

**SECTION A - COMPANY STRUCTURE AND OPERATIONS**

This section requests information relating to company details and financial reports.

**A-1 Identity and communication**

Please nominate a person within your company who can be contacted for the purposes of this investigation:

1) Head Office:

- Name: *Kim, Jin Han*
- Position in the company: *Team Leader of Trade Affairs Team*
- Address: *POSCO Center, 892 Daechi 4-dong, Gangnam-gu, Seoul, 135-777 Korea*
- Telephone: *82-2-3457-0574*
- Facsimile number: *82-2-3457-1943*
- E-mail address of contact person: *harrykim@posco.com*

2) Factory:a. *Pohang Works*

- Address: *5 Dongchon-dong, Nam-gu, Pohang-si, Gyeongsangbuk-do, 790-360, Korea*
- Telephone: *82-54-220-0114*
- Facsimile number: *82-54-220-6000*
- E-mail address of contact person: *ssoy62@posco.com*

b. *Kwangyang Works*

- Address: *700 Geumho-dong, Kwangyang-si, Jeollanam-do, 545-711, Korea*
- Telephone: *82-61-790-0114*
- Facsimile number: *82-61-790-6000*
- E-mail address of contact person: *youlmac@posco.com*

**A-2 Representative of the company for the purpose of Investigation**

If you wish to appoint a representative to assist you in this investigation, provide the following details:

- Name: *Andrew Hudson / Hunt & Hunt Lawyers*
- Address: *Level 26, 385 Bourke Street, Melbourne, VIC 3000*  
*GPO Box 1533N, Melbourne VIC 3001*
- Telephone: *+61-3-8602-9231*
- Facsimile/Telex number: *+61-3-8602-9299*
- E-mail address of contact person: *ahudson@hunthunt.com.au*

*Note that in nominating a representative, Customs and Border Protection will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.*

**A-3 Company information**

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

***ANSWER: The company's legal name is "POSCO". POSCO is listed company (joint-stock corporation) in the Republic of Korea. Please note that POSCO does not use any other business name while it sells the product under investigation.***

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

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**ANSWER: POSCO provides a list showing shareholders including the percentage of shareholding and the activities of the shareholders in Appendix A-1.**

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

**ANSWER: This question is not applicable because POSCO is not a subsidiary of any other company.**

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

**ANSWER: This question is not applicable because POSCO is not a subsidiary of any other company.**

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

**ANSWER: POSCO provides a diagram of corporate structure showing all associated or affiliated companies in Appendix A-2.**

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

**ANSWER: This question is not applicable because there are no management fees/corporate allocations charged to POSCO by its related company.**

POSCO

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

**ANSWER: POSCO is an integrated steel manufacturer founded in 1968 that produces a full range of steel products sold to Korea and various export markets, including Australia. Among the steel products produced by POSCO are hot-rolled coil and sheet, cold-rolled coil and sheet, electrical coil and sheet, galvanized coil and sheet, plate, wire rod, and stainless steel coil and sheet.**

8. If your business does not perform all of the following functions in relation to the goods, then please provide names and addresses of the companies which perform each function:

- produce or manufacture;
- sell in the domestic market;
- export to Australia; and
- export to countries other than Australia.

**ANSWER: POSCO performs the above functions in relation to the goods.**

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

**ANSWER: POSCO provides its organisation chart in Appendix A-3. POSCO owns and operates two integrated steel mills in Korea that produce hot-rolled steel subject to this investigation. One mill is located in Pohang and the second is located in Kwangyang. POSCO manufactures hot-rolled steel products at both facilities. POSCO's corporate headquarters are located in Pohang, Korea. The company maintains [**

**]  
] offices in Seoul, as well as administrative offices in Pohang. Sales and marketing teams are organized along major product groups.**

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***Functions and activities performed at the Seoul and Pohang offices relate to sales in all markets.***

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

**ANSWER: POSCO provides its most recent annual report in Appendix A-4.**

#### **A-4 General accounting/administration information**

1. Indicate your accounting period.

**ANSWER: POSCO's fiscal year is the calendar year, January 1 to December 31.**

2. Indicate the address where the company's financial records are held.

**ANSWER: POSCO's financial records are held in Seoul office.**

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;
- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion); and
- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods, and
- the company.

**ANSWER:** *POSCO provides chart of accounts in Appendix A-5. POSCO also provides its audited consolidated and unconsolidated financial statements in Appendix A-6.*

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

**ANSWER:** *Since POSCO has the accounts audited, this question is not applicable.*

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

**ANSWER:** *POSCO's financial accounting practices are in accordance with generally accepted accounting principles (GAAP) in Korea.*

6. Describe the significant accounting policies that govern your system of accounting, in particular:
- the method of valuation for raw material, work-in-process, and finished goods inventories (e.g. last in first out – LIFO, first in first out- FIFO, weighted average);

**ANSWER:** *All relevant practices pertaining to POSCO's inventory valuation methodologies are detailed in POSCO's financial statements submitted in this response.*

*Inventories are measured at the lower of cost and net realizable value. Costs are determined by using the moving-weighted average method. The cost of inventories comprise all costs of purchase, costs of conversion and*

*other costs incurred in bringing the inventories to their present location and condition.*

*When inventories are sold, the carrying amount of those inventories is recognized as cost of goods sold in the period in which the related revenue is recognized.*

*Inventories are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realizable value is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.*

- costing methods, including the method (e.g. by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

**ANSWER:** *Please refer to POSCO's response of cost accounting system in Section G.*

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

**ANSWER:** *Damaged or sub-standard goods are valued and recorded at the net realizable value.*

- valuation methods for scrap, by products, or joint products;

**ANSWER:** *Scrap is generated during the production process and is reintroduced in the production process. POSCO distinguishes between scrap and by-products in its accounting system. Specifically, scrap is recycled material that is reintroduced into the production process. By-products refer to recycled material sold to outside parties.*

*POSCO accounts for scrap and by-products in the same manner in that the value of the scrap or by-product is recognized as a reduction to the cost of manufacture at the stage of production in which the scrap or by-product is generated. Reused scrap or Recycled scrap is recorded as an input at market value.*

- valuation and revaluation methods for fixed assets;

**ANSWER:** *Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.*

*Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.*

*Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life. Lease assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.*



- average useful life for each class of production equipment and depreciation method and rate used for each;

**ANSWER:** *As described above, fixed assets are amortized over their useful lives. POSCO generally depreciates its assets based upon the straight-line method. A summary of POSCO's applicable useful lives is provided below.*

Useful Lives	Years
Building	20~40
Structure	20~40
Machinery	15
Lease Assets	18
Vehicles	4~9
Tools	4
Supplies	4

- treatment of foreign exchange gains and losses arising from transactions;

**ANSWER:** *Foreign exchange transaction gains or losses are recognized in the year incurred on the basis of the exchange rate declared by the Central Bank of Korea. Foreign exchange transaction gains and losses are incurred by comparing the rate of sales date or purchase date to the settlement date and classified as financial income and expenses on POSCO' financial statement.*

*Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date, and resulting unrealized exchange translation gains or losses are recorded as non-operating income and expenses on POSCO' financial statement.*

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

**ANSWER: Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date, and resulting unrealized exchange translation gains or losses are recorded as financial income and expenses on POSCO' financial statement.**

- inclusion of general expenses and/or interest;

**ANSWER: POSCO recognizes general and interest expenses as current expenses. However, POSCO capitalizes those amounts which are directly related to construction in progress in accordance with Korean GAAP.**

***Financing expense on borrowing associated with certain qualifying assets during the construction period that meet certain criteria for capitalization can be either capitalized or expensed as incurred. POSCO has chosen to expense as a financing expense the cost of manufacturing, acquisition, and construction of property, plant, and equipment that require more than one year for the initial date of manufacture, acquisition, and construction to the date of the estimated completion of the manufacture, acquisition and construction.***

- provisions for bad or doubtful debts;

**ANSWER: POSCO provides an allowance for doubtful accounts based on management's estimate of the collectability of individual accounts and historical collection experience.**

- expenses for idle equipment and/or plant shut-downs;

POSCO

**ANSWER:** *During the investigation period, POSCO did not idle any significant assets nor shut down any plants.*

- costs of plant closure;

**ANSWER:** *Not applicable because POSCO has not experienced any plant closures during the investigation period (IP) or prior to the IP with residual effects during the IP.*

- restructuring costs;

**ANSWER:** *Not applicable because POSCO has not experienced any restructuring during the investigation period (IP) or prior to the IP with residual effects during the IP.*

- by-products and scrap materials resulting from your company's production process; and

**ANSWER:** *Please refer to the response with respect to scrap and by-products above.*

- effects of inflation on financial statement information.

**ANSWER:** *There is no effect inflation on financial statement information during the investigation period.*

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

**ANSWER:** *POSCO has not changed any of the accounting methods used by the company over the last two financial years.*

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**A-5 Income statement**

Please fill in the following table. It requires information concerning all products produced and for the goods. You should explain how costs have been allocated.

Prepare this information on a spreadsheet named "**Income statement**".

*This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.*

**ANSWER:** *POSCO provides the requested information concerning income statement in Appendix A-7.*

**A-6 Sales**

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

Prepare this information in a spreadsheet named "**Turnover**".

*This information will be used to verify the cost allocations to the goods in Section G.*

*Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.*

**ANSWER:** *POSCO provides the requested information concerning company's turnover in Appendix A-8.*

**List of Appendix A (Hot-rolled Steel)**

<b>No</b>	<b>Description</b>
A-1	Shareholder List
A-2	Corporate Structure
A-3	Organisation Chart
A-4	Annual Report
A-5	Chart of Accounts
A-6	Audited Consolidated and Unconsolidated Financial Statements for the two most fiscal years
A-7	Table of Income Statements
A-8	Company's Turnover Table

## **Appendix A-1**

# **Shareholder List**

**POSCO**

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**Shareholder List (POSCO)**

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**- As of December 31, 2011**

No.	Name of Shareholder	Activity of Shareholder	Percentage of Shareholding
1	National Pension Fund	Pension Fund	6.81%
2	Nippon Steel Corporation	Steel Maker in Japan	5.04%

## **Appendix A-2**

# **Corporate Structure**



**POSCO's Subsidiary Structure**  
(As of December 31, 2011)

POSCO	89.53	7.20
		5.00
		7.14
		15.00
		6.00
		10.00
		19.00
		8.52
		5.70
		7.44
		10.02
		8.00
		7.70
		12.90
		8.00
		10.00
		10.05
		10.05
		6.54
		10.32
		9.00
		6.84
		19.80
		6.00
		5.10
		6.80
		15.84
		5.00
	18.00	
	12.80	
	18.62	
	13.70	
	19.50	
	19.31	
	9.31	

10.35
14.24
19.19
7.00
12.19
15.00
19.20
15.40
30.62
25.46
29.90
40.05
29.90
100.00
50.00
21.00
100.00
91.26
49.00
25.00
32.13
18.58
100.00
29.00
67.00
40.00
31.71
31.84
28.79
27.50
27.29
25.00
25.00
23.57
28.65
20.40
60.00

(POSCO)  
(Continued)

	100.00
	60.00
	100.00
	50.00
	100.00
	100.00
	100.00
	100.00
	100.00
	100.00
	50.00
	50.00
	100.00
	49.00
95.31	15.36
	14.00
	19.00
	8.40
	19.00
	18.99
	99.00
	17.50
	8.30
	15.00
	100.00
	19.50
	15.00
	14.38
	15.15
	18.00
	5.00
	43.35
	100.00
	27.52
	25.31
	100.00
	43.46
	51.00
	49.00

(Continued)

100.00
33.56
90.00
65.84
70.00
51.00
60.10

100.00
100.00
69.38
100.00
100.00
95.00
32.19
51.00
30.00
85.71
49.00
34.20
70.00
100.00
65.00
69.93
16.70
100.00
35.82
100.00
69.23
85.25
48.95
70.00
100.00
100.00
100.00
50.00
28.20
100.00

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58.60
70.00
30.00
89.06
35.00
80.07
70.00
50.00
99.45
100.00
100.00
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50.00
100.00
100.00
85.00
80.74
49.00
50.00
24.00
25.00
85.62
10.00
44.69
9.17
90.00
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(POSCO)  
(Continued)

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119

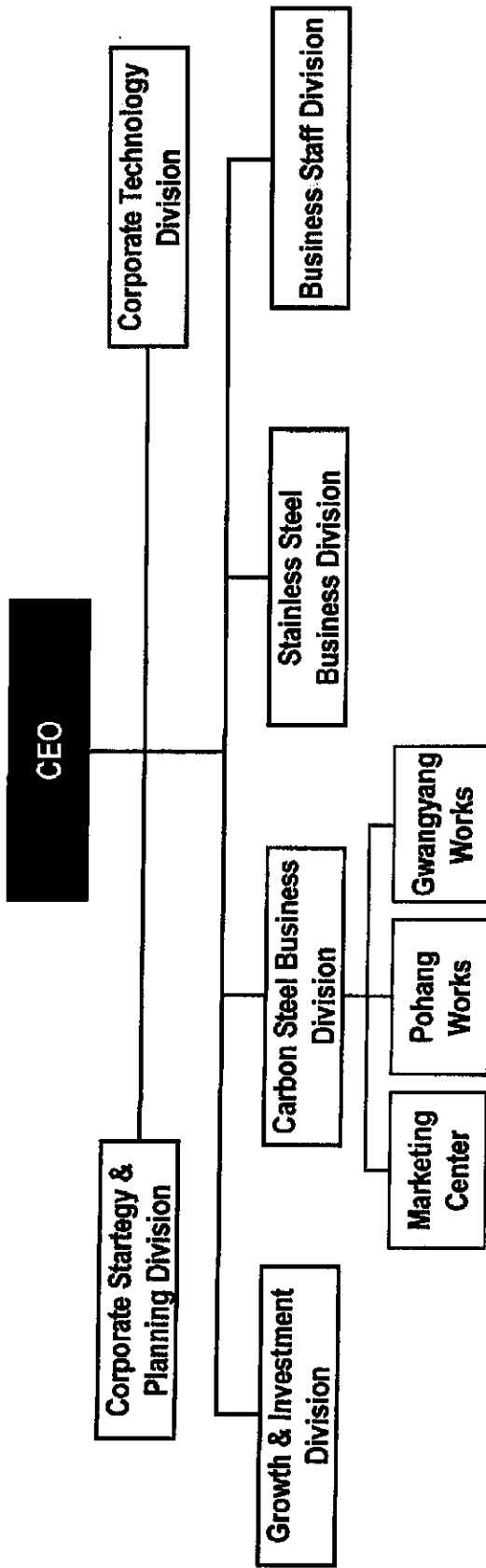
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## Appendix A-3

# Organisation Chart

# POSCO Organization Chart

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## **Appendix A-4**

# **Annual Report**

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# GLOBAL MOVEMENT

2011 POSCO Report

## Key Figures 2011

## FINANCIAL PERFORMANCE

(1,000 ton, million KRW)

	2011	2010	2009
Production (Crude Steel)	37,325	33,716	29,530
Production (Finished Products)	35,108	32,129	28,243
Sales Volume (Finished Production)	34,493	31,465	28,437
Sales	39,171,703	32,582,036	26,953,945
Operating Profit	4,196,028	4,784,518	3,147,998
Net Income for the year	3,188,845	3,784,361	3,172,264
Assets	52,717,876	49,086,227	39,992,765
Liabilities	15,129,860	13,062,731	9,041,474
Shareholders' Equity	37,598,017	36,023,496	30,951,291

## NON-FINANCIAL PERFORMANCE

	2011	2010	2009
Number of employees	17,553	16,898	16,458
Ratio of female employees (%)	3.6	3.4	3.0
Lost-time Injury Frequency Rate	0.23	0.19	0.21
Employee average volunteering time (hours)	35	33	30
Customer satisfaction (points)	91	80	83
(domestic)	81	72	72
(overseas)			
Benefit sharing (bil., accumulation)	82.6	40.2	32.5
Water usage (m <sup>3</sup> /t-S)	3.63	3.85	3.86
Amount of byproducts recycled (10,000 ton)	2,666	2,219	1,837
CO <sub>2</sub> Emissions Intensity (t-CO <sub>2</sub> /t-S)	2.10	2.13	2.14

## About This Report

In 2011, POSCO continued its effort to grow together with its stakeholders. To this end, we tried to make the 2011 POSCO Sustainability Report ("The 2011 Report") as easily accessible as possible. Based on the principle, some highlights of the 2011 Report include

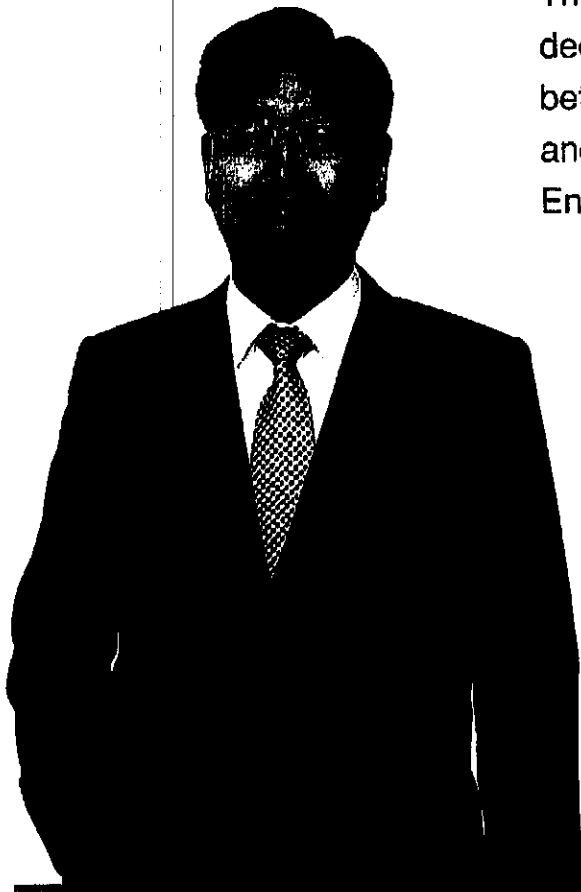
First, this report is published as an integrated report containing both the financial and non-financial performance of the company. Until the year 2010, POSCO released financial and non-financial performance in its Annual Report and Sustainability Report respectively. The unification of the two reports enabled stakeholders to gain information they needed more easily. We intend to deliver a unified set of values, both financial and non-financial, through the report and to present the social responsibilities of the company in the economy, society, and environment.

Second, this report is designed to be reader-friendly by organizing its contents into each group of stakeholders, society, business partners, shareholders and investors, customers, employees, and environment. Previous reports classified stakeholders into just three categories of the economy, the environment, and society, which made it difficult for readers to find the information they wanted. This has been improved to give stakeholders faster and easier access to the needed information.

Third, this report expanded stakeholder involvement in its creation process. We increased the number of outside experts from five, the previous year, to ten to ensure opinions from a more diverse group of stakeholders. In addition, a panel of university students has been formed to reflect the creative ideas and suggestions from the next-generation of leaders about the report and sustainable management in general. To make the materiality test more relevant, the issue pool has been supplemented to reflect the latest trends through two rounds of media survey, analysis of issues addressed at the company's operational meetings, and research of the KPIs of our competitors.

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	2012 Management Gals
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## CEO Message



The Report reflects POSCO's aspiration and dedication to realizing the vision of "making a better world with dreams and hope, materials and energy" and to become a "Firm of Endearment" by all the stakeholders.

POSCO set forth the vision of becoming a firm of endearment despite a challenging business environment due to the global financial crisis in 2011 and has been working diligently to realize it.

The "Firm of Endearment" POSCO is striving for is not just a global leader with high profits and high growth, but a company committed to making the world a better place by creating values for and sharing them with all stakeholders, who the company was born and grew with; society, partners, shareholders and investors, customers, employees, and the environment. This Report examines POSCO's efforts to become a "Firm of Endearment" and the direction it should be going.

POSCO has worked on a variety of social contribution initiatives to fulfill its responsibilities as a corporate citizen; social enterprise benefiting minorities, multi-cultural family support, and the POSCO Family one-percent sharing campaign. Also, we extended the scope of social contribution activities globally, including Africa and Mongolia.

At the same time, POSCO expanded the compliance program for fair trade to our second-tier partners in addition to our first-tier partners to help establish a fair trade practice in the market. We also have been operating 67 programs including the Benefit Sharing and financial support for SMEs to grow together.

Not only that, POSCO is dedicated to raising the values of shareholders and investors. Despite a deep recession, POSCO achieved 39.2 trillion KRW in sales and 4.2 trillion KRW in operating profits, through cost-cutting, technological innovation for creating high-added values, global investment and group management to enhance future growth potential.

We are dedicated to providing customer-oriented services such as EVI(Early Vendor Involvement) and CRM as we firmly believe the growth of a company lies in the growth of its customers. Also, we declared quality management to deliver differentiated value through quality improvement.

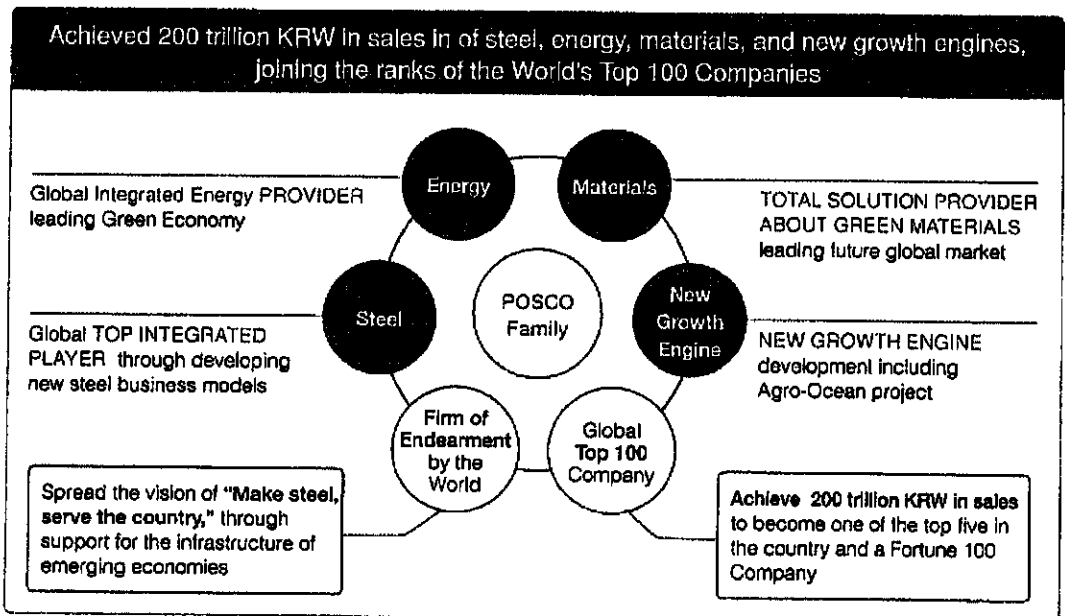
For our employees, we aim to create a "happy workplace," which is safe, healthy, and improves the quality of life for those working there. POSCO established a Global Safety Center and introduced a 4 teams, 2 shift system and flexible work hours to help strike a balance between life and work. Also, we are committed to supporting our employees by enhancing their capabilities on their way to becoming global talents.

The environment is another important stakeholder. POSCO has been working very hard to hand down a fresh green planet to the next generation through byproduct management, biodiversity conservation, and proper response to climate change. Such multi-faceted efforts earned POSCO the honor of ranking 30th in the Global 100 Most Sustainable Corporations in the World announced by the World Economic Forum in Davos. Also, POSCO was selected as the leading company in sustainable management by SAM (Sustainability Asset Management) Research Inc. of Switzerland, and the Dow Jones of the United States for the seventh year in a row.

Working with the vision of "making a better world with dreams and hope, materials and energy," POSCO will continue its pursuit of sustainable management to create a healthy and vibrant market, win-win relationship in the corporate ecosystem, and, finally to make the world a better place. We hope for your continued interest and support in our efforts in sustainability management.

Thank you.

June 2012 CEO Joon-Yang Chung



# The Board of Directors

## Outside Directors



**Han, Joon-Ho**

- CEO & Chair of Samchully
- Former CEO of KEPCO
- Former Administrator of the Small and Medium Business Administration
- Seoul National University, Bachelor of Science in Law
- Seoul National University, Masters in Public Administration
- Kyung Hee University, PhD in Public Administration
- Member of Director Candidate Recommendation Committee
- Member of Evaluation & Compensation Committee



**Lee, Young-Sun**

- Former President of Hallym University
- Former Dean of Yonsei University Graduate School of International Studies
- Professor at Yonsei University Department of Economics
- Seoul National University, Bachelor of Science in Economics
- University of Maryland, Masters & PhD in Economics
- Director of Candidate Recommendation Committee
- Member of Internal Transactions Committee
- Member of Audit Committee



**Lee, Chang-Hee**

- Professor at Seoul University Department of Law
- International Director of Korea Tax Law Society
- Professor at Harvard Law School
- Seoul National University, Bachelor of Science in Law
- Harvard University, MA & PhD in International Law
- Chair of Internal Transactions Committee
- Member of Audit Committee
- Member of Director Candidate Recommendation Committee



**Nam, Yong**

- Former CEO of LG Electronics
- CEO at LG Telecom
- Seoul National University, Bachelor of Science in Economics
- Chair of Finance and Operations Committee
- Member of Evaluation & Compensation Committee



**Park, Sang-Kil**

- Lawyer at Kim&Chang Law Firm
- Former Chief Public Prosecutor, Busan High Public Prosecutors Office
- Seoul National University, Bachelor of Science in Law
- Harvard University, Masters in Criminal Law
- Member of Evaluation & Compensation Committee
- Member of Internal Transactions Committee
- Member of Audit Committee



**Byun, Dae-Gyu**

- CEO of Humeat Holdings
- Official Member of National Academy of Engineering Korea
- Seoul National University, PhD in Control and Instrumentation Engineering
- Chair of Evaluation & Compensation Committee
- Member of Finance & Management Committee



**James B. Bemowski**

- Doshan Vice Chairman
- Former Senior Executive Vice President of Southern Bank Berhad of Malaysia
- Country Head of McKinsey Korea
- McKenna College, Bachelor of Science in Economics
- Harvard Business School, MBA
- Chair of Internal Transactions Committee
- Member of Audit Committee
- Member of Director Candidate Recommendation Committee

## Standing Directors



**Chung, Joon-Yang**

- Chair & CEO
- Former President & CEO
- Seoul National University, Bachelor of Science in Industrial Education
- Sunchon National University, Master in Metallurgical Engineering



**Park, Han-Yong**

- President & CSO
- Former Executive Vice-president
- President of POSCO ICT Co
- Korea University, Bachelor of Science in Statistics



**Cho, Noi-Ha**

- Vice President
- Former Senior Director
- Korea University, Bachelor of Science in Metallurgical Engineering
- Member of Finance & Management Committee



**Park, Ki-Hong**

- Vice President
- Former Senior Director
- President of POSCO Research Institute
- Seoul National University, Bachelor of Science in Economics
- Seoul National University, Masters in Economics
- New York State University, PhD in Economics
- Member of Finance & Management Committee



**Kim, Joon-Sik**

- Vice President
- Former Senior Director
- Seoul National University, Bachelor of Science in Metallurgical Engineering
- KAIST, MBA
- Member of Director Candidate Recommendation Committee

## Executive Interviews

### INTERVIEW

Choi Jeongwoo, Executive Vice President, Corporate Ethics Practice Bureau • POSCO has placed an emphasis on ethics management since its foundation. We are continually looking for ways to make ethics management part of our corporate culture and have our employees put its principles into action in their daily work to create fair and transparent relationships where all stakeholders happily coexist. In the future, we will expand the scope of ethics management to embrace our 50,000 POSCO family members to foster an even healthier business atmosphere.

Yae Jaehen, Senior Vice President, Labor and Outsourcing Department • POSCO strives to make labor-management relations more stable through trust and communication based on respect for humanity. Sticking to our management principles of respect for human rights, transparency in management, and open organization, we will continue to pursue a sustainable labor policy by implementing the POSCO's unique "Smart Labor Culture," to improve the working conditions and quality of life of the employees. POSCO will become a firm of endearment by its employees through a win-win labor-management partnership.

Kim Kwanyoung, Senior Vice President, Human Resources Innovation Department • POSCO's innovative activities and its employees, along with management have always valued trust and communication. Based on those values, POSCO is maximizing the synergy effect of communication, collaboration, and creativity through open recruitment. Our project, "Smart Work" – is about changing the way we do business, and our systematic support for employees. POSCO endeavors to create a "Great Work Place," where our employees can perform their duties efficiently and happily.

Sung Geewoong, Senior Vice President, Environment and Energy Planning Department • For POSCO employees, sustainability management is not an unfamiliar expression any more. Now it's time to take another step forward. Environmental investment may not create wealth directly but it cuts cost and also is an investment for the future. We double our effort to reach consensus on the necessity of environmental management. All the POSCO employees will listen to stakeholders to make POSCO a global leading corporation.

Cho Yongdoo, Senior Vice President, Management Evaluation Department • Based on its corporate vision of becoming a "Firm of Endearment" POSCO continuously monitors political and social changes that could pose image and/or financial risks. We work tirelessly to make sustainable development for all the POSCO Family a reality by proactively responding to risks related to global changes as we expand our business scope from steel-making to new growth engines and embrace the global POSCO Family in implementing its vision.

Lee Myungho, Senior Vice President, Social Contribution Department • Since its inception, POSCO has valued contributing to the nation and society more than profit making, considering social contribution as an important mission. POSCO employees have a firm belief that fulfilling responsibilities as a corporate citizen leads to the long-term growth of the company. We are actively involved in global social contribution activities to help those in need overseas stand firm, and finally to create a society where everyone can grow together.

Ha Youngsul, Senior Vice President, Purchase Support Center • POSCO is committed to helping its partner companies maximize their competence and create synergy to "increase the size of the pie." We continue to look for ways to grow together by establishing the fair trade order and building mutual trust through various initiatives such as the Win-win growth program. POSCO strives to become a firm of endearment by its partners, one of the major stakeholders of the company, based on the interdependent relationship with its suppliers.



# 2011 Operational Performance

## Economic Performance

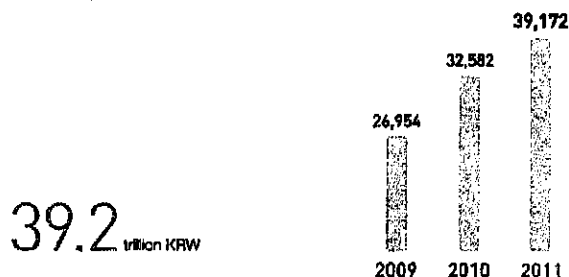
In 2011, the world steel industry suffered more than ever before due to lowered demand in the wake of the recession at home and abroad and the resulting price slump and heightened competition in the market along with high raw material cost reflecting the lag effect. Despite these difficult business conditions, POSCO strived to enhance future competitiveness by cutting cost, expanding high value-added product technologies and services, increasing global investment and raising the synergy effect of the corporation. As a result, POSCO achieved 39.2 trillion KRW in sales and 4.2 trillion KRW in operating income.

Our cost reduction actions saved us 1.5 trillion KRW. The domestic production capacity of crude steel has been expanded to 37 million tons with the completion of the No. 3 Steel Making Plant in Pohang Works, the No. 5 Coke Plant and No. 5 Sinter Plant in Gwangyang. POSCO developed and began mass production of "POSCOTE-UV," POSCO Smart Coating Technology-Ultraviolet, for the first time in the world, and an ultra-light eco-friendly future steel vehicle, the FSV. POSCO also secured a contract from the multi-national oil company Shell, which makes it the sole provider of steel plates for Shell offshore projects through 2016 in an effort to increase its market share.

POSCO started the construction of an integrated steel mill with an annual capacity of 3 million tons in Indonesia, an emerging economy with great growth potential, and has been carrying out similar projects in India and Brazil as well. POSCO is able to produce one million tons of crude stainless steel a year with the completion of the NO. 4 plant at ZPSS (Zhangjiagang Pohang Stainless Steel), POSCO's Chinese joint venture. Also, its first overseas steel plate processing center was completed in Dalian.

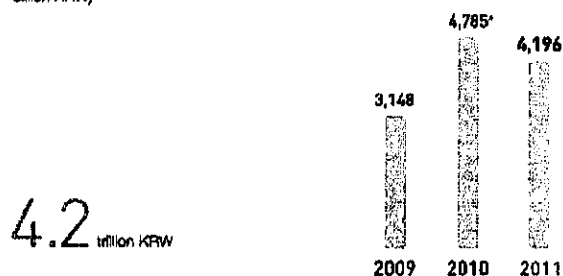
Other projects include an electrical still mill in India, a cold-rolled stainless steel plant in Turkey, and an automobile steel plate factory in Guangdong, China. In addition, POSCO laid the groundwork for overseas investment, closely linked with the region, by buying out 95% shares of Thainox, the largest stainless steel maker in Turkey. For stable procurement, POSCO acquired shares of coal mines in Mt. Klappan, Canada and NCR in the United States to raise its self-sufficiency rate of raw materials.

Sales  
(Unit : billion KRW)



39.2 trillion KRW

Operating Profit  
(Unit : billion KRW)



4.2 trillion KRW

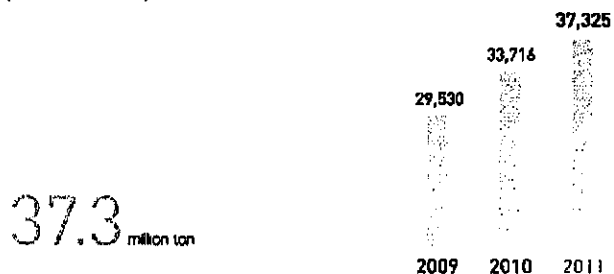
\* This figure has adjusted as operating profit according to the current auditing standards.

Reduced Cost  
(Unit : billion KRW)

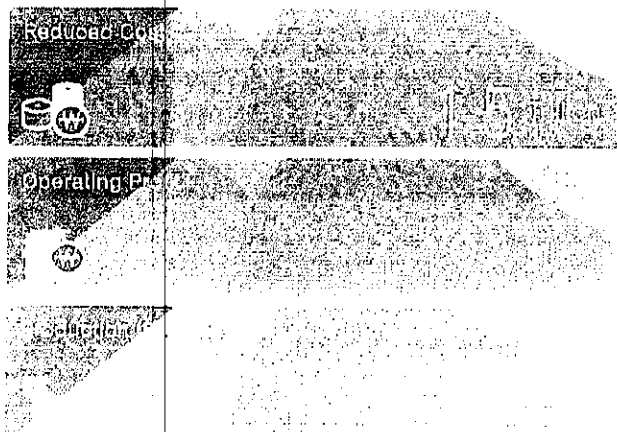


1.5 trillion KRW

Production(Crude Steel)  
(Unit : thousand tons)



37.3 million ton

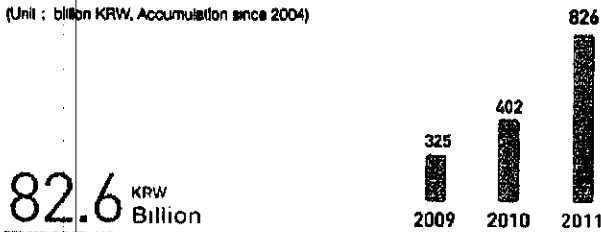


## Social Performance

POSCO has declared its vision of becoming a firm of endearment by all the stakeholders. We strive to grow together with SMEs through financial support, technological cooperation, and consulting. POSCO compensated a total of 82.6 billion KRW for 459 SMEs from 2004 through 2011 through its Benefit Sharing initiative.

### The Amount Compensated Through Benefit Sharing

(Unit : billion KRW, Accumulation since 2004)



Multi-cultural support and social enterprises are just part of POSCO's diverse CSR efforts. Also, POSCO fulfills its social responsibilities as a global leader in overseas operations being actively involved in social contribution initiatives. In 2011, an average POSCO employee provided 35 hours of their time to volunteering activities.

### Average Hours of Volunteering Per Employee

(Unit : hours)

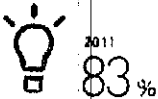


The 4-team, 2-shift schedule and flexible work hours helped raise the quality of life for employees. With increased days off, employees have more time to spend on leisure and self-development, keeping their professional and personal lives in balance. "Smart Work," an initiative to change the ways of working, enabled POSCO employees to work more efficiently and safely using their smart phones, receiving facility maintenance and safety information regularly. We made strides toward our goal of Smart Office, and Paper-Free Office, for employees to concentrate on their job by eliminating redundant work. Recently, POSCO opened a U-campus, a smart-phone based learning system, through which every member of the POSCO Family can view educational programs anytime, anywhere, becoming knowledge workers.

### Employee Engagement

(Unit : %)

2009 - 74  
2010 - 82



### POSCO Training Hours Per Capita

(Unit : hours)

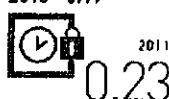
2009 - 297  
2010 - 244



### Lost Time Injury Frequency Rate\*

(Number of lost-time injury cases/yearly working hours) x 1 million hours

2009 - 0.21  
2010 - 0.19



## Environmental Performance

POSCO is on a journey to help improve the health of the planet by developing a range of green production technologies and products. In 2012, POSCO poured a total of 482.8 billion KRW into environmental facilities. As a manufacturer with high water usage, we have been working on more effective water management; conducting a research project to complete a desalination pilot plant in December 2012 and establishing a system to stop the discharge of waste water. We have worked diligently to minimize the pollutant emissions by recycling 98% of byproduct gases and slag generated from steel making process.

### Investment in Environmental Facilities



482.8 Billion KRW

### The Ratio of Environmental Investment to Total Capital Investment



12.9%

POSCO is at the forefront in preserving biological diversity. We created an ecological habitat on the Seongang Waterway for all sea life. Steel slag, a byproduct of steelmaking has been used to build marine structures for algae, fish and shellfish in many parts of the country. We have launched marine pollution control vessels in the waters around our business sites to remove pollutants and prevent red tide. Also, we are eliminating risks by proactively responding to climate change. Working diligently to cut CO<sub>2</sub> emissions by improving energy efficiency, POSCO recently submitted a GHG emission reduction plan in accordance with the Korean government's GHG & Energy Target Management Scheme. We are planning to invest roughly 1.5 trillion KRW in developing innovative CO<sub>2</sub> technologies of the future with the goal of reducing CO<sub>2</sub> intensity to about 1.98 t-CO<sub>2</sub> /t-S till 2020. POSCO is also carrying out next-generation environmental projects in collaboration with POSCO subsidiaries; fuel cells for power generation, wind power generation, SNG, smart grid, and LEDs.

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

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

