment, evaluation, promotion, and other workforce management. We take various policies and measures to protect the rights of every employee including female workers and local employees; minimum wage guarantee, maternity protection, and foreign worker recruitment, among others. POSCO puts its efforts to eliminating human resources-related risks and to protect human rights at the global POSCO Family level.

In 2010, POSCO established an operation system to minimize local HR risks in China, Southeast and Southwest Asia (Indonesia, Malaysia, and India), which was implemented in Japan, Indonesia, and India in 2011.

In November 2010, POSCO held the Global HR Forum. At this forum, the HR personnel shared best practices of the Code of Conduct compliance and core values implementation, and set a direction toward the future to heighten consciousness of the POSCO Family. POSCO will hold the Global HR Forum every other year to make its HR system more effective.

“

## INTERVIEW

**Enhancing the Family Mindset  
Course Participant Interview**

POSCO-TBPC  
**Rodjaroen  
Pairat**

I was so glad to be chosen as a model employee and to take training in Korea. I had a chance to experience Korean cultures and try Korean dishes during the training. What impressed me more than anything else was the still mill tour. As I only saw it from photos when working in Thailand, I had never realized how big a corporation POSCO really is.

I was so proud of being a member of POSCO as I learned the production process of steel and took a tour of the factory. I am happy to have such an opportunity as a model employee and will share with my colleagues what I've seen and learned, the spirit and vision of POSCO.

”

**Foreign Talent Development**

POSCO cultivates core local talents who will be the key agents for the overseas branches in realizing Global POSCO. These local employees are offered various programs to better understand the vision, core values, innovation activities and other important aspects of POSCO. At the same time, we provide basic on-the-job training as well to help them grow as global leaders and proud members of the POSCO Family.

**Education of Model Employees at Overseas Corporations**

The course is offered to junior and senior employees recommended by the head of overseas corporations, in order to raise understanding about Korea as well as POSCO. Education about the history of POSCO, its core values, and Vision 2020 and a still mill tour are designed to inspire pride as a member of the POSCO Family. In addition, there are various programs in place to help understand cross-cultural differences - Korean culture experience and interviews about the intercultural conflicts - to promote more effective communication between dispatched Korean employees and locally hired ones.

**Change Agent Enrichment Education and Change Leader System**

POSCO has been providing Change Agent Enrichment Education at the requests of follow-up training - sharing CA activities examples, education of the latest management policy and innovation methods - as well as the enhancement of CA competence as a consultant. The course is designed to help CAs enhance their competence and lead innovation at overseas branches as a consultant, beyond just delivering the innovation activities of POSCO.

The Change Leader System was launched at the major business locations to manage and support CA activities of individual branches and to promote communications with the head office. In 2011, a total of 39 CAs joined the enrichment Education and 7 Change Leaders were selected to operate the course.

**Culturally Diverse Class for New Team Leaders at Home and Local Managers**

In 2011, POSCO started Culturally Diverse Class, a leadership training course where new team leaders at home and local managers of overseas corporations learn together. This integrated session was an opportunity for Korean team leaders to cultivate a global mindset, and for local managers to refresh a sense of belonging as a proud member of the POSCO Family.

In 2011, 20 local managers from 15 corporations in 8 countries and 20 team leaders at home attended leadership training course, which was conducted exclusively in English and a good opportunity to learn cross-cultural varieties of the POSCO Family around the world.



Customer

PUBLIC  
FILE  
38

# Valuable Movement

**Customers** are the beginning of POSCO's growth and the greatest value. We create customer value and present a new future by developing products and technology through continuous innovation and creating a new marketing paradigm focused on customers. POSCO completed a global quality management system to establish a world-class quality system, which it believes is the first step to win customer trust. We will continue to grow with our customers through various Win-Win growth initiatives.

## About Customer

|             | Products and Technology   | Quality Management   |
|-------------|---|--|
| Issue       | <ul style="list-style-type: none"> <li>Develop eco-friendly products</li> </ul>   | <ul style="list-style-type: none"> <li>Customized quality management education by ranks</li> </ul>   |
| Performance | <p>Develop eco-friendly products to enhance customer value</p> <ul style="list-style-type: none"> <li>Active in developing eco-friendly products : taking up 70% of all the products developed in 2011 (3.28 million tons sold)</li> </ul>  | <p>Tailored quality management education</p> <ul style="list-style-type: none"> <li>Quality management education courses taken by 14,500 employees</li> </ul>  |
|             | Create Customer Value   | Win-win Growth Program with Customers  |
| Issue       | <ul style="list-style-type: none"> <li>POSCO Marketing 3.0</li> <li>Develop eco-friendly automotive materials</li> </ul>  | <ul style="list-style-type: none"> <li>Enhancing customer competitiveness</li> </ul>   |
| Performance | <p>Carrying out POSCO Marketing 3.0</p> <p>Maximize customer satisfaction<br/>Results from the 2011 Customer Satisfaction Survey improved by over 10% from a year earlier scoring 91 in the nation, and 81 points overseas.</p> <p>Develop eco-friendly automotive materials</p> <ul style="list-style-type: none"> <li>Involved in the Future Steel Vehicle (FSV) project as part of the WorldAutoSteel consortium and develop POSCO Body Concept-Electric Vehicle (PBC-EV, for Small cars).</li> <li>In February 2011, completed assembly of the prototype of PBC-EV (for medium-sized cars).</li> </ul> <p>Domestic Customer Satisfaction <b>91</b> points</p> | <p>A system to strengthen customer competitiveness</p> <ul style="list-style-type: none"> <li>In 2011, price hike deferment ( 2.1 billion KRW), implemented the discount system ( 22.4 billion KRW).</li> </ul> <p>Developed cost-saving steel grades</p> <ul style="list-style-type: none"> <li>In 2011, Developed 2 cost-saving steel grades, support 50,000 tons</li> </ul> <p>Quality analysis and technical support for customers</p> <ul style="list-style-type: none"> <li>In 2011, Conducted 261 tasks for 164 customers</li> </ul> <p>Operate information exchange meetings for SMEs</p> <ul style="list-style-type: none"> <li>970 Customers participated from 684 SMEs</li> </ul> <p>Conducted technological tasks for customers <b>261</b> cases</p> |





Customer

Products and Technology | Development of Eco-Friendly Automotive Materials | Creating Customer Value | Quality Management | Win-Win Programs for SME Customers

## What kind of values are POSCO products and technologies providing customers?

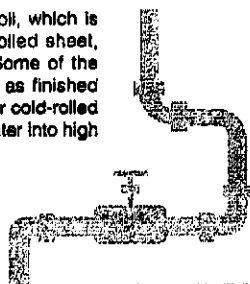
There are customers at the heart of POSCO. We raise customer value through continuous and innovative product development. We strive to make the world's best products for the new as well as our 1st-tier customers. POSCO is trying its utmost to develop high-performing new products that are trusted and safe.

### Products

#### Hot-Rolled Steel

Hot-rolled products include the hot-rolled coil, which is formed out of hot strip mills, and the hot-rolled sheet, which is made by cutting hot-rolled coil. Some of the hot-rolled coils from hot strip mills are sold as finished products or used as intermediate materials for cold-rolled coils and electrical steel to be reprocessed later into high value-added products.

- Major Applications: Pipes, beams, automotive frames/wheels, containers, etc.



#### Cold Rolled Steel

Cold rolled steel is produced by rolling hot rolled materials at a low temperature. Its high quality surface finish and formability make cold rolled steel ideal materials for a wide range of products, from home appliances such as refrigerators and washing machines, to cars, industrial machinery and various construction materials.

- Major Applications: Automotive plates, high-end home appliances, metal equipment, etc.

#### Steel Plates

Plate products generally refer to steel plates with a thickness of 8mm or more. While they are mainly used for vessels, bridges, large structures, and shipbuilding plates, usage also includes a wide variety of special applications such as extremely low temperature containers, industrial machinery, and military equipment. More investment is underway in developing plate manufacturing technologies for welding and offshore structures, pressure containers and products under severely cold weather conditions to respond to sophisticated industrial needs.

- Major Applications: Ships, large structures, and bridges, etc.



#### Wire Rods

Wire rod products are materials from "wire," produced in the thin and long shapes, instead of coils or plates. They are divided into general and special steel. General steel can also be classified into general wire rods that are used in daily life, like screws and nails, and special wire rods which are used in the manufacturing of cars, bridges, machinery, submarine cables, etc. Special steel is used to manufacture automotive bolts/nuts, high-tensile architectural bolts, bearings, springs, piano wire, tire cords, etc.

- Major Applications: Bridge wire, tire cords, architectural structures, springs, etc.

#### Magnesium Products

Magnesium is a metal with the highest strength-to-weight ratio and mainly used for automotive parts, cell phones, and aluminum alloy. It is emerging as a popular material for the 3Cs (Computer, Communication, and Camera) and car die-casting parts along with aluminum alloy.



#### Titanium Products

Titanium is a non-toxic eco-friendly metal with an excellent strength-to-weight ratio and high corrosion resistance. In many applications, titanium offers opportunities for reducing operating costs by: 1) Better fuel economy through weight savings 2) Improved energy conservation by efficient heat transfer, 3) Resistance to aggressive materials such as crude oil with high levels of hydrogen sulfide, and 4) Reduction in environmental cost caused by corrosion leakage.

- Major applications: nuclear/thermal power plant, petrochemical plant, sports and medical products, etc.

#### Stainless Steel

Being highly corrosion-resistant with its glossy surface, stainless steel products are made from high value-added special steel that can be used in various applications without extra surface treatment. Stainless steel is mainly used in kitchenware, automobile parts, and chemical facilities. Ever since it was used in the construction of Incheon International Airport and the Seoul World Cup Stadium, in particular, its popularity as a material for building exterior walls and roofs has been rising.

- Major Applications: Kitchenware, medical devices, building interiors/exterior, car parts, etc.



#### Electrical Steel Plates

Being highly electromagnetic, electrical steel is in ever greater demand as the need for clean energy grows to support continuing efforts to conserve energy and prevent environmental degradation. This steel is also called silicon steel, due to its high silicon content, and is divided into grain-oriented and non-oriented steel sheets according to its magnetic property. Electrical steel is usually used as iron core material for current transformers, power generators, motors, etc.

- Major Applications: Transformer, motors, power generators, etc.

## Eco-Friendly New Products

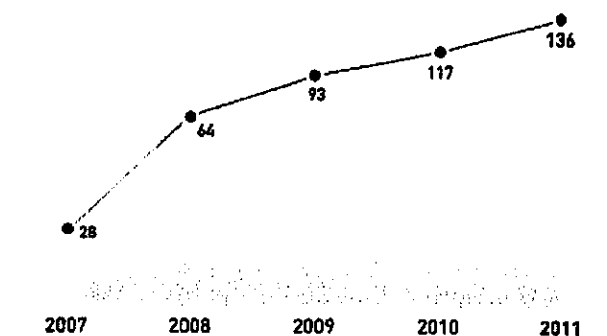
POSCO leads the future of customers through future-oriented products. We consistently develop eco-friendly products to make the world a better place.

### Types of POSCO Eco-Friendly products

| Category                 | Main features   | No. Development (2000~2011) |
|--------------------------|---|-----------------------------|
| Environmental Protection | <ul style="list-style-type: none"> <li>Not containing environmentally hazardous substances/Blocks elements harmful to the human body</li> <li>Reduces noise or vibration/Enhances off-gas cleaning performance</li> </ul> | 37                          |
| Energy saving            | <ul style="list-style-type: none"> <li>Lighter automobiles/Products that can skip a process or heat treatment</li> <li>Enhances energy efficiency and processability</li> </ul>   | 191                         |
| Recyclability            | <ul style="list-style-type: none"> <li>Enhances corrosion resistance and life cycle/Enhances durability</li> </ul>  | 46                          |

### Number of Eco-Friendly Steel Products

(Unit : units)



### High Corrosion Resistance Steel of YS 450 MPa Grade or Higher for Line Pipes of Petroleum and Gas

Despite the environmental concerns due to global warming and fossil fuel exhaustion, the world economy is still heavily dependent on fossil fuels such as petroleum and natural gas, with demand on the rise. As a result, the diameter of line pipes for transportation is getting bigger and more mining work is done in poorer environments with more harmful gases.



### Development of PB-Free Cutting Steel

Recently, as environmental degradation is getting serious due to rapid economic growth, more attention is paid to eco-friendly materials. Until now, cutting steel was mainly composed of lead due to its excellent processability, but there were opinions that the lead accumulated in the body during processing can be fatal requiring steel makers in the developed nations - Europe, the United States, and Japan - to focus on the development of PB-free free cutting steel.



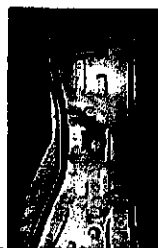
### High-Efficient Grain-Oriented Electrical Steel 27PHD085

POSCO has been working diligently to develop high-end grain-oriented electrical steel used for transformers, to accommodate to the world's transformer market looking for low noise and energy-saving products. As a result of our efforts, we have successfully developed 27PHD085 steel product with lower core loss. The product shows an average core loss of 0.83W/kg, lowered by roughly 4.1% compared to previous 27PHD090 products. Also, it reduced no load loss and noise, contributing to the development of eco-friendly transfer



### High Elongated GA 980DP Steel Sheet for Automobile Reinforcements

POSCO makes constant efforts to develop high-strength and high-elongation steel plates to match the need for lighter automobiles. The market demand for car parts of 980DP is gradually increasing with the carbon emission control, popularity of lighter cars, and stricter safety regulations in the automotive industry. Securing strength and workability at the same time, unlike the conventional materials, we are able to minimize the part manufacturing process to save more energy.



### High Performance Hot-Rolled Steel

- High-carbon steel for engine valve tappets\*
- High-grade high-carbon steel for nail

\* Tappets : a part used to open and close the valve by pushing it up.

### High Performance Cold-Rolled Steel

- Mixed resin-coated steel sheet with high heat resistance
- High-Solid Top Clear UV steel plate : applied to the exterior of home electronics, eco-friendly without generating VOCs during the process
- The world-first high-strength and high-elongation TWIP steel plate

### Steel Plate

- High-strength EH47 product for large container vessels of 16,000 TEU\* or bigger
- Steel for marine structural uses in extreme cold
- \* TEU : Twenty-foot equivalent units, 1 TEU equals a 20-foot-long (6.1 m) container.

### Wire Rods

- Ultra fine steel wires for cutting silicon
- Deep sea exploration fixation ropes (PSPNeptune)
- 4000Mpa grade Ultra high-strength wire rods for fire cords (POSCORD)

### Electrical Steel Sheet

- Developed HGO products with low core loss and high magnetic flux density
- Developed premium hyper products for motors of electric and hybrid vehicles

### STS Products

- High-performance materials for car gaskets/ bellows
- High corrosion-resistant steel for desalinization facilities



## What eco-friendly automotive materials is POSCO developing?

POSCO creates customer values while enhancing corporate value through innovation and also contributes to increasing social values. POSCO produces green materials to pave the way for the development of eco-friendly cars. POSCO creates customer value while enhancing corporate value through innovation and contributing to the increase of social values.

### Developing Eco-Friendly Automotive Materials

POSCO has focused on R&D and production of steel precuts to make automobiles lighter by supplying eco-friendly vehicle materials such as TWIP and AHSS steel. POSCO mass produced the ultra high-strength automotive steel plate of 1180MPa grade (1180 eco-friendly CP steel), enduring up to 120kgs per 1m<sup>2</sup>, for the first time in the world. And in 2009, we developed the YS 1180CP steel, upgraded in processability, yield strength, and weldability from 1180CP steel. The new steel product enables car manufacturers to process them more easily and make their vehicles lighter and more fuel-efficient. POSCO high-elongated 980DP steel plate has far better processability than the previous materials and easier to apply to automotive parts like the B-Pillar. It also increased mileage and eco-friendliness as it has the same strength with thickness of just 20 to 40 % of the conventional high-strength steel such as 590DP and 780DP, and, as a result, makes a lighter car.

In addition, POSCO is making lighter tire cords, part for absorbing external shock to lengthen the lifespan of the tire. In 2010, POSCO succeeded in the commercialization of ultra high-strength wire rods of 4000MPa grade for tire cords, and now the development of wire rods of 4700MPa grade is in-process. Also, we have developed wire rod product for high-end engine valve springs with a decreased diameter to reduce the total volume of the vehicles engine, contributing to the production of lighter automobiles.

The wire rod steel of 2300MPa grade is the world's first high-stress material, decreasing the diameter of safety valve by 10% and increasing fuel-efficiency by 0.4%. Another way to make vehicles lighter is using an important POSCO new material; magnesium. POSCO developed magnesium plates for automobile seat frames, which is expected to make cars more fuel-efficient and comfortable by decreasing weight while maintaining the same strength.

More than anything else, POSCO focuses on developing light bodies for electric vehicles as they are gaining popularity. In May 2011, the world's 17 steelmakers announced the result of the Future Steel Vehicle (FSV) project as part of the WorldAutoSteel consortium. POSCO joined the project with the development of lightweight car body panels for small electric vehicles.

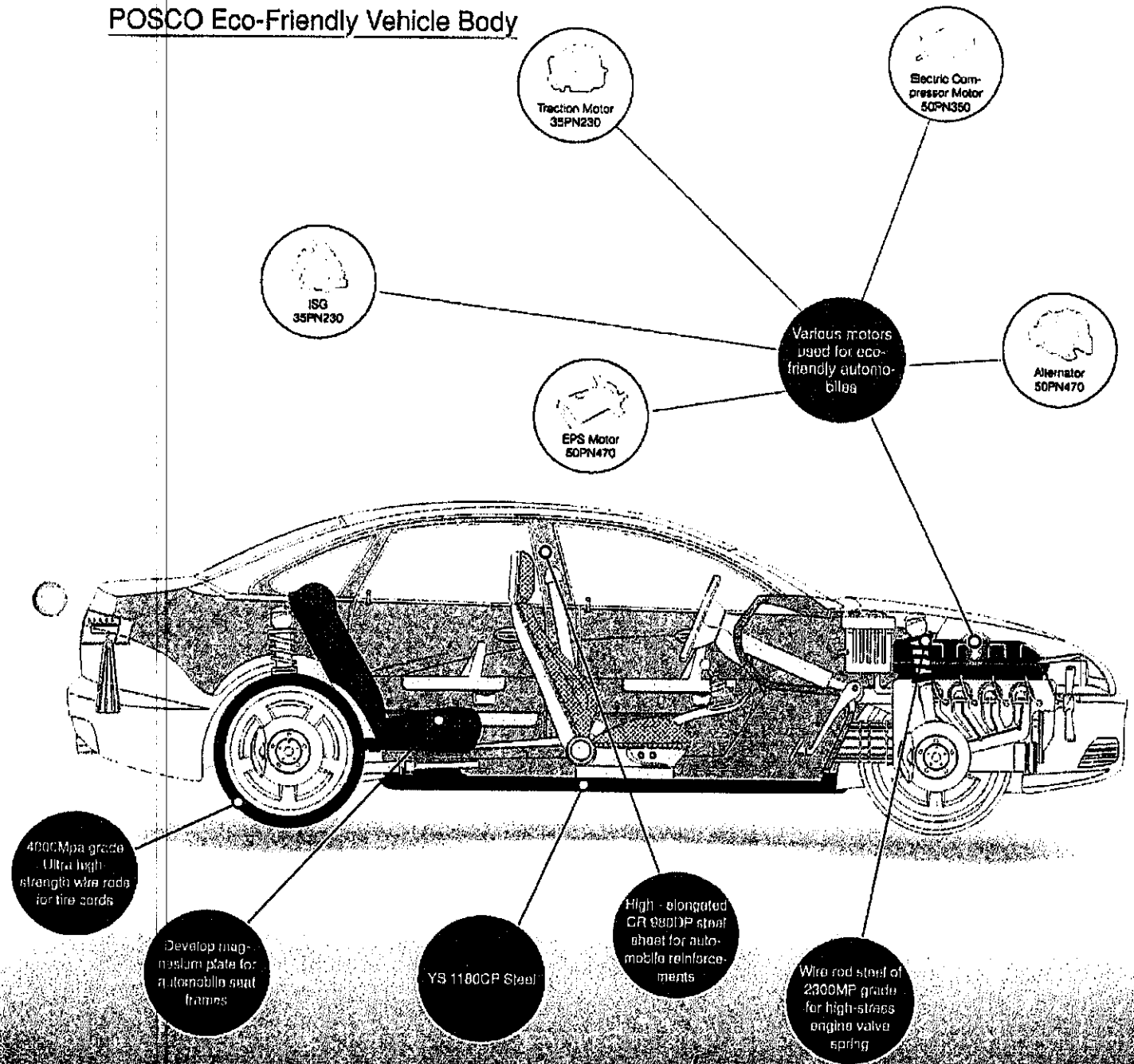
Now, POSCO is in the process of developing the POSCO Body Concept-Electric Vehicle (PBC-EV). In February 2011, the company completed the prototype after a series of steps from review of styling package, design, analysis, part manufacturing and assembling.

PBC-EV uses about 40% more of the Ultra-High Strength Steel (UHSS) than average car materials, and employs cutting-edge technologies including hot press forming and a multi-directional roll forming process. This has proved to reduce the automobile weight by 26% and reduce GHG emission about 50% compared to conventional vehicles in terms of the Life Cycle Assessment.

POSCO's effort to make green cars includes the development of electrical steel sheets for electric vehicles. POSCO created a project team called "the Eco Motor-Electrical Steel" at POSCO Technical Research Laboratories to develop EF car plates consuming less energy, and working on the Early Vendor Involvement Initiative with over 10 carmakers at home and abroad.

| Project   | Car Body Weight             | GHG Emission | Development Goals                   |
|---|-----------------------------|--------------|-------------------------------------|
| World Auto Steel FSV<br>(participated by the world's 17<br>steelmakers including POSCO) | decrease in small cars      | reduce 70%   | Commercial production goal for 2020 |
| POSCO Body Concept<br>Electric Vehicle  | 26% decrease in medium cars | reduce 50%   | Commercial production goal for 2015 |

# POSCO Eco-Friendly Vehicle Body



## Synergy Effect of Automotive Car Materials





## What vision is POSCO going to achieve through customer value?

We need a new strategic alternative for sustainable growth in the current business environment as domestic and international competition gets more severe, approaching to the limit to creating added values due to rising raw material cost. POSCO is creating new values with customers under the CEO's firm belief in customer-oriented marketing - serving the customer, win-win with the customer, and gaining the customer's trust. POSCO has upgraded its marketing strategy, going beyond price competition, expected in the harsh competitive business environment, to value competition. We believe the main pillar of sustainable growth is customer success through the creation of values. This will enable us to provide customized values for each customer and build long-term trust with customers. POSCO will realize win-win growth between customers and the company by making continuous technological innovation and sales increases.

### Toward Customer-Oriented Marketing

POSCO implemented a customer-oriented marketing program to realize Marketing 3.0. In the aspect of marketing strategy, POSCO established marketing strategies for each customer and region. The KAM (Key Account Management) department, set up to tend to customer's needs promptly, has been expanded to include global car makers. In a way to effectively deal with global sourcing from customers around the world, POSCO had assigned a KAM team to take care of both domestic demand and exports from the same customer so that they could make an integrated response with marketing programs tailored to changing environment of the industry. Through these programs, we were able to raise understanding about our customers and industry.

We are continuously working to satisfy hidden needs of customers as well as providing customized values for them. POSCO has expanded its scope of marketing activities; from satisfying customer's primary needs related to Quality, Cost, and Delivery, limited in the department of marketing and purchasing; to across-the-board marketing initiatives to care about all the departments - purchasing, marketing, production, and R&D - and even the customers of the customer, by providing a wide range of services and solutions to meet the needs throughout the customer's value chain. To this end, POSCO is pursuing active customer lock-in strategies; buying shares of customer companies, and making investment in overseas operations and logistics centers and also contributing to the creation of the greatest values for customers.

### Vision Statement

#### VISION

### Your Trust and Success, Our Tomorrow

#### Goal

- Company that customers want most to do business with, as a long-term business partner
- SoW\* (Share of Wallet) approach : Becoming the No.1 provider for customers
- Leader that spearheads the change toward a customer-oriented system

#### Strategy

- Establish customer principles and keep promises
- Provide global one-stop service
- Custom-tailored value based on insight
- Build a global brand asset
- Cultivate global B2B strategy marketers

#### Core Values



Customer centricity



Global mind



Creative &amp; flexible



Professionalism

#### Putting Vision Into Practice

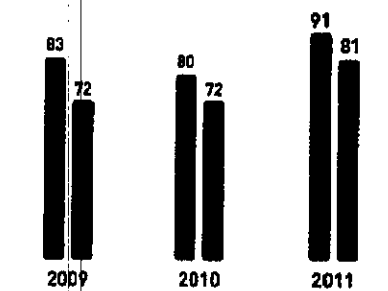
#### Marketing Division Practice Guideline Individual Promises to put into Practice

\* SoW (Share of Wallet) : the percentage of a customer's spending that is captured by a given supplier out of the total spending.

## Maximizing Customer Satisfaction

### Customer Satisfaction

■ domestic ■ overseas (Unit : %)



POSCO conducts annual customer satisfaction surveys to identify their reaction, complaints, and improvements to be made to its services and products in general. The survey consists of a questionnaire and in-depth interviews of domestic and international customers involving 6 categories including sales representatives, service, delivery, and product quality (5 categories for overseas), on a scale of one to seven. In the survey conducted on 237 domestic and 316 overseas customers in 2011, the satisfaction rate for domestic customers was 91, and overseas customers was at 81. The results showed a dramatic rise in the level of satisfaction by more than 10% over the previous year, which is believed to reflect POSCO's improved effort after the 2010 survey. Based on the survey results, POSCO analyzed elements of customer dissatisfaction, identified improvement tasks, and is currently implementing them at the POSCO level including the head office, overseas sales branches, processing centers and trading companies.

POSCO has established a systematic e-learning course to help point-of-contact sales staff to actively implement customer value creation activities with a customer-oriented mindset. The core human assets will be the driving force that will enable POSCO to be the global business leader in cut-throat markets both domestically and internationally.

Since 2003, POSCO has been operating the CRM (Customer Relationship Management) system that accumulates integrated customer data. The CRM system enables POSCO to keep track of business history with the customer and operates an integrated database that helps it better understand the customer to provide services tailored to their needs. Also, POSCO improved the level of customer service and the efficiency in sales and marketing.

## 1

### CASE STUDY

#### EVI Activities

EVI (Early Vendor Involvement) first started with automobile companies, where the core parts suppliers participated early in the new product development process to improve quality and reduce costs. POSCO expanded this to a "POSCO style EVI (Expanded Value Initiative for customer)" that identifies the needs not only of our customer, but also the customer of that customer, to suggest and provide a total solution including product and technology, before even being asked. First, for the major industries with high demand for steel such as automobiles, we implemented the EVI program to suggest new materials first, a step further from the involvement in the development process of a new vehicle. In the shipbuilding sector, we started the development of steel products for marine plants to respond quickly to the changing needs of shipbuilders, who are moving from the traditional bulk carrier business to the energy and plant sector. In the energy industry, we adopted the concept of the Total Sourcing Solution, which provides various materials for a project to accommodate the requirements of the energy industry as a new growth business. POSCO concentrated its competence – and the whole Family's – to meet the needs of energy customers with huge growth potential. EVI teams were formed in other business sectors – home electronics, wire rods, and plates – in addition to the automotive industry and the efforts are beginning to pay off in the sectors including home appliances and construction.



Regular EVI Meetings of Customers

POSCO has been involved in the early stage of new vehicle development and applied high-strength steel. In the marine energy sector, it used to take more than four months to acquire certification before supplying steel products, but with the early involvement with the project of the major petroleum companies, from the design stage, we are able to get certification from the customer beforehand, securing the opportunity to provide materials and shorten production time. With home appliances, POSCO replaced the existing expensive aluminum sash – which was applied due to the heat generated from the source of light of the LED TV – with POSCO EG heat resistant steel plate, saving 35% of the cost to the customer. To replace the conventional in-situ concrete (omega) pile, POSCO successfully developed the tip-enlarged large-diameter steel pipe pile, in cooperation with the customer, reducing 10 to 20% in construction cost and 30% in time. This was a good example of creating value with the customer as we shared patents, created brands, heightening the entrance barrier for our competitors and substitute goods. In the bridge building project, POSCO developed and applied 5,300mm wide steel plates for the steel box design, which traditionally used narrower steel plates – 141 in thickness and 4,495mm in width. This saved 260 million KRW in construction costs and 139 days in construction time by decreasing the number of connecting points from 6 to 4 locations. POSCO was able to achieve customer lock-in with these wide steel plates, provided exclusively by POSCO.

※ The maximum width of plate domestic rivals can produce: 4,500mm



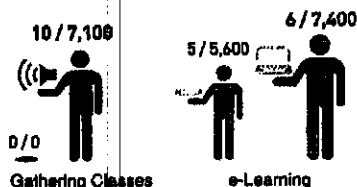
## How are POSCO strategies for best quality implemented?

With the goals of achieving "The POSCO Quality," which will touch the customers' soul, POSCO pursues win-win quality management not only at the head office, the Works, and overseas production plants, but also with the POSCO Family and suppliers. Under the supervision of the Quality Management Group, POSCO implements various strategies to complete the global quality management system and provide differentiated customer values.

### Quality Courses Participation

■ 2010 ■ 2011

(Unit : No. of courses / participants)



### Quality Education By Ranks

| Trainees/Grades                   | Theme                                       |
|-----------------------------------|---|
| New Employees/<br>Employees       | Quality Awareness                           |
| Newly Promoted<br>Manager         | Quality Management<br>Competence            |
| Part Leader/ Foreman              | Quality Control At The<br>Site              |
| New Team Leader                   | Quality Management<br>Leadership            |
| Department Manager/<br>Executives | Strategic Insight For<br>Quality Management |

## Declaration of the Quality Charter

In November 2010, 600 employees and executives gathered to witness POSCO's declaration of the POSCO Family Quality Charter that was established to accelerate POSCO's global quality management. As is stated in the Charter, quality is the solemn pledge to the customer and is the irrefutable principal of all basics. POSCO will continue building its unique quality identity differentiated from competitors.

The Charter is composed of the vision of The POSCO Quality and the three core values. In the vision of "The POSCO Quality," POSCO is synonymous with World Leading quality, that will touch the customers' soul. The three core values are Customer Inside, Basic Inside, and Synergy Inside. The following is the code of conduct to practice each core value.

- Customer Inside: Create customer value reflecting potential needs of the customers.
- Basic Inside: Value basics and principles and eliminate declinations and wastes.
- Synergy Inside: Pursue win-win growth of the supply chain based on trust and communication.

## Customized Quality Education by Ranks

To raise awareness on quality among employees, and help them learn more about quality management, POSCO runs a customized education programs for each rank. In 2011, a total of 14,500 employees received quality education through 10 gathering classes and e-learning courses including an Executive MBA and quality course for new position holders. The educational opportunities will be expanded to global manufacturing operations and all the POSCO Family employees, to enhance employee's understanding of customer-oriented quality management through more practical and advanced programs.

## Quality Management Assessment

With the goal of completing POSCO Family Quality Management system, the cornerstone of POSCO Vision 2020, POSCO runs the POSCO Family Quality Management Diagnosis System to conduct a quantitative quality control analysis, identify weaknesses, and make improvements.

The Diagnosis system is based on the core values and code of conduct of the subsidiaries Quality Charter, and consists of the 6 modules and 50 subsidiaries under the three main category of manufacturing, E&C, and service, reflecting the businesses of the POSCO Family. In 2011, the first assessment was conducted for 22 subsidiaries using the system. POSCO will expand the diagnosis system to maximize the synergy effect at the POSCO Family level and, finally, to achieve world - class quality to satisfy customers.

### The POSCO Family Quality Management system

#### THE POSCO QUALITY

Customer Inside

Basic Inside

Synergy Inside

### POSCO Quality Awards

POSCO Quality Awards (PQA) are granted to The companies with outstanding quality management innovation activities and level through annual POSCO Family Quality Diagnosis.

Classified into five groups as to the size of the company, one company per group is given awards along with a trophy and cash prize. The Grand Prize is awarded to the company with the top performance in the Large Corporations category. The Innovation Prize, Take-Off Prize, and Synergy Prize are given to Medium Corporations, Small Corporations, and Suppliers/Outsourcing Partners group, respectively. PQA motivates POSCO Family companies to implement the POSCO Family Quality vision, greatly contributing to the continuous upgrade of quality management and synergy creation between POSCO Family.

## Win-Win Programs for SME Customers

## How can POSCO and SME customers grow together?

POSCO aims to create a value chain, where the corporate ecosystem surrounding the company can grow harmoniously. We strive to enhance the competitiveness of our SME customers as well as the company, working on the 10 support initiatives for the companies POSCO is doing business with.

### Stable Supply and Flexible Pricing for SMEs

POSCO increased the supply of materials for SMEs and their smooth operation of factories. SMEs tend to have difficulty purchasing raw materials due to the unstable domestic supply of steel products. The SMEs receiving support include 11 steel plate makers, 61 automotive part manufacturers, and 4 re-rolling companies. In order to enhance competitiveness of the foundry pig-iron industry, POSCO postponed price hikes and offers discounts, and supplies substitute products to replace expensive imported products. As of 2011, the amount supported by postponing price increase amounts to 2.1 billion KRW, and discounts 22.4 billion KRW.

### Optimization and Localization of Steel Materials

POSCO ceaselessly develops steel types that can shorten the steel material treatment process to help SMEs' cost competitiveness. The representative product is the non-heat treated steels. As of 2011, POSCO developed 2 cost reduction types of steel selling 50 thousand tons.

### Solution Providing for SMEs

Solution Providing for SMEs is an initiative that POSCO and its SME customers, which purchase a wide range of materials domestically and internationally, work together to solve problems taking place throughout the process from purchasing steel precuts to producing final products, by providing process technologies needed by the materials the customer deals with, for example, molding, welding, and coating.

POSCO not only helps quality analysis with its testing and analyzing devices but also sent its experts to provide technological support for press working and welding. In 2011, 261 tasks from 164 customers were completed.

### Joint Brand Marketing

POSCO provides high-strength steel products to small and medium-sized steel pipe manufacturers, which in turn produce final products to explore new markets together. We work hard to raise the value of SMEs as well as the company to achieve a real win-win growth. POSCO selects partners for each brand, signs a joint brand marketing agreement, co-develop technology and transfer processing technology to create an environment where SMEs can enjoy sustainable growth. 10 SME partners are currently engaged in the program in the following segments; high-strength steel pipe pile, scaffold and strut.

### Information Exchange for SME Customers

POSCO holds face-to-face meetings -organized for each product and industry- regularly to brief SME customers on POSCO's sales policy so that they can predict the steel price for the next quarter and have a better understanding about the industry. In 2011, 970 employees from 684 SMEs participated in our information exchange.

#### Win-Win growth programs, working with customers

- Constant supply of steel products to SMEs
- Flexible pricing and stable supply for the foundry pig-iron customers
- Optimizing steel materials used by customers and localization of imported materials
- Solution Providing for SMEs
- Give financial benefits to SMEs for making prepayment for purchases
- Full cash settlement for transportation to large transportation companies
- Joint Brand Marketing System
- Transfer Modular Architectural Technology
- Invite customer company's employees for education
- Information exchange meeting for SMEs





Society

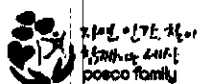
PUBLIC

FILE  
28

# Responsible Movement

**Society** is where POSCO will create a healthy community through a wide range of social contribution activities. POSCO cultivates future talents, communicates with the local communities, tends the socially disadvantaged, and brings hope for humanity for a better world and a better future. We will open a new era of POSCO 3.0, where we support global sustainable growth and enhance corporate value through social contribution at the POSCO Family level.

|             | Fostering Talent  | Employee Sharing Activity   | Social Welfare   | Community Development   |
|-------------|---|---|--|---|
| Issue       | • Fostering Domestic and Global Talent  | • Enhance social contribution oriented to the local community   | • Support independence of the socially underprivileged   | • Implement social contribution localized to meet the needs of overseas business regions  |
| Performance | <b>Scholarship Program</b><br>• Run various scholarship programs to nurture domestic and overseas talents | <b>In-house volunteering activities</b><br>• Corporate culture of volunteering and sharing joined by all employees<br>• 830 employees participated in the "1 Percent to Sharing Campaign" | <b>Social Welfare (domestic)</b><br>In 2011, 17 POSCO Subsidiaries supported Social Enterprises<br><b>Social Welfare (global)</b><br>• Offer scholarships and foster technicians in 5 African nations starting 2011<br>• In May 2011, POSCO University Student Volunteer Group activities in Indonesia<br>• Deliver relief kits to flood victims in Cambodia | <b>Held the "POSCO Family Global Volunteer Week"</b><br>• In June 2011, more than 45,000 POSCO Family employees from 20 countries participated in the volunteering programs |



Social Contribution Expenses in 2011

69.7 KRW billion

Total Donations to Community Chest of Korea (1998-2011)

75.95 KRW billion

Vision

Supporting continued global growth and enhancing corporate value by implementing social contributions at the POSCO Family level.

Strategy for Social Contribution Activities

- Enhance social contribution oriented to the local community
- Support independence of the socially underprivileged including the disabled and multi-cultural families
- Implement social contribution customized and localized to meet the needs of overseas business regions

Centricity

Fostering Talent

Local Community

Social Welfare

Global Social Contribution

Donation to Community Chest of Korea

(Unit : billion KRW)

| Category(Year)     | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------|------|------|------|------|------|------|------|------|
| Amount of Donation | 7.0  | 7.0  | 8.0  | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |

### Social Contribution Assessment

In 2011, POSCO created a Social Contribution Assessment system to operate and manage Social Contribution programs to establish mid-and-long term visions and models. We assessed 7 social contribution programs conducted for the mid-and-long term and in the future more programs will be assessed to find and nurture POSCO's representative social contribution programs, which can give real benefits to those in need.

### Developed POSCO social contribution assessment indexes

Derive social contribution program improvement ideas  
Find representative social contribution programs

| 10 Quantitative indexes |                   |                    | 10 Qualitative indexes   |   |  |
|-------------------------|-------------------|--------------------|--|---|--|
| Budget                  | Promotional Index | Manpower Input     | Preliminary Inspection   | Contribution To The Building Of Social Infrastructure |  |
| Major Output            | Service Hour      | Satisfaction Level | Connectivity with Strategy                                       | Stakeholder Feedback                                  |  |
| Social Benefits         | * Others          |                    | Reflection of the Improvement Suggestions from the Previous Year | * Others  |  |



## What talent fostering programs does POSCO have for our future?

POSCO, which started with a dream to "Help the nation through steelmaking," now strives to "Help the nation through education." Cultivating science leaders, global leaders, community leaders, and sharing leaders – true leaders that fulfill their social responsibilities – is the path that will lead everyone to happiness.

### POSCO TJ Park Foundation

The POSCO Scholarship Foundation established in 1971 was expanded and renamed to the POSCO TJ Park Foundation in 2005. The Foundation taps into its funds of 200 billion KRW to operate its 3 main strategic projects - The "Asia Fellowship", "Next-Generation Human Resources Development", and "Love and Sharing" programs. The foundation has a variety of programs to nurture the leaders of the next generation.

#### POSCO TJ Park Foundation Programs

| Programs                         | Details   | Remarks   |
|----------------------------------|---|---|
| POSCO TJ Park Prize              | Commemoration of the founder's accomplishments and promotion of his entrepreneurship introduced in 2008   | Introduced in 2008  |
|                                  | Award Categories (Award amount KRW 200 million): Science, Education, and Volunteering Awards  | Every March   |
| POSCO Asia Fellowship            | Award winners in 2011<br>Science : Lee sang yub (professor, KAIST)<br>Education : Namhansan Elementary School<br>Volunteerism : Monk Pomnyun and the Alois Foundation   | Award winners in 2012<br>Science : Cheon Jinwoo (professor, Yonsei University)<br>Education : Gwang Jongmun (Principal of Hangeore Middle & High School)<br>Volunteerism : Somaly Mam (The Somaly Mam Foundation) |
|                                  | Scholarships to Asian students studying in Korea : Selected 175 students from 24 countries since 2005, 125 graduated/2012 plan: 58 students - Total of 1,310 million KRW  |   |
| POSCO TJ Park Science Fellowship | Fostering Asian regional specialists : Selected 51 students from 17 countries since 2006/2012 plan: 32 persons - Total of 460 million KRW   | Since 2009  |
|                                  | Scholarship programs in prominent Asian universities : Supported 2,385 students from 31 universities in 10 countries since 2005 / 2012 plan : 300 students - Total of 300 million KRW                                   |   |
| POSCO New Star Scholarships      | Supporting research and forums on Asian culture and society : Supported 141 tasks from 14 countries since 2005 / 2012 plan : 26 tasks - Total of 710 million KRW  | Started in 2006   |
|                                  | Supporting quarterly publication "Asia"<br>: Published 23 issues since 2006 /2012 plan : 4 issues - Total of 290 million KRW  |   |
| POSCO Vision Scholarships        | Supporting scientists in the subjects of math, physics, chemistry, and life science<br>Fellowship 90 recipients selected since Nov. 2009  | Started in 2006   |
|                                  | Award amount : Doctor's course : 25 million KRW/year, support for 3 years after selection / Post-doc : 35 million KRW/year, support for 2 years / Newly appointed professors : 35 million KRW/year, support for 2 years |   |
| POSCO Vision Scholarships        | Excellent high school students in Pohang and Gwangyang : Total of 406 students supported  | Started in 2006   |
|                                  | Selecting 60 11th graders in Pohang and Gwangyang, in the top 4% in academic performance  |   |
| POSCO Vision Scholarships        | 1.5 million KRW annually in scholarships for 2 years. 5 million KRW scholarship for entering prominent universities   | Started in 2006   |
|                                  | Assistance for high school and university students who are the head of their households, including those living only with a grandparent) : Total of 231 students supported  |   |
| POSCO Vision Scholarships        | Support detail : 3.6 million KRW annually for 2 years in high school and 5.6 million KRW annually for 4 years in college  | Started in 2006   |
|                                  |   |   |

### POSTECH

POSTECH (Pohang University of Science and Technology) is a research-oriented university of global standards founded in 1986. POSTECH built the first industry-academy-institute joint research model in Korea and advanced as the leading science and engineering university in POSTECH consists of 11 undergraduate, 18 graduate programs and 59 research units, and maintains partnership with 82 universities in 21 countries.

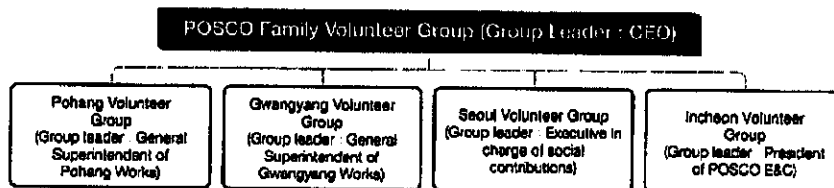
### POSCO Education Foundation

The POSCO education foundation was founded in 1971 with the goal of cultivating independent, ethical and creative human beings. It operates 12 schools from kindergartens to high schools. Gwangyang Jecheol Elementary School has produced the grand prize winner for 6 years (2004~2009) in a row at the world mathematics competition sponsored by the world mathematics educators association.

## What efforts are POSCO people making as a member of a society?

POSCO fosters human resources who are global, creative and understand the power of execution. POSCO mandates its employees to participate in volunteer activities in order to cultivate global talents who embrace diversity with an open mind, fulfilling their responsibilities to their neighbors and society in general. All employees and executives become members of the POSCO Volunteer Group launched in 2003 the moment they join POSCO. In 2011, the volunteering culture was expanded to the POSCO Family, and everyone participates in the activities devoting more than 30 hours annually, working to cultivate the corporate culture of service and sharing.

### POSCO Family Volunteer Group



Blood Donation Event

### POSCO Family Sharing Education

|  |   |
|--|---|
| Sharing Saturday   | Every third Saturday of the month   |
| Donation of fees for external lectures or writing articles | Donated fees for external lectures or writing articles gained from knowledge-sharing with employees, 2011's donation, 10.34 million KRW was used for "Gimjang Sharing" and heating bills support for the disadvantaged. |
| Social contribution system                                 | Departments register volunteer groups so that volunteer performance and information can be easily accessed  |

## POSCO Family's Social Contribution

In November 2009, the POSCO Family Volunteer Group was launched, which is comprised of over 41,000 employees and executives from POSCO, 22 subsidiaries, 109 outsourcing partners and 31 PCPs (POSCO Certified Partners). In 2010, the volunteer group in Incheon was launched, in which 3 subsidiaries and 10 outsourcing partners participate.

### POSCO Family's Social Contribution

|                                    |  |
|------------------------------------|--|
| POSCO Family Global Volunteer Week | POSCO Family member companies join together for volunteer activities |
| Blood Donation Event               | 27,336 people participated by 2011                                   |

### POSCO Employees' Lecture Fee Donations

(Unit : persons/ thousand)

|           | 2008   | 2009   | 2010   | 2011   | Total   |
|-----------|--------|--------|--------|--------|---------|
| Cases     | 121    | 86     | 53     | 81     | 705     |
| Donations | 65,746 | 46,425 | 44,296 | 35,517 | 311,944 |

## POSCO Family 1 Percent Sharing Campaign.

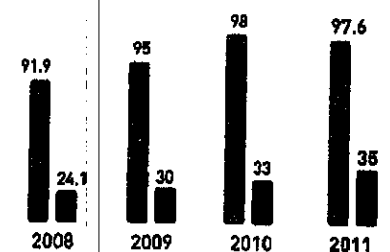
In 2011, 830 officers of POSCO and its affiliates department manager level and higher, including all the executives and outside directors donated one percent of their salaries. The donated money will be sent to Community Chest of Korea to be used for bilingual education programs for the children of multi-cultural families to enhance their global competence and construction of steel houses for welfare facilities. POSCO took the first step as it supports training of bilingual instructors and multi-lingual language education programs for multi-cultural families for 170 immigrants through marriage at the 200 multi-cultural family support centers across the country, in partnership with Hankuk University of Foreign Studies Center for Multicultural Education.

### Volunteer Service Mileage Certification (Aggregate, including family members/unit : persons)

| Category (Years) | 2009  | 2010   | 2011   |
|------------------|-------|--------|--------|
| 100 hours        | 7,672 | 11,051 | 13,478 |
| 300 hours        | 1,185 | 1,953  | 2,806  |
| 500 hours        | 587   | 898    | 1,221  |
| 1,000 hours      | 173   | 282    | 391    |

### Volunteer Service Participation

■ Participation rate\* (Unit : %)  
■ Average volunteer hours per capita (Unit : hour)



\* The participation rate is not 100% because some are excluded due to overseas assignment or study.



## What are POSCO's domestic and global social contribution activities for a society where every member happily lives together?

POSCO is creating a society where people from different walks of life happily coexist. We are fulfilling our responsibilities as a global corporate citizen; we support the underprivileged including multi-cultural families in the nation, and carry out global social contribution activities, for example, an emergency relief program, to meet the different needs of overseas communities.

### Domestic Social Contribution

#### • Steel House construction



- Safety haven using the modular construction method for 300 battered women
- Steel houses to support families who lost their homes to a fire (7 houses built since 2008)

#### • Medical Support



- Free treatment for foreign workers
- Medical service in Mongolia and Nepal
- Free treatment by Raphael Clinic, provided support to the medical volunteers

### Domestic Social Contribution activities

POSCO has been donating charity funds to the Community Chest of Korea with the POSCO Family members since 1998. A designated portion from the donation was used to run 16 programs in partnerships with domestic expert NGOs. POSCO operates 4 social enterprises, 4 Smile Microcredit Bank branches and one moving branch to assist self-sufficiency of low-income groups.

#### Multi-cultural Family Support

POSCO is at the forefront of helping Korean society to embrace a diverse cultural influx due to increasing number of multi-cultural families. POSCO's multi-cultural family support programs are designed considering that the immigrants through marriage are mostly coming from South-East Asia one of a POSCO's overseas operations. In June 2010, POSCO signed an MOU with the Ministry of Gender Equality & Family, and will implement a variety of projects including improving the awareness of multicultural families, helping immigrants through marriage in employment, startup capital, and children's education to help them enhance their bilingual abilities. In 2011, the Danuri Call Center for immigrants through marriage will be opened to provide practical help to multicultural families.

### Creating Sustainable Jobs for the Underprivileged

POSCO establishes and runs different kinds of social enterprises to contribute to the creation of a society where every member happily coexists and the underprivileged are empowered. POSCO will double its effort to help social enterprises take root in the society, and reinvest the profits and technological know-how into local communities to practice the value of social integration. Not only that, 17 POSCO Family companies have been engaged in support initiatives to buy products and services from social enterprises first since 2011 to build up the foundation of social enterprises and their sustainable growth.

#### POSCO's Social Enterprises (As of December 2011)

| POSCO WITA   | POSCO Eco Housing   | POSCO Plate   | Songdo SE  |
|--|---|---|--|
| <ul style="list-style-type: none"> <li>• Established on Jan. 1, 2008</li> <li>• Business area<br/>POSCO's consignment services<br/>- Washing work clothes, call center, IT help center, clerical assistance (HR, labor, welfare, finance)</li> <li>• Socially disadvantaged / Total employees 173 / 330 (52.4%)</li> <li>• Certified as standard workplace for the disabled (2008. 4.24.)</li> </ul> | <ul style="list-style-type: none"> <li>• Established on Dec. 14, 2009</li> <li>• Business area<br/>Construction of eco-friendly steel houses and construction material</li> <li>• Socially disadvantaged / Total employees 83 / 110 (75.4%)</li> <li>• Certified as social enterprise (2010. 10)</li> </ul> | <ul style="list-style-type: none"> <li>• Established on Jan. 22, 2010</li> <li>• Business area<br/>Plate plant Specimen processing and warehouse management</li> <li>• Socially disadvantaged / Total employees 90 / 189 (52.4%)</li> <li>• Certification as social enterprise (2011. 5)</li> <li>• Donated 20% of shares to Love Sharing Welfare Foundation</li> </ul> | <ul style="list-style-type: none"> <li>• Established on Mar. 29, 2010</li> <li>• Business area<br/>Management of new buildings in the Seoul-Incheon corridor that are owned by POSCO and related companies<br/>Cleaning and parking</li> <li>• Socially disadvantaged / Total employees 151 / 164 (92%)</li> <li>• Certification as social enterprise : Dec. 2010</li> </ul> |
| Employee Number Target for 2012<br>(Disadvantaged/Total)   | Employee Number Target for 2012<br>(Disadvantaged/Total)  | Employee Number Target for 2012<br>(Disadvantaged/Total)  | Employee Number Target for 2012<br>(Disadvantaged/Total)   |
| 187/340(55%)   | 115/150(76.7%)  | 100/195(51.2%)  | 166/186(94%)   |

### POSCO Smile Microcredit Bank

The Smile Microcredit Bank supports the self-sufficiency of those whose low income or bad credit rating prevents them from accessing bank loans. POSCO opened Branch No. 1 in Gangseo-gu, Seoul in December 2009, followed by branches in Pohang, Gwangyang, and Songdo. The Smile Microcredit Bank provides various loans and financial services to low-income groups working in traditional markets, small business owners, single-parent families, families with many children, and multi-cultural families.

## Global Social Contribution activities

POSCO fulfills its social responsibilities as a global corporate citizen, actively undertaking overseas volunteer work as well. In particular, we provide opportunities for university students and youths who will play a leading role in the future society to experience the world so that they may grow as global leaders in sharing. POSCO implements social contribution activities in strategic regions to foster win-win growth to develop together with local community.

### Social Contribution Activities in Overseas Market

POSCO actively pursues global social contribution programs in the region it does and will do business with. Since 2011, POSCO has been working on various social contribution initiatives in five African countries of Ethiopia, Zimbabwe, Mozambique, the Democratic Republic of Congo, and Cameroon, the investment bases for the continent; offering scholarships, creating a New Community Movement model village, tackling poverty through the supply of super-corns, operating local children development centers, and nurturing agricultural leaders. Also, POSCO is offering a 7 night-and-8-day education program for over 300 community leaders a year at the POSCO-GCS community development education center opened in 2010 in Jargalant, Mongolia.

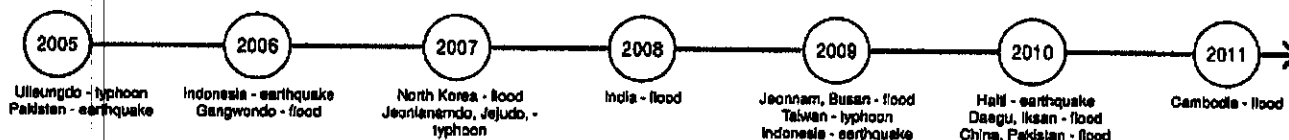
### University Student Volunteer Group(Beyond)/Youths Volunteer Group

To spread the culture of sharing and to enhance the spirit of volunteerism in college students, POSCO launched the "POSCO University Student Volunteer Group - Beyond" in 2007. In May 2010, the 5th Beyond Group was formed, comprised of 100 students selected from 40 universities. After a preparation period, they completed cultural exchange programs in Sentul, Indonesia for ten days between Jan. 19 to Jan. 29, 2011 and built 10 houses with the Habitat for Humanity program in Indonesia. POSCO also sent 10 youth volunteers to a rehabilitation center for the handicapped, Korea-Vietnam Cooperation Center, and Foreign Trade University in Ha Tay, Vietnam, and the International Development Center in Mongolia. The volunteers brought 40 PCs and computer equipment to give lessons in IT and the Korean language, and recreation activities.

### Emergency Relief

POSCO offers a swift hand of relief in case of natural disasters such as earthquakes and floods. In particular, POSCO makes relief kits tailored to local customs and circumstances of the area. The 3,000 kits that are made annually were sent to areas in need not only in Korea, but also to Pakistan (2005,2010), Indonesia (2006, 2009, 2010), North Korea (2007), India (2008), Taiwan (2009), China (2010), and Cambodia (2011). In addition, POSCO established the "Southeast Asia Emergency Relief Center" in Indonesia in 2010 in order to respond more quickly to natural disasters in the region and made 1,500 relief kits, part of which were sent to the Banten Province through the Indonesian Red Cross.

#### Locations Where Relief Kits Were Sent



### Social Contribution in Africa

POSCO is launching its social contribution activities in earnest in African countries starting from the groundbreaking ceremony for the Children's Development Center in Zimbabwe on January 31, 2012. In addition, the construction of the Agricultural Training Institute was a success and it opened on February 2, 2012. POSCO is also planning to expand social contributions to Ethiopia by creating a New Community Movement model village, fixing houses and tackling poverty through the supply of super-corns there.

#### • Zimbabwe

The 360m<sup>2</sup> Children's Development Center in Zimbabwe was built to provide free basic education to children aged between three and five and can accommodate up to 80 children; 20 for the 3-year-old class, 30 for the 4-year-old class, and 30 for the 5-year-old class. The center, established in partnership with Chest Community of Korea and Food for the Hungry, is already known as the best kindergarten in the neighborhood and 100 children are on the waiting - list. POSCO is also planning to run the Agricultural Training Institute, a 1100m<sup>2</sup> complex with a lecture building, administrative building, and dormitory. The institute, to be completed at the end of July, will teach young Zimbabwean students advanced agricultural skills. In addition, we will operate the collective farm to help AIDS patients improve their self-reliance and standard of living.

#### • Mozambique

Working with KOICA, POSCO is carrying out programs to fight poverty in Manisa, near Maputo, the capital of Mozambique. Our goal is to help the development of the nation's agriculture through education at the agricultural training institute in Manisa, to address poverty in the community, create 47 jobs, and nurture 50 agricultural experts in the first year. Starting from next year, the center will offer leadership programs to about 100 future agricultural leaders.



## What is POSCO doing to promote the development of the community?

POSCO supports the local community and nurtures its growth. Around the Pohang and Gwangyang areas, we lay the groundwork for the growth of the community by sponsoring festivals to promote the local economy and implementing sports, cultural, and educational development plans. Also, POSCO actively pursues POSCO Social Contribution programs to meet the needs of the local community, where the company operates business sites.

### Participating in Local Communities in Korea

#### Local Taxes Paid

(Unit : billion KRW)

| Category                       | Pohang Works | Gwangyang Works |
|--------------------------------|--------------|-----------------|
| Local Taxes Paid in 2011       | 57.7         | 54.2            |
| Ratio to the total local taxes | 20.8%        | 40%             |

When POSCO was first established, Pohang was a small city with a population of 70,000 and budget of 320 million KRW. Now, it has become an international city with a population of 520,000 and budget of 1,033.7 billion KRW. Gwangyang, the second city built on the steel industry, started out with a population of 80,000 and budget of 590 million KRW in 1981, and now it has grown into an international steel port with a population of 157,000 and budget of 484.2 billion KRW. POSCO believes that the local community's growth is POSCO's growth, and improving the lives and well-being of the residents is our greatest reward. POSCO embraces the local community so that residents can share in POSCO's growth.

#### Participating in the Community

POSCO actively supports the local communities to prevent and solve issues of the region. In addition, POSCO actively builds partnerships with our stakeholders through communication and sisterhood ties with the villages.

#### Communicating with the Local Residents

As a responsible member of the local community, POSCO always listens closely to local citizens. POSCO identifies social contribution activities customized to the local needs through surveys such as the "Analysis on Attitude toward POSCO and Local Cooperation Performance," which is conducted annually in Pohang, and the "Survey on Residents' Evaluation of Local Cooperation Projects and Sentiments toward POSCO" conducted in Gwangyang. Based on the findings, POSCO develops social contribution activities to meet the special needs of the community as part of its ceaseless effort to achieve win-win growth.

#### Sisterhood Tie Program (One-Department-One-Village)

Beginning with the sisterhood agreement with Hagwang village, Gwangyang in April 1988, POSCO has made sisterhood ties with 125 villages in Pohang, 117 in Gwangyang, and 7 in Seoul, as well as 32 schools and organizations to enhance solidarity with local residents through trust and communication.

#### Sisterhood Ties

| Category  | Villages | Schools | Organizations | (Total) | Beneficiary Residents (persons) | Rate of sisterhood(%) |                               |
|-----------|----------|---------|---------------|---------|---------------------------------|-----------------------|-------------------------------|
|           |          |         |               |         |                                 | As to population      | As to administrative district |
| Pohang    | 119      | -       | 6             | 125     | 422,489                         | 81                    | 30                            |
| Gwangyang | 90       | 15      | 12            | 117     | 18,567                          | 12.3                  | 31                            |
| Seoul     | 7        | -       | -             | 7       | -                               | -                     | -                             |
| Total     | 216      | 15      | 18            | 249     | 441,056                         | 65.6                  |                               |



Volunteering activities in Sisterhood Villages

\* Recently, 3 districts out of 119 became integrated (Sangdae 1-2 dong, Jukdo 1-2 dong, Jungang - Haksan dong became integrated. Heedo 1,2 dong's status remains the same)

\* Population of Pohang: 521,716, Population of Gwangyang: 150,725 (as of 2011)



Pohang International Fireworks Festival

### Helping the Local Community by Invigorating the Economy

POSCO contributes to the local economy through stable business operations and job creation, and returns its profits by building local infrastructure. POSCO helps build the foundation for win-win by strengthening the competitiveness of the local supply chain.

#### Major installations that helped the local economy

##### Popular Tourist Attractions

- Hyeongsan River Walk (2005-, 407 million KRW)
- POSCO Light Street (2008-, 559 million KRW)
- Pohang Hwanho Haemaji Park (1995, 20 billion KRW)
- Pohang Technopark (2003, 20 billion KRW)
- Gwangyang Community Center (2001-, 29.8 billion KRW)
- Jeonnam Technopark (2007, 10 billion KRW)

#### Local Festivals

- Pohang International Fireworks Festival (2004-)
- Total economic effects (aggregate) 361 billion KRW/  
spectators (aggregate) 6.8 million
- Gwangyang Sunshine Festival (2010-)
- Number of spectators : 12,000
- Renamed as the Yeolliji Festival (2002-2008) since 2010
- Gwangyang University Gugak Festival (2008-)

### Promoting Sports & Culture

POSCO builds infrastructure to promote local culture as well. POSCO built art halls and launched professional soccer clubs to provide high quality culture, arts and recreation to the community. POSCO is investing intensely in local educational infrastructure through its foundation and Postech support. POSCO also provides various learning opportunities to the local youths; Local Youths Hands-On Learning Program, Junior Engineering Class, and Children's Steel Camp.

### Promoting Social Welfare

POSCO helps orphanages and conducts various volunteer works for the socially vulnerable. POSCO strives to contribute to the overall quality of life of local residents.



Home Repair Program

#### Home Repair Program

Repaired 54 and 84 homes in Pohang and Gwangyang respectively by the end of 2010

#### Gwangyang Childcare Center

As part of the "Public Childcare Facility Support Program" supervised by the Federation of Korean Industries the Childcare center broke ground in September 2009

#### Soup Kitchen

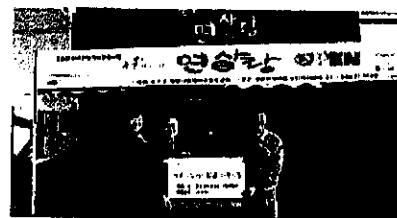
Soup kitchens were opened in Pohang and Gwangyang

## 1 CASE STUDY

### Community Development (Noodle Love)

POSCO is working hard to create conditions under which the company and the surrounding community can achieve mutual-growth. In 2010, POSCO opened the restaurant, "Noodle Love," to create jobs for the elderly of socially disadvantaged families. The restaurant is their workplace, offering a chance of fulfillment and to be self-sufficient.

The first restaurant opened in Chanpo-dong, Pohang in 2010, followed by the 2nd in Songdo-dong the same year, and in 2011, the 3rd and the 4th restaurants opened in Haedo-dong and Cheonglim-dong, respectively. POSCO will lead the efforts to address issues facing seniors working on a range of programs while proposing gainful employment for the elderly.



Opening of the second branch of Noodle Lovers





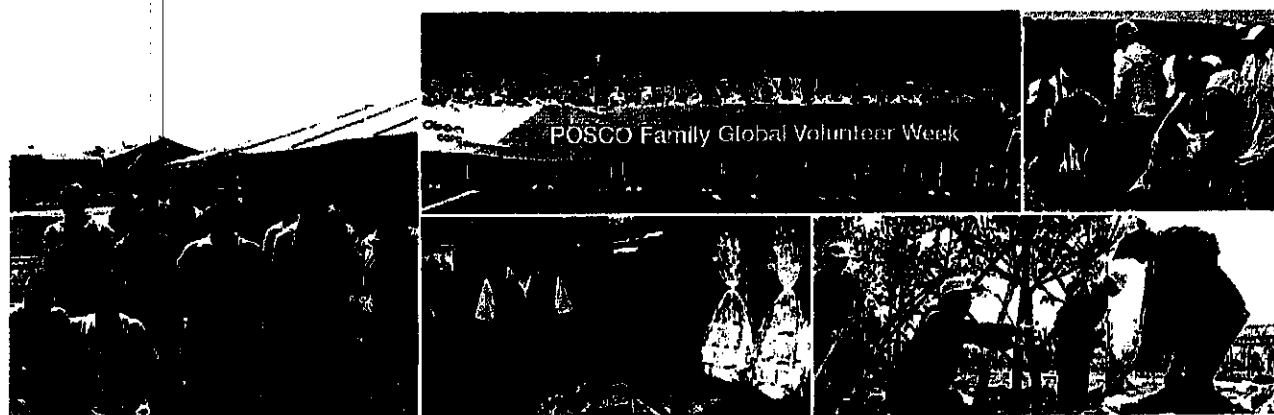
## Participating in Overseas Local Communities

POSCO fulfills its social responsibilities as a global corporate citizen in operations across the world. Working with overseas SCM corporations, POSCO strives to become an enterprise which grows together with local communities. With the belief that POSCO employees serve the community and share with people wherever they work, we plan and implement CSR programs reflecting local needs and fostering win-win growth and enhance employees' pride and sense of belonging.

POSCO holds the "POSCO Family Global Volunteer Week" to instill volunteering the employees as well as carrying out social contribution activities. Over 45,000 POSCO Family employees from 20 countries - including Indonesia, Mexico, India, China, Malaysia and Thailand - participated in the "POSCO Family Global Volunteer Week" from June 7 to June 11, 2011. It was a week filled with various activities, such as providing relief kits, environmental cleanup, visiting welfare facilities, and home repair.

### Overseas SCM Corporations : Global Community Participation Programs

| Country         | Corporation | Details   |
|-----------------|-------------|---|
| China           | POSCO-CQPC  | [Chengyang Charity General Meeting] Building water supply systems (installing wells, water supply facilities, repairing reservoir dykes, and erosion-control work) in villages suffering from severe drought. Providing daily necessities to the underprivileged. |
|                 | POSCO-CCPC  | [China Yu Bei Special School] visits, providing learning supplies and equipment, plant tour invitation  |
|                 | POSCO-CFPC  | [Chencun Town Senior Home] Holiday visits and repairing facilities  |
|                 | POSCO-CWPC  | [Senior Home] Providing daily necessities and repairing buildings   |
|                 | POSCO-CORE  | [Senior Home] Holiday Visits and installing mosquito nets   |
| Vietnam         | POSCO-CDPPC | [Dong Nai Nursery for the Disabled, Hoamai Nursery] Voluntary visits, Food and medical support  |
|                 | POSCO-VHPC  | [Children of HaDuong Social Patronize Center] Repairing sanitary facilities   |
|                 | POSCO-VNPC  | [Independent Living & Training Center and other 4 facilities]   |
| Malaysia        | POSCO-MKPC  | Providing daily necessities for the disabled, support science learning center   |
| The Philippines | POSCO-PMPC  | [Ste. Ana - San Joaquin Bahay Ampunan Senior Home] Medicinal support and voluntary visits   |
| Indonesia       | POSCO-IJPC  | [Simabaya elementary school] School remodeling and environmental improvement activities   |
| Thailand        | POSCO-TBPC  | [World Vision Foundation of Thailand] Support hungry children and repairing libraries   |
| India           | POSCO-IPPC  | [Happy house] Composition contest and factory tour for AIDS orphans   |
|                 | POSCO-ICPC  | [Good Life Centre] Repairing orphanage facilities, outing service, factory tour   |
| Turkey          | POSCO-TNPC  | [Association of Poor Helping in TURKEY] Home visits and providing daily necessities for underprivileged families  |
|                 | POSCO-MPPC  | [Santa Ana Xalmimilulco Special School, Chalco Girls School]  |
| Mexico          |             | Providing medical devices and learning equipment and supplies for special schools   |
|                 | POSCO-MESDC | [Centro de Preservación y Regeneración de la Niña y la Joven A.C] Flood protection works and the improving of living environments including sanitary facilities, providing learning materials   |
| Poland          | POSCO-PWPC  | [Razem z Dzieckiem] Remodeling infant daycare and running computer courses  |



## 2011 POSCO Family Global Volunteer Week Volunteering Activities

| Country            | Corporation                         | Details   |
|--------------------|-------------------------------------|---|
| China              | POSCO-CHINA                         | Planting trees in Wangjing park (POSCO E&C, POSCO ICT, POSRI, Daewoo International)                               |
|                    | Zhangjiagang Pohang Stainless Steel | Support schools in the underprivileged district around the factory  |
|                    | Qingdao Pohang Stainless Steel      | Creating Pohang Garden  |
|                    | Dalian POSCO-CFM Coated Steel       | Construction support for Dalian Korean International School Gym and Dalian Pohang Hope Elementary School          |
|                    | Shunde POSCO-CFM Coated Steel       | Visiting schools in the underprivileged district, Guangdong Province, repairing facilities, cleaning parks        |
|                    | POSCO-CQPC                          | Installing wells and water supply facilities, reservoir dykes, providing daily necessities to the underprivileged |
|                    | POSCO-CCPC                          | Volunteering visits to special schools (environmental cleanup, parties)   |
|                    | POSCO-CFPC                          | Repairing Senior Homes  |
|                    | POSCO-CWPC                          | Senior Homes, Providing daily necessities and repairing building  |
|                    | POSCO-CLPC                          | Medical supplies and bed clothes support  |
| Japan              | POSCO-CORE                          | Holiday visits to senior homes, installing mosquito nets  |
|                    | POSCO-Japan                         | Volunteering in earthquake-stricken areas   |
|                    | POSCO-JYPC                          | Cleaning the KAWASAKI port area of floating garbage   |
|                    | POSCO-JNPC                          | Daycare center for mentally-challenged children, cooking class for children from underprivileged families         |
|                    | POSCO-JOPC                          | Izumi Ochushi Festival, Environmental Cleanup at the Sanboku port, "Sunflower Operation"                          |
|                    | POSCO-JKPC                          | Coastal cleanup activity by employees and their families (near Northern Kyushu in Japan)                          |
| Vietnam            | POSCO-Vnam                          | Environmental cleanup, taking care of the disabled, Korean classes, sketch contest, book reading                  |
|                    | POSCO-VHPC                          | Visiting neighborhood orphanage, repairing and cleaning facilities  |
|                    | POSCO-VNPC                          | Environmental campaign and cleanup in the villages of Nhon Trach and Long Tan                                     |
|                    | POSCO E&C (Vietnam)                 | Korea-Vietnam Cultural Exchange, Improving facilities environment for the disabled                                |
| Malaysia           | POSCO-Malaysia                      | Kindergarten Groundbreaking ceremony  |
|                    | POSCO-MKPC                          | Tree Planting   |
| The Philippines    | POSCO-PMPC                          | Planting trees with family, in Telok Gong, Selangor near the 2nd Factory.   |
| Cambodia           | POSCO E&C                           | Medicinal support for senior homes and elderly visits   |
| Myanmar            | MYANMAR-POSCO                       | Hosting and participating in book review contests   |
| Indonesia          | PT KRATAU POSCO                     | Repairing roofs and facilities of senior homes in Yangon (50 employees participated)                              |
|                    | POSCO-IJPC                          | Making relief kits  |
| Thailand           | POSCO-South Asia                    | Environmental Cleanup at the Simabaya Elementary School   |
|                    | POSCO-TBPC                          | Samutsongkram 지역에 Mangrove 심기   |
|                    | POSCO-Maharashtra                   | Volunteering activity for hungry children in partnership with World Vision Thailand                               |
| India              | POSCO-IPPC                          | Improving water quality for five schools in Vile Bhagad   |
|                    | POSCO-IDPC                          | Operating a medical camp in the Zilha Parishad Marathi School   |
|                    | POSCO-ICPC                          | Repairing facilities and cleaning the surroundings  |
| The United States  | UPI                                 | Repairing orphanage facilities and embankment in the village near the factory, blood donation                     |
| Turkey             | POSCO-TNPC                          | Food Bank support (prepare/serve food) for the disadvantaged in the community                                     |
|                    | POSCO-MEXICO                        | Visits with daily necessities to underprivileged families in collaboration with Turkish charitable organizations  |
| Mexico             | POSCO-MESDC                         | Repairing the orphanage and offering mentoring  |
|                    | POSCO-MPPC                          | Refurbishing water-proofing and sanitary system of the buildings  |
| Slovenia           | POSCO-ESDC                          | Voluntary visits to special schools, Support for Chaloo Girls School  |
| Slovakia           | POSCO-SLPC                          | Environmental cleanup around the port   |
| Poland             | POSCO-PWPC                          | Participating in tree planting and children's day event / 20 employees  |
| The Czech Republic | Prague Office                       | Replacing old PCs and furniture of nursery  |
| Peru               | POSCO E&C                           | Jedlicka Institute (welfare organization): Helping the disabled, making gloves                                    |
| Egypt              | Cairo Office                        | Delivering clothes to the disadvantaged   |
|                    |                                     | Cleaning and giving presents to the children of the Mother Theresa Orphanage in Mohandessin, Cairo                |



Investor

PUBLIC  
FILE  
18

# Innovative Movement

**Shareholders and investors** are the reason for our existence, purpose, and responsibility as a corporation. POSCO, a leading company of the nation's key industry is recognized as a firm of endearment by its shareholders and investors as it achieves great results in diverse areas and balanced growth despite the challenging global business environment in 2011. POSCO will continue its journey to sustainable growth through consistent technological innovation, customer satisfaction management, and a synergy effect among subsidiaries.

## About Investors

|             | Corporate value and external evaluation   | Technological Innovation   | Performance by Sector  |
|-------------|---|--|--|
| Issue       | <ul style="list-style-type: none"> <li>External recognition: financial and non-financial performance</li> </ul>   | <ul style="list-style-type: none"> <li>Secure the world's top technological competitiveness</li> <li>Develop new growth engine technology</li> </ul>   | <ul style="list-style-type: none"> <li>Balanced growth through synergy between POSCO Family</li> </ul>   |
| Performance | <ul style="list-style-type: none"> <li>Named as the world's most competitive steelmaker by the World Steel Dynamics (WSD) 2nd straight year</li> <li>Included in the SAM-DJSI Index as a leading company               <ul style="list-style-type: none"> <li>Selected for the 7th straight year from 2005</li> </ul> </li> <li>Ranked 30th of the Global Top 100 Companies in the Davos Forum, in Jan. 2012               <ul style="list-style-type: none"> <li>the highest among the steelmakers in Korea and the globe</li> </ul> </li> <li>World's Most Admired Company in 2011 by Fortune, ranked first in the metals industry</li> </ul> | <ul style="list-style-type: none"> <li>Secure the world's top technological competitiveness in the steel industry : 103% achievement of World Top Technology Index</li> <li>Complete 5 new growth pilot plant technologies out of the candidates selected - Executed over 100 Genesis research tasks for discovering technologies systematically</li> <li>Apply Smart Grid to the Gwangyang oxygen factory, saving 3,030 million KRW in electricity costs in 2011</li> </ul> | <p>Create synergy effects (Achieved 69 trillion KRW in consolidated sales and 5.4 trillion KRW in operating profits in 2011)</p> <p><b>Steel</b></p> <ul style="list-style-type: none"> <li>POSCO : sold 29.78 million tons of carbon steel and 1.69 million tons of stainless steel</li> <li>POSCO SS : achieved record operating profits.</li> </ul> <p><b>E&amp;C</b></p> <ul style="list-style-type: none"> <li>POSCO E&amp;C + Daewoo International : received 420 billion KRW order for combined cycle power plant in the Middle East</li> <li>POSCO E&amp;C + POSCO Engineering : received 71.7 billion KRW order for metropolitan express railways</li> <li>POSCO E&amp;C : received 4.3 billion KRW order for a steel mill in Brazil</li> </ul> <p><b>ICT</b></p> <ul style="list-style-type: none"> <li>POSCO ICT + Daewoo International : received order for establishing ERP system for shipyard in Russia</li> </ul> <p><b>Energy</b></p> <ul style="list-style-type: none"> <li>7 POSCO Subsidiaries : selected as preferred companies for coal power plant development by Indonesian IPP</li> <li>Daewoo International : completed preliminary test of the 4 outlets for the Myanmar offshore gas field project</li> <li>POSCO Energy : started construction of a power plants using byproduct gases the integrated mill in Indonesia, and a power plant in Vietnam</li> <li>POSCO ICT : entered the atomic power plant business with the launching of PONUtech in Aug. 2011</li> </ul> <p><b>Chemistry / Energy</b></p> <ul style="list-style-type: none"> <li>POSCO CHEMTECH : entered into the coal chemistry industry and completed second battery anode materials plant</li> <li>POSCO M-TECH : acquired Reco Metal in April, and started high-purity alumina joint venture in November</li> </ul> |



## How was POSCO evaluated in 2011?

In 2011, POSCO exerted efforts to enhance its future competitiveness promptly responding to worsening internal and external business conditions. POSCO proved its global competitiveness again when selected as the world's most competitive steel maker and a leader of sustainable management despite the downgrade of credit rating and falling stock prices.

### External Evaluation on Corporate Value

#### The Competitiveness Ranking of the World's Steelmakers

(source: WSD)

| Ranking | 2011 Company                          | Score |
|---------|---------------------------------------|-------|
| 1       | POSCO (Korea)                         | 8.12  |
| 2       | Nucor Corporation (the United States) | 7.47  |
| 3       | NLMK (Russia)                         | 7.23  |
| 4       | Severstal (Russia)                    | 7.15  |
| 5       | ArcelorMittal (Luxembourg)            | 7.13  |
| 6       | NSC (Japan)                           | 7.12  |
| 7       | JSW Steel (India)                     | 7.11  |
| 8       | CSN (Brazil)                          | 7.10  |
| 9       | SAIL (India)                          | 7.09  |
| 10      | JFE (Japan)                           | 7.08  |

#### ○ SAM - Dow Jones Sustainability Index (SAM-DJSI) ○

DJSI is a set of indexes provided by Dow Jones, the financial information organization that monitors changes in corporate values of business with outstanding sustainability performance. The companies included are recommended as the preferred investment to the Social Responsibility Investing Fund, and are expected to attract stable and long-term investors.

#### ○ Global 100 Most Sustainable Corporations by the Davos Forum ○

The World Economic Forum in Davos announced annually the 100 most sustainable corporations in the world since 2005, based on analysis of Corporate Knights with the 11 indexes including: carbon emission, diversity of management, R&D, and transparency.

Although POSCO made swift responses to business challenges with emergency management system in 2011, global recession, rising raw material cost, price hike deferment of our products, slower growth due to M&As and worsened financial health led to the downward adjustment of POSCO's credit rating. Standard and Poor's, the international credit rating agency, downgraded the company's credit rating from A(2011.5) with a stable outlook to A-(2011.10) with a negative outlook. Moody's as well lowered POSCO's credit rating and prospect a notch, from A/stable (2011.6) to A3/negative (2011.11). The difficult environment influenced stock prices, pulling it down from 491,000(2011.1.7) to 390,000(2011.12.29) a -22.6% change.

However, POSCO was able to maintain its top credit rating in the steel industry. Aggregate market value was pretty stable compared to other steelmakers showing about a 30 to 40 % decrease. POSCO was selected as the world's most competitive steelmaker by the World Steel Dynamics (WSD) for two straight years. In the evaluation covering 23 categories - including technological competence, profitability, cost saving, financial health, and procuring raw materials - POSCO received good points in securing growth engines through active overseas investment and technological development such as FINEX technology. In September 2011, POSCO was included in the SAM-DJSI as a leading company. POSCO is the first steelmaker which has been selected for 7 straight years even though the steel industry has higher environmental risks. It is noteworthy that POSCO has achieved such an outstanding sustainable management performance amid the continuing global recession since 2009.

In December 2012, POSCO placed 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos. Since POSCO became the first Korean company on the list in 2012, its sustainable management has been highly recognized especially shown in 2012, when it ranked the highest among the world's steelmakers.

#### 2011 Awards

|          |         |   |
|----------|---------|---|
| Overseas | 2011.03 | World's Most Admired Company in 2011 by Fortune, ranked first in the Metals Industry                                      |
|          | 2011.05 | Korea's Best Managed Company by Finance Asia, ranked 1st for 2nd year in a row  |
|          | 2011.06 | World's most competitive steelmaker by the World Steel Dynamics (WSD) for two straight years                              |
|          | 2011.09 | Included in the SAM-DJSI index as a leading company in the steel industry, for 7 consecutive years                        |
|          |         | Most Admired Knowledge Enterprises in Asia, by the World Knowledge Forum  |
| Domestic | 2011.11 | Ranked first in EIO and ET (Environmental Tracking) among Korean companies  |
|          | 2012.02 | Included in the Global Top 100 Company in the Davos Forum (ranked first among Korean companies / the world's steelmakers) |
|          | 2011.02 | Korea's Most Respected Company by the Korea Management Association for 9 consecutive years                                |
|          | 2011.06 | Corporate Governance Award, by Korea Corporate Governance Service   |
|          | 2011.07 | Korea Win-Win Corporation Award, by Korea Win-Win Conference Awards   |
|          | 2011.10 | The Best Multi-cultural Family Support Company by the Ministry of Gender Equality and Family                              |
|          |         | 2011 Korea's Most Respected Company by the Korea Management Association   |
|          | 2011.11 | 2011 Korea Eco-friendly Awards, in Eco-Friendly Management, by Korea Eco-friendly Awards Committee                        |
|          | 2011.12 | Korea New Growth Business Awards, Presidential prize for large corporations   |

## What competitiveness has POSCO secured through technological innovation?

With the aim of securing world-class competitiveness, POSCO set five technology strategies and implemented a systematic technology development program. POSCO surpassed its original goal, reaching 103% of the World Top Technology by commercializing its unique innovative steelmaking technologies. Also, we reduced CO<sub>2</sub> emissions and energy consumption significantly through the development of low-carbon green growth technology.

### Steel Sector

#### Securing the World's Top Technological Competitiveness

We are actively pursuing the development of engineering technologies. In addition to the high-speed Air Knife technology to improve productivity of finishing plates for automobiles and CEM rolling technology, POSCO is undertaking over 20 innovation projects to develop future original technologies.

\* CEM (Compact Endless casting and rolling Mill): Integration of separate steel production processes of steel making, continuous casting, and rolling.

#### Technological Performance

##### Iron Making



- FINEK Commercialization Technology
  - Diversification of raw materials, cost reduction
- Increase the injection of pulverized coal, successfully increased the proportion of thermal coal – conventionally not used for steel making – up to 30%
- Started the construction of NO. 3 FINEK plant with annual production capacity of 2 million tons for the first time in the world: simplification of fluidized bed reactor design and differentiated technology is expected to increase production to cost, over 30%.

##### Steelmaking



- Establishing high efficiency and greener steelmaking process and technology
  - Improving slab quality
- Developing technology for the electric furnace to reduce T.Fe content and oxygen in the slag: solving the problem of production neck point and improving molten steel cleanliness
- Completed the Pohang steel mill in March, 2011: Increased production capacity of high value-added products such as tire cords and shipbuilding materials

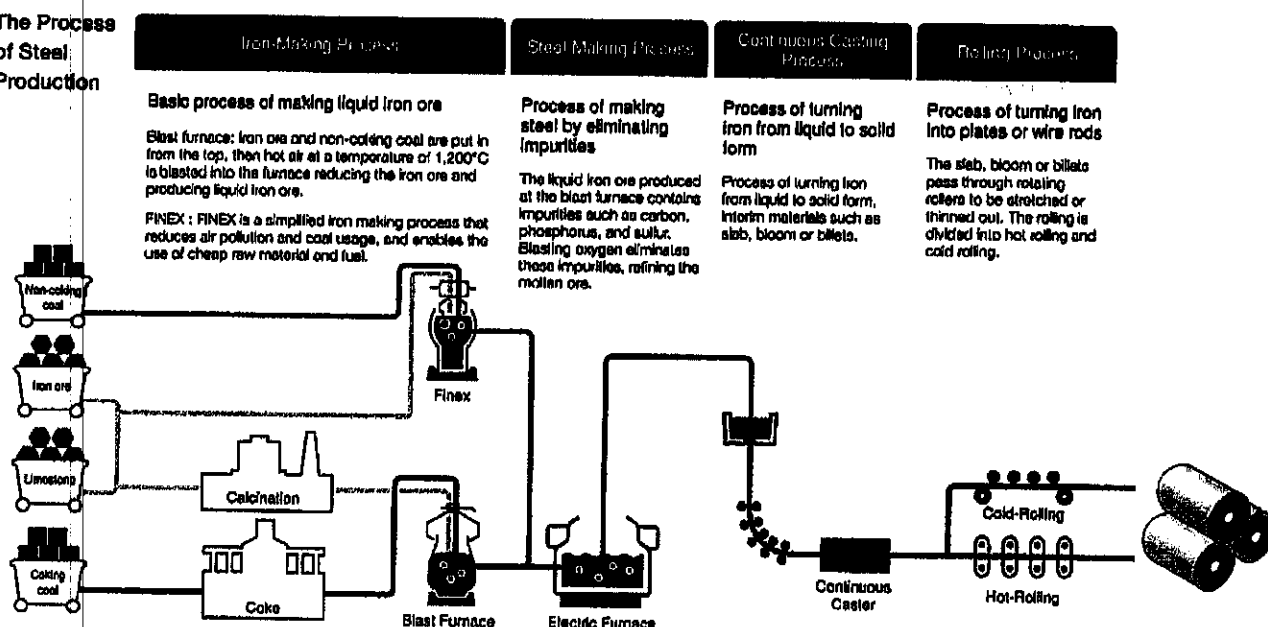
##### Rolling



- Improving production technology of high performance hot rolled steel products
  - Quality differentiation from competitors
- Applying CEM\* technology to improve and width control
- Developed STS Endless Strip Cold-rolling low-cost/high-gloss 430 manufacturing technology
  - Building the 750,000 ton production system for STS cold rolling products
- Developed a continuous cold rolling technology in 2010: using 4 Stand Tandem Mill for the first time in the world in 2010
- Developed a new process for 430 BA (TRM-ZRM-APF) in 2011

\* Endless Strip Technology: After rolling slab, material for hot-rolled steel, a bar with 25 to 35mm thickness is formed, and then connecting two bars for the second rolling.

#### The Process of Steel Production



## New Growth Technology

### Developing Technologies for New Growth

In 2011, POSCO selected a number of FFT(Family Flagship Technology) and WF/WB®(World First/World Best) new growth technologies and pursued technological development. As a result, POSCO successfully completed the development of 5 new growth pilot projects including the technology to extract lithium out of saltwater directly.

POSCO has been undertaking Genesis research assignments to develop new growth businesses for the next generation, and in 2011 conducted more than 100 tasks, through the 2nd and 3rd terms. POSCO is expanding the network of universities and research institutes at home and abroad and actively involving outside experts through forums, to check the direction of the projects and develop next-generation technologies in collaborative efforts.

### Major Technological Achievements

#### New Nickel Smelting Technology



Nickel is gaining popularity as a secondary battery material and has been extracted from sulfide ores till now but as sulfide ore is scarce, there remains no economic way of acquiring nickel. POSCO developed a new process to smelt nickel through a pilot research project using hydrogen reduction. With this technology, POSCO is able to retrieve more than 90% of nickel from nickel oxidized ores.

#### Wide Magnesium Strip Casting



POSCO successfully developed the technology to cast 1,500 mm-wide magnesium sheets using Twin Roll Strip Casting and is currently working to cast magnesium sheets with 2,000 mm width. Once completed, this technology can be applied to automotive panels.

#### Offshore Wind Power Substructure



Construction of a substructure takes up about 40% of the total construction cost as turbines are getting larger and installed deeper in the sea. POSCO is working on the development of a new substructure to enhance economic efficiency and is conducting research for securing original technology related to a floating substructure for deep sea use.

#### Magnesium Smelting Vertical Heat-Reduction Process Technology



POSCO developed an eco-friendly technology to smelt magnesium using green energy and applying the heat-storage high-temperature air combustion technology. This technology is applied to the commercial facility with a capacity of 10,000 tons per annum in its first stage, to be completed in June 2012, in Olgye, Gangwon Province. It is expected to meet roughly 50% of the domestic demand (20,000 tons/ year), substituting exports.

#### Fuel Cell System for Buildings



A Solid Oxide Fuel Cell (SOFC) is a high-efficient and eco-friendly power generation technology, expected to be used in various fields from the heat-convergence system with tens-of-KW-level for a building to MW-level system for ships. POSCO secured the world's top technology in high-performance and wide-area cell manufacturing, a core technology of SOFC, and is currently developing cell stacks and systems.

#### Smart Industry : More Efficient Use of Energy



In 2010, POSCO introduced the new idea of "Smart Industry" in the Smart Grid sector for the first time in the world and implemented the smart factory at the POSCO Gwangyang Works oxygen plant, saving 3,030 million KRW in electric costs as of 2011. The "Smart Industry" is going to be expanded to more processes at the sites.

#### Extraction of Lithium from Salt Water



The conventional method of extracting Lithium, core material for secondary batteries, was problematic as it took longer to produce, retrieved less lithium, and was difficult to utilize byproducts, as it relies on a natural evaporation process. POSCO developed a world-first extraction technology, with manufacturing time decreased to one-twelfth of the existing method and high-purity lithium carbonate (with purity in excess of 99.9%) and a retrieval rate of more than 80%.

Also, the technology enables the utilization of other mineral resources to create the maximum value out of byproducts. R&D efforts are under way to prove the feasibility of commercial production and to complete a demo plant by 2012.

#### Synthetic Natural Gas Production and Process Technology Development



Synthetic Natural Gas (SNG) is a green energy source, made of the same components as natural gas through gasification of cheap coal at a high-temperature and high-pressure, refining it, followed by a methane synthesis. POSCO succeeded in developing a methane synthesis technology. Compared to the existing device, it has many advantages; simpler facilities, higher performance in thermal efficiency, and more effective catalyst technology, core component of the methane synthesis process. Once the SNG plant in Gwangyang is completed, it is expected to cut 150 billion KRW in cost annually.

To deliver SNG with a methane purity in excess of 98% POSCO Succeeds in Developing Core Technology in SNG, a key prerequisite for methane synthesis.

#### Industrial LED Lighting



POSCO has succeeded in developing the world-first LED lighting equipment specialized for industrial needs. LED lightings - currently under development - have high resistance against high temperature, humidity, and dust, common conditions in the industrial environment. They are also lighter, have a longer lifespan, and employ POSCO original technologies for greater heat-resistance and automatic periodical elimination of particles. In 2012, the 230W-level industrial lighting system is going to be applied to Pohang Works.

## What results has POSCO achieved amid the global recession?

For all the management challenges due to the global recession, POSCO continued to pursue balanced growth within the POSCO group by increasing synergy effect in strategic businesses through cooperation with Subsidiaries and expanding our overseas operation. By focusing on joint-project with Subsidiaries, for example, E&C and ICT, or subsidiaries in the Energy sector, and increasing added values of the chemical industry using byproducts from the steel mill, the number of Subsidiaries with annual sales of 1 trillion KRW or higher increased to ten. The POSCO Family achieved 69 trillion KRW in consolidated sales and 5.4 trillion KRW in operating profits thanks to the Win-Win cooperation between Subsidiaries in various sectors; steel, E&C, ICT, trade, energy, chemistry / materials.

POSCO SS Rate of Strategic Products in Total Sales

(Unit : %)

2010(year) : 25.9

2011(year) **27.5** %

In the steel sector, POSCO sold 29.76 million tons of carbon steel and 1.69 million tons of stainless steel through increased capacity and differentiation of products. POSCO SS increased the proportion of strategic products in total sales, from 25.9% to 27.5% while achieving a record high operating profit through enhanced profitability of main products, while stainless steel wire rods and steel pipes saw productivity increase by 5.1% and 13.2%, respectively.

POSCO E&C and Daewoo International received 420 billion KRW in orders for the combined cycle power plant in the Middle East, while POSCO E&C and POSCO Engineering received 71.7 billion KRW in orders for metropolitan express railways. In addition, POSCO ICT and Daewoo International received orders for establishing an ERP system for a shipyard in Russia. Not only that, 7 POSCO Subsidiaries (POSCO Energy, POSCO E&C, POSCO Engineering, POSCO PlantEC, Daewoo International, POSCO ICT, and Sungjin Geotech) have had the honor to be selected as preferred companies for coal power plant development by Indonesian Independent Power Producers (IPP).

POSCO E&C, Construction Capability Evaluation

(In Korea) **4<sup>th</sup>**

Ranking fourth in Korea, in the Construction Capability Evaluation announced by the Ministry of Land, Transport and Maritime Affairs, POSCO E&C achieved the highest number of orders in its history, including the construction project for a 4.3 billion KRW order for an integrated steel mill in Brazil. In the ICT sector, POSCO ICT entered the atomic power plant business with the launch of PONUtech in Aug. 2011 and started the operation of POSCO LED factory in March to lay the groundwork for new growth engines to lead future business.

Sales of POSCO Steel by Daewoo International increased 34% from the year earlier

**3.27** tons million

Daewoo International, after completing the preliminary test of the 4 outlets for the Myanmar offshore gas field project, expects to start production in 2013. Also, Daewoo International increased the sales of POSCO steel products by 34% from the previous year, enhancing the synergy effect.

POSCO Energy completed the construction of No. 5 and 6 power plants (with a total capacity of 1,149MW) in Incheon in February and June in 2001, respectively, and started to build a 300MW power plant using byproduct gases in Pohang. On the global front, the company launched the construction project for another power plant in the integrated mill in Indonesia, and a power plant in Vietnam.

POSCO CHEMTECH jumped into the chemistry/materials industry to sign a joint needle coke venture with Mitsubishi, and completed a plant manufacturing anode materials for the secondary battery, expected to replace imported materials. POSCO M-TECH acquired RECO Metal, an urban mining company, in April and joined the venture project of high-purity alumina in November, paving the road for becoming a global leader in the materials industry.





# Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and January 1, 2010

|  | December 31, 2011 | December 31, 2010 | January 1, 2010   |
|--|-------------------|-------------------|-------------------|
| <b>Assets</b>                                      |                   |                   |                   |
| Cash and cash equivalents                          | 4,598,682         | 3,521,045         | 2,273,059         |
| Trade accounts and notes receivable, net           | 11,450,515        | 9,219,011         | 5,300,233         |
| Other short-term financial assets                  | 3,656,270         | 4,383,302         | 7,211,023         |
| Inventories  | 12,283,644        | 9,559,206         | 4,918,413         |
| Current income tax assets                          | 18,621            | 17,654            | 11,980            |
| Assets held for sale                               | 329,037           | -                 | 24,961            |
| Other current assets                               | 1,220,142         | 972,159           | 690,186           |
| <b>Total current assets</b>                        | <b>33,556,911</b> | <b>27,672,377</b> | <b>20,429,855</b> |
| Long-term trade accounts and notes receivable, net | 183,061           | 273,622           | 522,775           |
| Other long-term financial assets                   | 5,125,672         | 6,417,038         | 5,308,660         |
| Investments in associates                          | 3,831,659         | 3,306,425         | 950,449           |
| Investment property, net                           | 527,533           | 493,365           | 558,207           |
| Property, plant and equipment, net                 | 28,453,184        | 25,437,740        | 22,342,747        |
| Intangible assets, net                             | 5,244,928         | 4,619,169         | 754,231           |
| Deferred tax assets                                | 855,603           | 538,876           | 409,748           |
| Other long-term assets                             | 630,287           | 659,814           | 250,475           |
| <b>Total non-current assets</b>                    | <b>44,851,927</b> | <b>41,746,049</b> | <b>31,097,292</b> |
| <b>Total assets</b>                                | <b>78,408,838</b> | <b>69,418,426</b> | <b>51,527,147</b> |

(Unit: million KRW)

## Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and January 1, 2010

|  | December 31, 2011 | December 31, 2010 | January 1, 2010   |
|--|-------------------|-------------------|-------------------|
| <b>Liabilities</b>   |                   |                   |                   |
| Trade accounts and notes payable                                       | 4,397,279         | 3,980,701         | 2,392,317         |
| Short-term borrowings and current installments of long-term borrowings | 10,791,510        | 10,476,300        | 3,958,099         |
| Other short-term financial liabilities                                 | 1,811,190         | 1,520,877         | 1,054,714         |
| Current income tax liabilities   | 509,709           | 779,018           | 389,675           |
| Liabilities related assets held for sale                               | 226,607           | -                 | 80                |
| Provisions   | 69,432            | 63,809            | 63,305            |
| Other current liabilities  | 1,799,631         | 1,456,072         | 1,155,441         |
| <b>Total current liabilities</b>                                       | <b>19,605,358</b> | <b>18,276,777</b> | <b>9,013,631</b>  |
| Long-term trade accounts and notes payable                             | 383               | 378               | -                 |
| Long-term borrowings, excluding current installments                   | 16,020,207        | 10,663,941        | 8,241,386         |
| Other long-term financial liabilities                                  | 350,560           | 175,774           | 205,096           |
| Defined benefits obligations   | 340,467           | 503,126           | 315,418           |
| Deferred tax liabilities   | 1,168,097         | 1,028,728         | 377,539           |
| Long-term provisions   | 109,343           | 152,149           | 12,005            |
| Other long-term liabilities  | 84,503            | 80,386            | 28,391            |
| <b>Total non-current liabilities</b>                                   | <b>18,073,560</b> | <b>12,604,482</b> | <b>9,179,835</b>  |
| <b>Total liabilities</b>   | <b>37,678,918</b> | <b>30,881,259</b> | <b>18,193,466</b> |
| <b>Equity</b>  |                   |                   |                   |
| Share capital  | 482,403           | 482,403           | 482,403           |
| Capital surplus  | 1,150,452         | 1,101,561         | 1,199,666         |
| Reserves   | 405,426           | 1,507,288         | 833,806           |
| Treasury shares  | (2,391,406)       | (2,403,263)       | (2,403,263)       |
| Retained earnings  | 38,709,475        | 35,887,697        | 32,567,352        |
| Equity attributable to owners of the controlling company               | 38,356,350        | 36,575,686        | 32,679,964        |
| Non-controlling interests  | 2,373,570         | 1,961,481         | 653,717           |
| <b>Total equity</b>  | <b>40,729,920</b> | <b>38,537,167</b> | <b>33,333,681</b> |
| <b>Total liabilities and equity</b>                                    | <b>78,408,838</b> | <b>69,418,426</b> | <b>51,527,147</b> |

(in millions KRW)

# Consolidated Statements of Comprehensive Income

For the years ended December 31, 2011 and 2010

|  | December 31, 2011 | December 31, 2010 |
|--|-------------------|-------------------|
| Revenue  | 48,938,725        | 47,887,255        |
| Cost of sales  | (59,823,850)      | (39,722,461)      |
| Gross profit   | 9,114,875         | 8,164,794         |
| Selling and administrative expenses                                    |                   |                   |
| Administrative expenses  | (2,048,264)       | (1,500,370)       |
| Selling expenses   | (1,612,128)       | (1,120,340)       |
|  | (3,660,392)       | (2,620,710)       |
| Other operating income   | 337,078           | 231,387           |
| Other operating expenses   | (383,459)         | (341,951)         |
| Operating profit   | 5,408,102         | 5,433,520         |
| Non-operating income and expenses                                      |                   |                   |
| Share of profit of equity-accounted investees                          | 50,569            | 182,657           |
| Finance income   | 3,190,419         | 1,738,804         |
| Finance costs  | (3,866,695)       | (2,087,858)       |
| Profit before income tax   | 4,782,395         | 5,267,123         |
| Income tax expense   | (1,068,109)       | (1,081,472)       |
| Profit for the period  | 3,714,286         | 4,185,651         |
| Other comprehensive income (loss), net of tax                          |                   |                   |
| Capital adjustment arising from investments in equity-method investees | (11,240)          | (40,877)          |
| Net changes in fair value of available-for-sale investments            | (1,231,758)       | 589,601           |
| Foreign currency translation differences                               | 1,666             | 183,190           |
| Defined benefit plan actuarial losses                                  | (30,577)          | (152,125)         |
| Total comprehensive income for the period, net of tax                  | 2,442,377         | 4,765,440         |
| Profit attributable to:  |                   |                   |
| Owners of the controlling company                                      | 3,648,136         | 4,105,623         |
| Non-controlling interests  | 66,150            | 80,028            |
| Profit for the period  | 3,714,286         | 4,185,651         |
| Total comprehensive income attributable to:                            |                   |                   |
| Owners of the controlling company                                      | 2,530,437         | 4,639,671         |
| Non-controlling interests  | (88,060)          | 125,769           |
| Total comprehensive income for the period                              | 2,442,377         | 4,765,440         |
| Basic and diluted earnings per share                                   | won 47,224        | 53,297            |

[Unit: million KRW except per share information]

# Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

|   | Owners of the Controlling Company |                     |                  |                    |                   |                   | Non-Controlling Interests | Total             |
|---|-----------------------------------|---------------------|------------------|--------------------|-------------------|-------------------|---------------------------|-------------------|
|   | Share Capital                     | Contributed Surplus | Reserves         | Minority Interests | Retained Earnings | Subtotal          |                           |                   |
| Balance as of January 1, 2010   | 482,403                           | 1,199,666           | 833,806          | (2,403,263)        | 32,567,352        | 32,679,964        | 653,717                   | 33,333,681        |
| <b>Comprehensive Income:</b>  |                                   |                     |                  |                    |                   |                   |                           |                   |
| Profit for the period   | -                                 | -                   | -                | -                  | 4,105,623         | 4,105,623         | 80,028                    | 4,185,651         |
| Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax | -                                 | -                   | (37,656)         | -                  | -                 | (37,656)          | (3,221)                   | (40,877)          |
| Net changes in fair value of available-for-sale securities, net of tax                          | -                                 | -                   | 576,950          | -                  | -                 | 576,950           | 12,651                    | 589,601           |
| Foreign currency translation differences, net of tax  | -                                 | -                   | 136,669          | -                  | -                 | 136,669           | 46,521                    | 183,190           |
| Defined benefit plan actuarial losses, net of tax   | -                                 | -                   | -                | -                  | (141,914)         | (141,914)         | (10,211)                  | (152,125)         |
| <b>Total comprehensive income</b>   | -                                 | -                   | 675,963          | -                  | 3,963,709         | 4,639,672         | 125,768                   | 4,765,440         |
| <b>Transactions with owners of the Company, recognized directly in equity:</b>                  |                                   |                     |                  |                    |                   |                   |                           |                   |
| Year-end dividends  | -                                 | -                   | -                | -                  | (500,714)         | (500,714)         | (16,580)                  | (517,294)         |
| Interim dividends   | -                                 | -                   | -                | -                  | (192,582)         | (192,582)         | -                         | (192,582)         |
| Acquisition of subsidiaries   | -                                 | -                   | -                | -                  | -                 | -                 | 1,099,349                 | 1,099,349         |
| Changes in ownership interests in subsidiaries  | -                                 | (92,994)            | -                | -                  | -                 | (92,994)          | 23,510                    | (69,484)          |
| Paid in capital increase of subsidiaries  | -                                 | -                   | -                | -                  | -                 | -                 | 79,683                    | 79,683            |
| Others  | -                                 | (5,111)             | (2,481)          | -                  | 49,932            | 42,340            | (3,966)                   | 38,374            |
| <b>Total transactions with owners of the Company</b>  | -                                 | (98,105)            | (2,481)          | -                  | (643,364)         | (743,950)         | 1,181,996                 | 438,046           |
| <b>Balance as of December 31, 2010</b>  | <b>482,403</b>                    | <b>1,101,561</b>    | <b>1,507,288</b> | <b>(2,403,263)</b> | <b>35,887,697</b> | <b>36,575,686</b> | <b>1,961,481</b>          | <b>38,537,167</b> |

(Unit: million KRW)

# Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

|   | Owners of the Controlling Company |                 |             |                 |                   |             | Non-Controlling Interests | Total       |
|---|-----------------------------------|-----------------|-------------|-----------------|-------------------|-------------|---------------------------|-------------|
|   | Share Capital                     | Capital Surplus | Reserves    | Treasury Shares | Retained Earnings | Sum total   |                           |             |
| Balance as of January 1, 2011   | 482,403                           | 1,101,561       | 1,507,288   | (2,403,263)     | 35,887,697        | 36,575,686  | 1,961,481                 | 38,537,167  |
| Comprehensive Income:   |                                   |                 |             |                 |                   |             |                           |             |
| Profit for the period   | -                                 | -               | -           | -               | 3,648,136         | 3,648,136   | 66,150                    | 3,714,286   |
| Net changes in accumulated comprehensive income (loss) of investments in associates, net of tax | -                                 | -               | (12,276)    | -               | -                 | (12,276)    | 1,036                     | (11,240)    |
| Net changes in fair value of available-for-sale securities, net of tax                          | -                                 | -               | (1,227,050) | -               | -                 | (1,227,050) | (4,708)                   | (1,231,758) |
| Foreign currency translation differences, net of tax  | -                                 | -               | 146,622     | -               | -                 | 146,622     | (144,956)                 | 1,666       |
| Defined benefit plan actuarial losses, net of tax   | -                                 | -               | -           | -               | (24,995)          | (24,995)    | (5,582)                   | (30,577)    |
| Total comprehensive income  | -                                 | -               | (1,092,704) | -               | 3,623,141         | 2,530,437   | (88,060)                  | 2,442,377   |
| Transactions with owners of the Company   |                                   |                 |             |                 |                   |             |                           |             |
| Year-end dividends  | -                                 | -               | -           | -               | (577,747)         | (577,747)   | (16,831)                  | (594,578)   |
| Interim dividends   | -                                 | -               | -           | -               | (193,111)         | (193,111)   | -                         | (193,111)   |
| Acquisition of subsidiaries   | -                                 | -               | -           | -               | -                 | -           | 247,483                   | 247,483     |
| Changes in ownership interests in subsidiaries  | -                                 | (20,694)        | -           | -               | -                 | (20,694)    | (98,606)                  | (119,300)   |
| Paid in capital increase of subsidiaries  | -                                 | -               | -           | -               | -                 | -           | 365,249                   | 365,249     |
| Acquisition of treasury shares  | -                                 | -               | -           | (61,296)        | -                 | (61,296)    | -                         | (61,296)    |
| Disposal of treasury shares   | -                                 | 69,153          | -           | 73,153          | -                 | 142,306     | -                         | 142,306     |
| Others  | -                                 | 432             | (9,158)     | -               | (30,505)          | (39,231)    | 2,854                     | (36,377)    |
| Total transactions with owners of the Company   | -                                 | 48,891          | (9,158)     | 11,857          | (801,363)         | (749,773)   | 500,149                   | (249,624)   |
| Balance as of December 31, 2011   | 482,403                           | 1,150,452       | 405,426     | (2,391,406)     | 38,709,475        | 38,356,350  | 2,373,570                 | 40,729,920  |

(Unit: million KRW)

# Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

|   | December 31, 2011 | December 31, 2010 |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>                 |                   |                   |
| Profit for the period                                       | 3,714,286         | 4,185,650         |
| Adjustments for:  |                   |                   |
| Depreciation  | 2,118,626         | 2,942,137         |
| Amortization  | 133,289           | 75,344            |
| Impairment loss of property, plant and equipment and others | 99,072            | 128,083           |
| Loss on disposal of property, plant and equipment           | 60,550            | 83,494            |
| Finance income  | (1,734,280)       | (879,110)         |
| Finance costs   | 2,245,957         | 1,278,630         |
| Income tax expense  | 1,068,109         | 1,081,472         |
| Share of profit or loss of equity-accounted investees       | (50,569)          | (182,657)         |
| Accrual of severance benefits                               | 236,999           | 173,971           |
| Bdd debt expenses   | 45,477            | 60,266            |
| Others  | 41,136            | (143,715)         |
|   | 4,264,366         | 4,617,915         |
| Changes in operating assets and liabilities                 | (4,850,747)       | (4,453,470)       |
| Interest received   | 218,682           | 322,659           |
| Interest paid   | (745,111)         | (480,020)         |
| Dividends received  | 308,692           | 141,017           |
| Income taxes paid   | (1,218,602)       | (751,746)         |
| Net cash provided by operating activities                   | 1,691,566         | 3,582,005         |
| <b>Cash flows from investing activities</b>                 |                   |                   |
| Disposal of short-term financial instruments                | 5,794,770         | 17,576,747        |
| Decrease in loans   | 896,456           | 25,946            |
| Disposal of available-for-sale investments                  | 411,061           | 258,945           |
| Disposal of other investment assets                         | -                 | 27,257            |
| Disposal of investments of equity-accounted investees       | 2,404             | 19,394            |
| Disposal of property, plant and equipment                   | 140,221           | 165,794           |
| Disposal of intangible assets                               | 55,899            | 4,964             |
| Proceeds from disposal of business                          | -                 | 6,747             |
| Acquisition of short-term financial instruments             | (4,556,340)       | (14,546,301)      |
| Increase in loans   | (962,099)         | (82,079)          |
| Acquisition of available-for-sale investments               | (322,046)         | (561,030)         |
| Acquisition of other investment assets                      | (450)             | (310,154)         |
| Acquisition of investments of equity-accounted investees    | (740,971)         | (914,491)         |
| Acquisition of property, plant and equipment                | (6,330,968)       | (5,791,764)       |
| Acquisition of intangible assets                            | (574,753)         | (246,466)         |
| Payment for acquisition of business, net of cash acquired   | (437,464)         | (3,079,899)       |
| Other, net  | 107,214           | 531,569           |
| Net cash used in investing activities                       | (5,516,866)       | (6,914,821)       |

[Unit: million KRW]



# Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

|  | December 31, 2011 | December 31, 2010 |
|--|-------------------|-------------------|
| <b>Cash flows from financing activities</b>          |                   |                   |
| Proceeds from borrowings                             | 7,068,322         | 4,367,193         |
| Disposal of treasury shares                          | 164,384           | 6,811             |
| Proceeds from short-term borrowings                  | 51,808            | 1,200,955         |
| Repayment of borrowings                              | (1,746,487)       | (882,477)         |
| Acquisition of treasury shares                       | (61,296)          | -                 |
| Payment of cash dividends                            | (770,858)         | (693,296)         |
| Other, net   | 194,012           | 588,575           |
| Net cash provided by financing activities            | 4,899,885         | 4,587,761         |
| Effect of exchange rate fluctuation on cash held     | 3,052             | (6,959)           |
| Net increase in cash and cash equivalents            | 1,077,637         | 1,247,986         |
| Cash and cash equivalents at beginning of the period | 3,521,045         | 2,273,059         |
| Cash and cash equivalents at end of the period       | 4,598,682         | 3,521,045         |

(Unit: million KRW)

## Financial Information

For more details, please refer to the notes and the following URL.

**Korean** Financial Information and Audit Report\_ <http://www.posco.co.kr/homepage/docs/kor2/jsp/irinfo/finacial/s91b5000010c.jsp>  
Annual Report\_ <http://dart.fss.or.kr/>

**English** Financial Information and Audit Report\_ <http://www.posco.co.kr/homepage/docs/eng2/jsp/invest/news/s91b1010010l.jsp>  
Form 20-F\_ <http://www.sec.gov>

**Japanese** Financial Information and Audit Report\_ <http://www.posco.co.kr/homepage/docs/jpn2/jsp/irinfo/finacial/s91g5010010c.jsp>  
ASR\_ [https://www.release.tdnet.info/inbs/l\\_main\\_00.html](https://www.release.tdnet.info/inbs/l_main_00.html)

## C

**Overseas Subsidiaries with Management Rights (161 companies)**

[illegible]

PT. KRAKATAU POSCOPOWER  
POSCO RUS LLC.  
POSCO Thainox Public Company Ltd.  
Daewoo International Shanghai Waigaoqiao Co.  
PT. Bto Inti Agrindo  
POSCO E&C Australia Pty Ltd.  
POSCO-TISCO (Jilin) Processing Center Co., Ltd.  
Hunchun POSCO Logistics Co., Ltd.  
USA SPRC Corporation  
Daewoo International Vietnam Co., Ltd.

**Domestic Subsidiaries with Management Rights (58 companies)**

POSCO E&C  
POSCO P&S  
POSCO C&C  
POSCO PLANTEC  
POSCO ICT  
PO&RI  
SELUNGKWANG  
POSCO A&C  
POSCO SS  
POSTECH Venture Capital Corporation  
NtoB  
POSCO CHEMTECH  
POSCO Terminal  
POSCO ENERGY  
POSTech Electric & Electronic Large and Small Corporation Win-win  
Fund  
PHP  
POSCO TMC  
PNR  
Mega Asset  
POSCO Engineering  
Pohang FuelCell Energy  
Pohang SPFC  
POSWITH  
Business Industry  
POSTECH BD Newundertaking fund  
PO&ERO  
POSCO AST  
POSCO M&TMS  
POSCO P&S  
POSCO E&C  
POSCO E&C  
PO&MIC  
PO&FNE  
POSCO eco-housing  
Mapo High Broad Parking)  
Decos  
Gwangyang SPFC  
PO&calum  
Plant EST  
Postech Early Stage Fund  
Busen E&A  
POSCO Family Strategy Fund  
PO&EKA  
SONGDO SE  
PO&Green  
DAEWOO International  
POSCO LED  
Gunsan SPFC  
POSCO NST  
Pohang SRDC  
SUNCHEON ECO TRANCE  
PSC Energy Global  
BLUE O&M  
POSCO M-TECH  
Nine-Digit  
Shinen Energy  
RECO Metal  
New Altec  
PONUTech



# INDEPENDENT ASSURANCE REPORT

To the management of POSCO

At POSCO's request, we have reviewed the information presented in the 2011 sustainability report (the "Report"). The management of POSCO is responsible for preparing the report. Our responsibility is to carry out a limited assurance engagement on the report and to provide opinions on it based on our review.

## What we did to form our conclusions

We conducted our engagement in accordance with ISAE3000\* and the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)\*\*.

We performed the following procedures to form our conclusion on the report:

- Evaluated POSCO's processes for stakeholder engagement.
- Reviewed POSCO's processes for determining material issues of stakeholder groups.
- Searched the media coverage of POSCO's sustainability issues during the applicable reporting period.
- Reviewed recently reported sustainability issues of the POSCO's global competitors.
- Interviewed a selection of people in charge to understand the current status of sustainability performance and the reporting process during the reporting period.
- Reviewed selected data regarding POSCO's sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Interviewed several executives in charge of sustainability issues.
- Reviewed POSCO's process for collecting and consolidating sustainability performance data.
- Reviewed whether financial performance data has been extracted properly from the POSCO's audited financial statements.

\* International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information Issued by International Federation of the Accountants

\*\* AA1000AS(2008) - The second edition of the AA1000 Assurance Standard from the Institute of Social and Ethical Accountability

## Level of assurance

We undertook a limited assurance engagement in accordance with ISAE3000. A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

## The limitations of our review

We excluded GHG (Greenhouse Gas) emissions in our limited assurance engagement. And, we did not review environmental and social performance data prior to 2010. However, we reviewed financial performance data based on POSCO's 2011 audited financial statements.

## Our conclusions

The result of our review is outlined below.

### Inclusivity

Has POSCO been engaging with stakeholders across the business to develop its approach to sustainability?

- We are not aware of any key stakeholder groups that have been excluded from the stakeholder engagement process outlined in the report.
- We are not aware of any matters that would lead us to conclude that POSCO has not applied the inclusivity principle in developing its approach to sustainability.

### Materiality

Has POSCO provided a balanced representation of material issues concerning POSCO's sustainability performance?

- We are not aware of any material aspects concerning POSCO's sustainability performance which have been excluded from the report.
- Nothing has come to our attention that causes us to believe that POSCO management has not applied its processes for determining material issues to be included in the report.

**Responsiveness**

Has POSCO responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that POSCO has not applied the responsiveness principle in considering the matters to be reported.

**Completeness and accuracy of performance information**

How complete and accurate is the economic, social, and environmental performance data in the report?

- We are not aware of any that have been excluded from the economic, social, and environmental performance data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from POSCO's reporting process.

How plausible are the statements and claims within the report?

- We are not aware of any misstatements of information or explanation used to support statements and claims on POSCO's sustainability activities presented in the report.

**Observations and areas for improvement**

Without prejudice against our conclusions presented above, we believe the following matters require attention.

- Considering the geographical scope and the amount of sales in the overseas market, the importance of the communication with the local stakeholders is increasing. In order to enhance engagements of the stakeholders, expanding the communication channels and a system to reflect the results to the decision-making process must be improved.
- In terms of providing the sustainability performance, it is necessary to maintain the balance between positive and negative information.
- In the case of some sustainability performance data, a system to generate, aggregate and report the data must be improved. Also, quantitative targets for the sustainable performance data need to be consolidated and a way to report the progress compared to the target should be considered.

**Independence**

We comply with the Ethical Standard issued by IFAC(International Federation of Accountants).

**Our assurance team**

The assurance engagement was performed by the engagement team with a long history of experience and expertise in sustainability area.

**Reporting Framework**

The 2011 Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines, ISO26000 and with POSCO's internal sustainability reporting process. All financial information, standards and definitions used or made within the report follow Korea's generally accepted accounting principles.

**Reporting Period**

POSCO publishes a sustainability report every year. This report covers the calendar year from January 1 to December 31, 2011. Some sections include the period until May 2012. Please note that the section on corporate governance reflects decisions made at a board meeting held on March 16, 2012.

**Reporting Scope**

This report contains POSCO's operational activities and performances with respect to sustainability management at our Pohang and Gwangyang Works, Pohang Head Office and Seoul Office. Please note that some sections, including shareholders and investors, and green growth new business include information about the whole POSCO Family.

**Distribution and Feedback on the Report**

The full report is published in Korean and English. The printed report is available upon request via phone or through our website. Stakeholders' feedback on the report will be relayed to the pertinent departments upon its receipt by phone, mail, or our website.

Tel: +82-2-3457-3737  
e-mail : sustainability@posco.com

Survey Participation :

**Assurance of the 2011 Sustainability Report**

Assurance on this Report was conducted by Ernst & Young Han Young, in accordance with the International Standard on Assurance Engagement (ISAE) 3000 and AA1000AS, thereby assuring that inclusivity, materiality, and responsiveness are reflected in the report in addition to the existing principles of consistency, accuracy, and completeness.

**LOVE Toward Global Environment**

As human history has evolved with the extension of thinking and space of life, POSCO has grown with the expansion of the corporate ecosystem beyond just growth in size. Now, POSCO is set to grow as a firm of endearment by every member of the organic ecosystem, where all the stakeholders coexist, including society, partners, investors, customers, employees, and environment. POSCO will become a global leader in the integrated materials and infrastructure based on the steel industry, contributing to the development of the humankind.

PUBLIC  
FILE

The POSCO website [www.posco.com](http://www.posco.com) provides various information on POSCO as well as the downloadable PDF version of this Report. For opinions and inquiries regarding the Sustainability Report, please refer to the following contacts.

e-mail : [sustainability@posco.com](mailto:sustainability@posco.com) Tel : +82-2-3457-3737

Address : Bureau for Firms of Endowment, Social Contribution Group, POSCO Center, 892 Daechi 4-dong, Gangnam-gu, Seoul 135-777, Korea