

SUSTAINABILITY REPORT
2008

CREATING

ANOTHER SUCCESS STORY

posco

CREATING ANOTHER SUCCESS STORY

POSCO Sustainability Report 2008

POSCO remains devoted to fulfilling its economic, environmental and social responsibilities. The POSCO Sustainability Report 2008 describes our continued endeavors to stand faithful to our duties over the year, and serve as a reference for our stakeholders in their decision-making.

About this Report

First, expanded stakeholder engagement in the publishing process

This report features enhanced stakeholder participation compared to previous reports. The scope of our 2008 media analysis was expanded beyond the boundaries of Korea, into the global community. We conducted e-mail-based surveys to directly verify stakeholder needs. The 500 respondents to our questions on satisfaction and improvement included not only Korean but also international stakeholders, as well as readers, sustainability experts from the industrial sector and POSCO employees. The participants also submitted their suggested issues of interest.

Second, increased reliability through a third-party assurance report and review by external experts

The 2008 Sustainability Report heightened its reliability through the extensive assurances of sustainability experts. Samil Price-waterhouseCoopers provides assurance on selected contents of the report, through a team of sustainability experts from both Korea and Switzerland. After publishing the report, we will collect experts' opinions on the report through CSM forums.

★The assurance report is on p.88.

Third, published a summary report which can also function as a CSR whitepaper

With this year's summary, we have strengthened the social contributions section so that it can serve as a CSR whitepaper.

Finally, diversified the access to the report

We added a Voice Icon that converts the text to voice for our visually-challenged readers. The full report is also available in an e-book and pdf file on our website.

Reporting Framework

This report was prepared in accordance with the Global Reporting Initiative(GRI) G3 Sustainability Reporting Guidelines and POSCO's internal sustainability reporting framework. In keeping with our promise in the previous report, we updated our publishing process in line with the GRI G3 Guidelines and applied the new process in our preparation of this report. All financial information, standards and definitions used or made within the report follow Korea's generally accepted accounting principles.

Reporting Period

POSCO publishes sustainability reports every year. This report covers calendar year 2008 from January 1 to December 31.

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. Material sustainability information on our major subsidiaries in Korea, India and China are also included in the reporting scope. All subsidiary information stated in the report is based on each company's individual standards; hence, the possible discrepancies from the guidelines set forth by POSCO. The financial information in the "Economic Performance" segment is based on POSCO's non-consolidated financial statements. Consolidated financial statements are available in our 2008 Annual Report.

Distribution and Feedback on the Report

The full report is published in Korean and English and a summary is also available in Korean. The printed report is also available upon request via mail, phone or through our website. Feedback on the report can be relayed to the pertinent departments by mail, phone, e-mail or our website.

Homepage

<http://www.posco.com/homepage/sustainability/>

Downloads

<http://www.posco.com/homepage/sustainability/report/>






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Overview

02	Report Information	
04	Message from the CEO	
06	Communications with Stakeholders	
07	Identifying Key Issues from Stakeholder Feedback	
10	Major Issues by Stakeholder Group and 2008 Performance	




POSCO Way

12	Global POSCO Way	
13	Vision 2018	
14	Corporate Governance	
16	Business Ethics	
18	Fair Competition	
19	Risk Management System	
20	Sustainability Management	





Economic Performance

24	Management Strategy	
25	Technology Innovation	
27	New Businesses	
28	Economic Performances	

Environmental Soundness

34	Eco-friendly Management Milestone	
35	Climate Change & Energy	
40	Eco-friendly Management Performances	

Social Responsibility

47	Employees	
53	Win-Win Cooperation	
58	Social Contributions	
63	Local Communities	

Achievements of Subsidiaries

66	POSCO Subsidiaries	
68	POSCO-China	
69	Zhangjiagang POSCO Stainless Steel	
70	Qingdao Pohang Stainless Steel	
71	POSCO-Vietnam	
73	POSCO-India	
75	POSCO Specialty Steel	
78	POSCO C&C	
81	POSCO Power	

Appendix

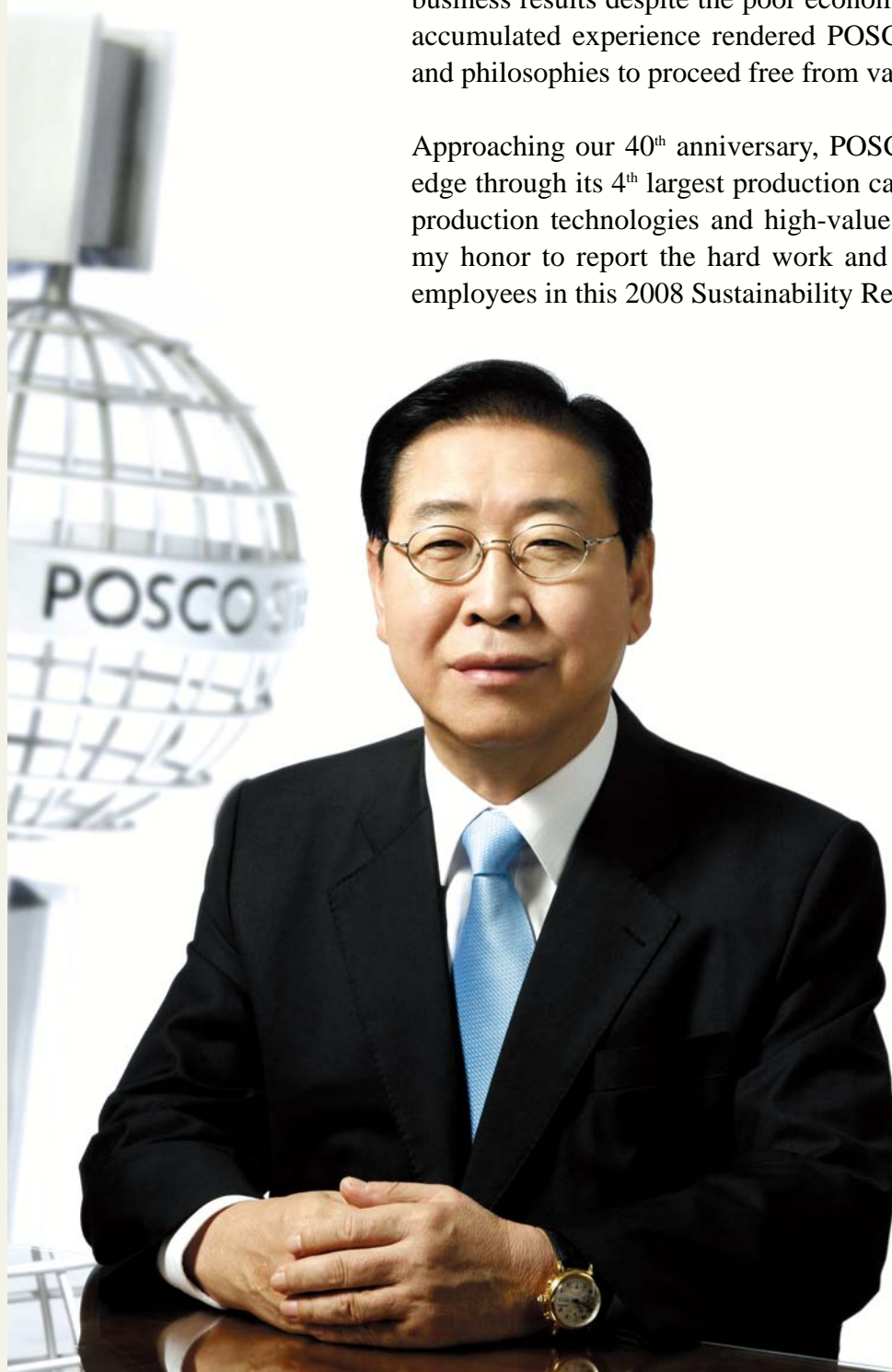
84	GRI Content Index
88	Assurance Report
90	Glossary
91	POSCO's Previous Reports
92	Contact Information
93	Reader Feedback Survey

Message from the CEO

Dear Stakeholders,

Marking the 40th anniversary of our foundation, the year 2008 was a significant one for POSCO in that we achieved historically high business results despite the poor economic climate. The forty years of accumulated experience rendered POSCO with profound knowledge and philosophies to proceed free from vacillation.

Approaching our 40th anniversary, POSCO has secured a competitive edge through its 4th largest production capacity in the world, advanced production technologies and high-value added product line-ups. It is my honor to report the hard work and achievements of all POSCO employees in this 2008 Sustainability Report.



We will create a sustainable growth platform along with our stakeholders.

The global economic recession that was triggered by the U.S. subprime crisis forced a decrease in production, unprecedented in POSCO's 40 year history. The abrupt plunge in steel demand by the automobile and shipbuilding industries, the largest consumers of steel products, poses a dim outlook for the steel industry. At the same time, the global focus on climate change, green growth and corporate social responsibility demands that POSCO brace itself with a new vision and strategy, which can transcend our achievements over the past 40 years.

Businesses are faced with a paradigm change. They are challenged to pursue co-prosperity and mutual growth with their stakeholders, while at the same time, creating economic value. The world's diminishing fossil fuel reserves pushes us to create alternative, sustainable and "unlimited" energy sources. Global warming has emerged as a threat to mankind, requiring the concerted and instant response of all human beings.

Against this backdrop, POSCO has drawn up an overarching goal of growing into a "global big 3 and global top 3 by 2018," and has revamped its management principles and philosophies to create a sustainable growth platform along with its stakeholders.

First, we will weave "open management" into our corporate culture. In such a ubiquitous era, an isolated business can hardly survive a day if it is oblivious to its environment. "Win-win cooperation," the basic platform of sustainability management, requires us to clearly understand "our" common goal, not "my own." Well aware of this, POSCO maintains active communications with all of its stakeholders through open-minded and open management in pursuit of our common goal. We are fully aware that making concerted efforts towards a shared vision is the key to sustainability.

Second, we will strive for "creative management" in fulfilling our basic duties of creating economic value. Part of creative management is creating customer value through technology. We will endeavor to secure global leadership in such

innovative technologies. POSCO set its human resourced development goal at fostering talent with consilience to cultivate creativity in its human resources. We believe this new model will create synergies by integrating the accumulated experience at our work sites with new trends and knowledge.

The third and last principle is "Eco-friendly Management," a moral duty that the steel industry must pursue. The steel industry is one of the heavy CO₂ generating industries accounting for 3.2% of the world's CO₂ emissions. However, we cannot turn the clock back to the primitive ages to resolve global warming, nor can we eliminate the steel industry.

Therefore, POSCO is developing new methods to deal with these challenges. Replacing the 100-year old blast furnace technology with a new, innovative FINEX technology, we rewrote the history of steel-processing technology. We have also constructed the world's largest fuel cell power plant for an environment-friendly supply of electricity. Furthermore, we are turning steel slag waste into a new type of resource, reusing it to restore marine ecosystems.

The global economic recession poses a difficult business environment. However, risk comes with opportunities and change favors those who overcome fears and take up challenges. Equipped with the new 3 management philosophies of "open," "creative," and "eco-friendly" management, POSCO has begun its journey towards a "global big 3 and global top 3" steel maker.

We invite your unwavering support and encouragement throughout this journey.

Thank you.

June 2009

CEO Joon-Yang Chung



Communications with Stakeholders

POSCO operates stakeholder communications channels customized to the characteristics of each of its stakeholders. We run a dedicated organization for the sustainable development of the company as well as our stakeholders.

Shareholders/Investors, Best Company to Invest in

POSCO strives to provide easy and quick access to its management information by all its stakeholders in a transparent manner. In addition to the IR group which is responsible for communications with our investors, every January our CEO forum reports on the past year's business results and future plans. Quarterly investor conferences inform institutional investors, analysts and reporters on our performances. Other channels include disclosure, on-demand meetings and visit reviews.

Customers, Suppliers and Outsourcing Service Partners, Best Company to Work with

POSCO's CRM reflects the company's effort to provide customized services and to enhance our customer value through various technological enablers, new product developments and market expansions. We pay regular on-site visits to address our customer's complaints, and conduct extensive customer satisfaction surveys whose results are reflected in our policy-making processes. Committed to mutual prosperity with our suppliers and outsourcing service partners, we operate various support packages. In particular, our Corporate Collaboration and Prosperity Department is the dedicated organ for supporting SMEs through benefit sharing programs, Techno Partnerships, financial support and EVI programs.

Employees, Best Company to Work for

In addition to the labor union, we operate a Labor-Management Council, which represents POSCO's rank-and-file employees in discussion with the company on wages and working conditions. The "Young Board" and "Dialogue with the CEO" are effective tools for bottom-up communications. POS-B is an anonymous bulletin board for employees to voice their opinions and file grievances. We also conduct an annual survey on employee engagement levels.

Local Communities, Best Company to inspire pride

POSCO strives to become a trusted and respected company that inspires pride in its local communities. At our Pohang and Gwangyang Works, we operate Community Cooperation Teams to communicate with local residents and pursue mutual prosperity through constant dialogue and opinion collection. Dedicated to minimizing our environmental impact, our digital environment watch system continually monitors and discloses current pollution levels on a real time basis. In addition to sisterhood ties with schools and villages, our departments are actively involved in a variety of social contribution activities.

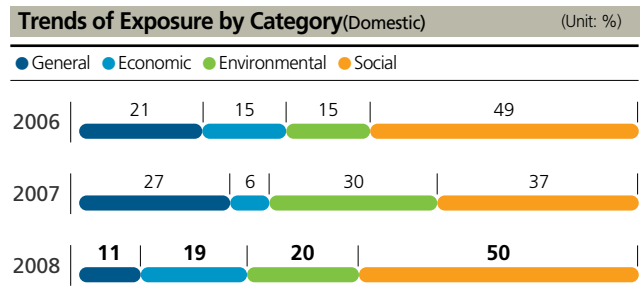
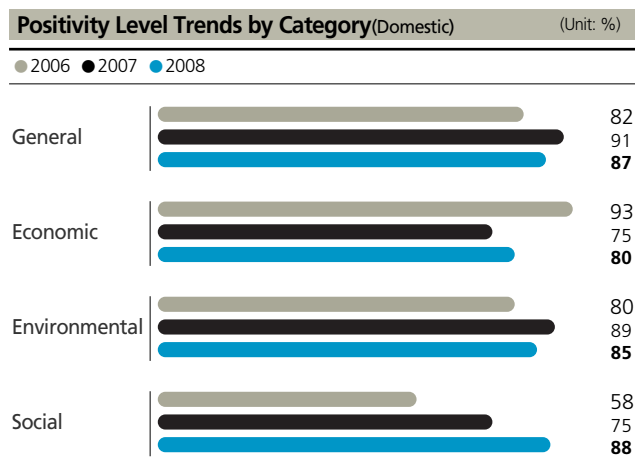


Identifying Key Issues from Stakeholder Feedback

Media Analysis

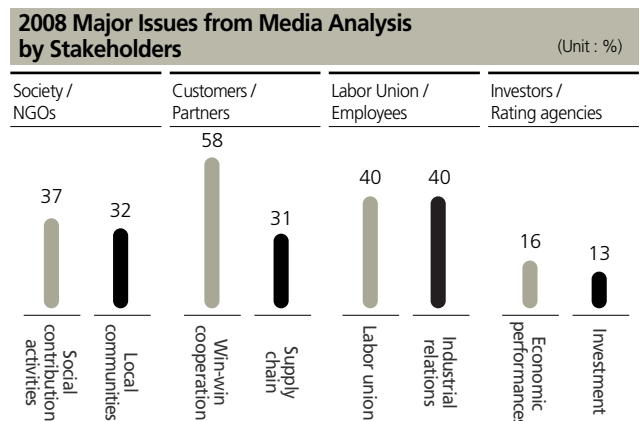
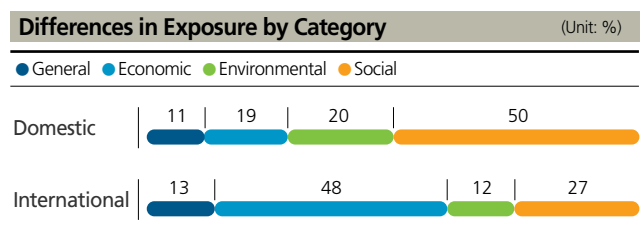
To identify the issues of interest by our stakeholders, we have conducted extensive media analyses since 2005. In step with our growing global operations, we expanded the research scope to include the global media starting in 2008. We cooperated with POSCO Research Institute(POSRI) to review and finalize the key words for media analysis in reflection of international standards and POSCO's business characteristics starting this year. We analyzed Korean daily newspapers, economic daily newspapers and internet news coverage as well as the articles posted on global news portals. The findings discovered 650 reports on POSCO by the domestic media and 99 reports by overseas media.

By sustainability issue, POSCO's social performances comprised the highest portion of our news coverage at 50%, with general issues accounting for 11%, economic performances 19%, and environmental performances 20%. This shows the growing social concerns over corporate social responsibilities, compared to the 2007 findings, where general issues took up 27%, economic 6%, environmental 30% and social issues 37%. The positivity analysis demonstrated an 85% positivity ratio in our 2008 coverage. The positivity rate in social performances was especially high at 88%, a clear indicator of the social recognition of POSCO's proactive social contributions and win-win cooperation activities.



POSCO has been widely considered as a good investment destination with high growth potential by global media. They were especially interested in the company's sales growth, acquiring stakes in mines and job creation at our overseas business locations, with a relatively high positivity level of 68% on sustainability issues. Taking up 48% of the overall media coverage, economic news coverage showed a positivity level of 79%, while environmental news coverage showed a 75% of positivity level, reflecting the international interest in POSCO's sound business results, global operations, environment-friendly technology and fuel cell project.

The graphs below show that global and domestic media share economic views but diverge in terms of social issues. While Korean media was highly interested in social issues, the foreign media was primarily concerned with economic issues. POSCO will actively engage in overseas social contribution activities proportionate to its global stance, as it strives to become a respected and admired company, both at home and abroad.

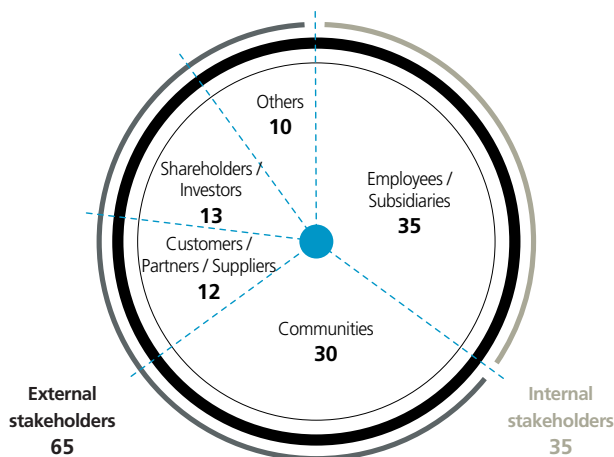


E-mail Survey Results

POSCO conducted an e-mail survey to identify major issues and collect stakeholders' opinions for its 2008 sustainability report. The 500 survey recipients range from our internal stakeholders—employees and subsidiaries—to our external stakeholders—customers, communities, business partners and shareholders. In particular, we collected the opinions and feedback from those readers who requested a printed Sustainability Report from our website, sustainability experts from the industrial and institutional sectors, as well as media firms.

Survey Recipients

(Unit: %)

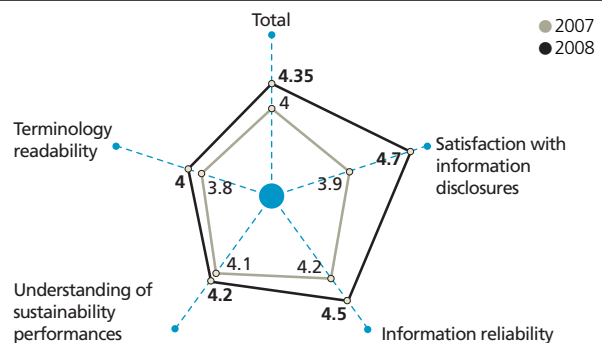


Questionnaires consisted of 25 items asking respondents about their overall satisfaction with our 2007 Sustainability Report, the major issues to be reported in the 2008 report and improvements required in the next report. Overall satisfaction with the 2007 report stood at 87%, up 7% from the previous year. Notably, satisfaction with the contents grew by 16 points to 94% as the 2007 report fairly described the issues found to be of high interest in the previous survey, including POSCO's global operations, vision and strategies, climate change & energy control and social contribution activities. Satisfaction with the new items that were added to the 2007 report was also high. However, the readability of the report's terminology and the understanding level of sustainability performances remained similar to the previous year. Therefore, we focused more on readability with improved visual and design discipline for this 2008 report.

The survey found the following major issues of high interest to POSCO's stakeholders that should be covered in the 2008 report: new growth engines and new businesses to overcome the current global economic recession, sustainability management, addressing

Sustainability Report Satisfaction Survey Results

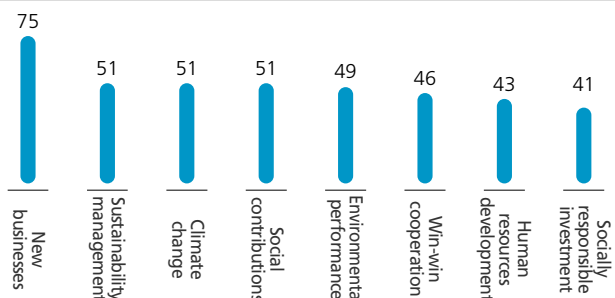
(on a scale of 1-5 points)



climate change, social contributions, and environmental improvement performances. POSCO has included these major stakeholder issues in its 2008 report.

2008 Major Issues (top 25% of 33 items)

(Unit: %)



Major issues of high interest by stakeholder group

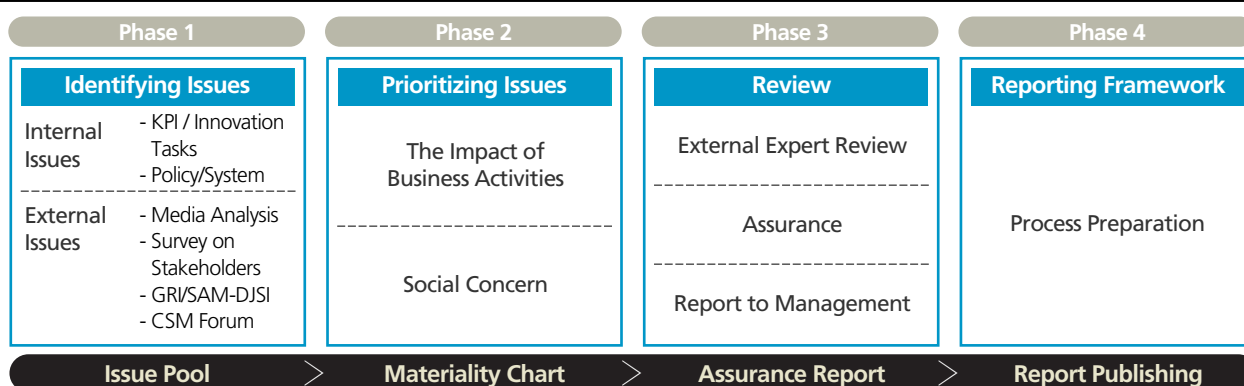
Category	Stakeholder Group				
	Shareholders / Investors	Employees	Customers / Suppliers	Communities / NGOs / Etc.	Institutions / Academia / Etc.
Corporate Governance					
SRI					
Sustainability Management					
International Regulations/ Guidelines					
Stakeholder Engagement					
New Businesses					
R&D					
Corporate Value					
Business Results					
Environmental Performance					
Eco-friendly Management					
Climate Change					
Eco-friendly Technology					
Social Contributions					
Win-win cooperation					
Human Resources Development					
Suppliers					
Industrial Relations					

Materiality Test Process

In preparing a sustainability report, it is essential to both identify the issues of importance to our stakeholders and those bearing significant impact on the company's business activities. As seen in the previous report, POSCO has devised its own materiality

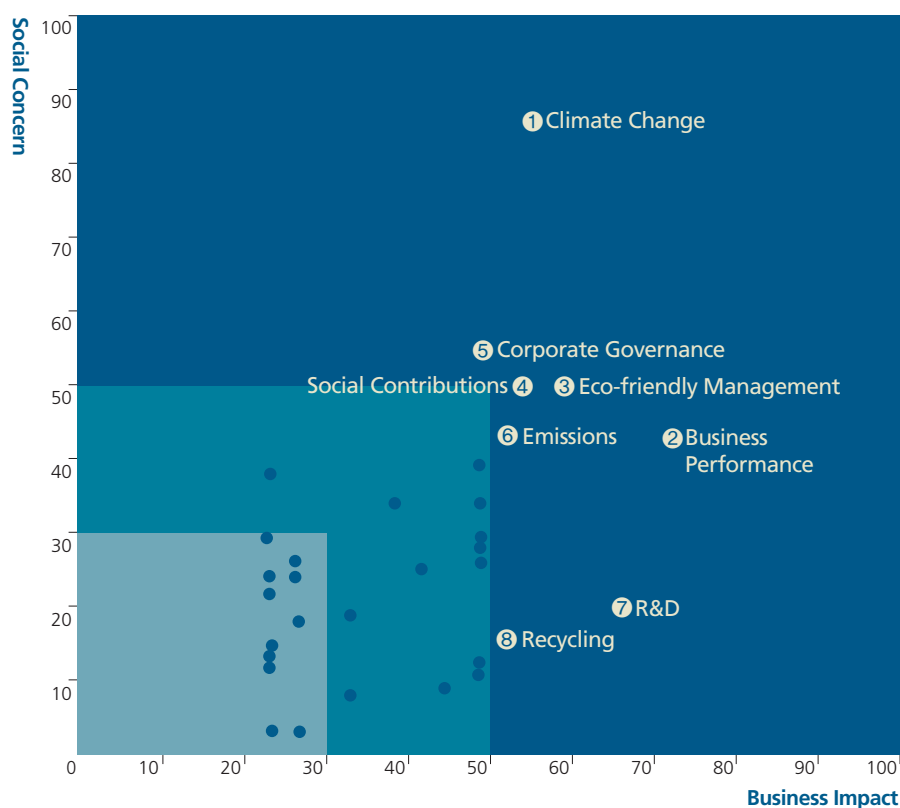
test process and has reflected the results in its report. Following the publication of the 2007 report, we refined the process in collaboration with POSRI. This report was prepared based on the new version of our materiality test process. Furthermore, POSCO continuously updates its publishing process to reflect improvements and feedback on the previous report, every year.

POSCO Materiality Test Process



Materiality Test Matrix

● High ● Medium ● Low



POSCO has used its materiality test scheme to identify issues of common interest to its stakeholders and those issues with a high potential impact on its business activities, and has prepared this report based on these test findings. Issues of interest to stakeholders were identified from the issue pool of general sustainability management issues such as international regulations and guidelines and SRI evaluation criteria. Through media analysis and e-mail surveys, and through POSCO's internal business issues such as management strategies, key performance indicators (KPI) and innovation initiatives, we selected 33 major issues of either high importance or interest to stakeholders and analyzed their social concerns and impact on our business activities in accordance with POSCO's materiality test process.

Major Issues by Stakeholder Group and 2008 Performance

POSCO classified the 33 issues that were identified by its stakeholders through its materiality test and reported its 2008 performances on these major issues of interest and concern to our stakeholders.

Transparent Corporate Governance | P.14

3 years

in a row,
"Best Corporate Governance Company"

POSCO adopted the outside director system in March 1997. We have separated the CEO position from the chair position of the board of directors to secure the independence and management-audit function of the BOD (the CEO Candidate Recommendation Committee was established to insure a transparent process for electing the CEO). In February 2009, Mr. Joon-Yang Chung was elected as CEO. The outside directors account for 9 of the total 15 BOD members, and hold the chair position in 5 of the 6 subcommittees. Of these, 3 subcommittees are comprised solely of outside directors to insure independency in their decision-making procedures.

Value Management for Shareholders | P.28

30.6 trillion KRW

sales

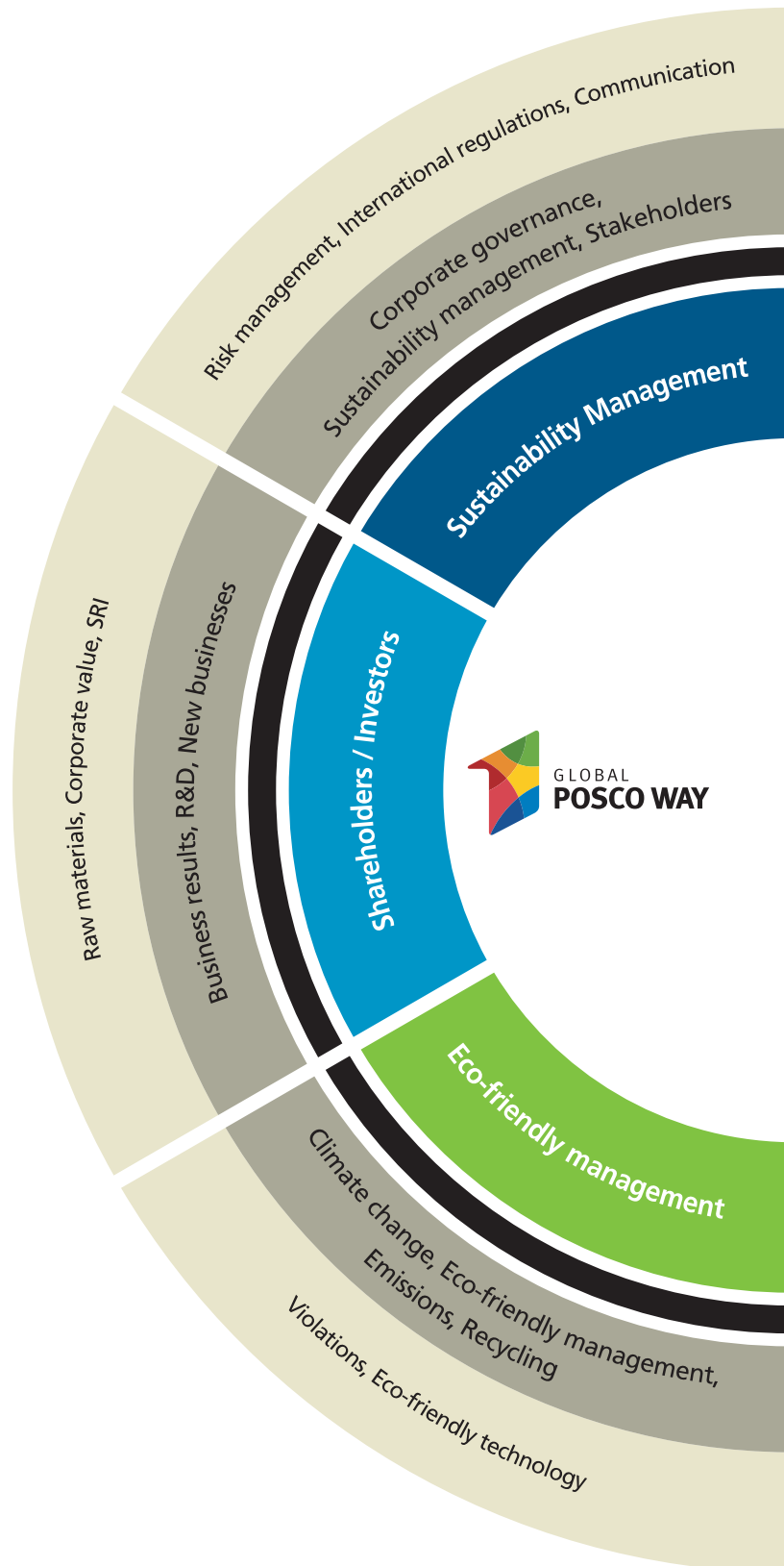
Despite the global economic recession in 2008, POSCO realized record performances with KRW 30.6 trillion in sales, up 38% year-on-year and KRW 6.5 trillion in operating income, fueled by its strategic focus on high-value added businesses and its cost-saving innovation drive. With a dividend payout ratio of 200%, a total of KRW 762.8 billion was distributed to our shareholders. Looking forward, we are expanding facilities, reinforcing our sales infrastructure and acquiring equity stakes in mines for a stable supply of raw materials with an aim to become a world leader, generating KRW 100 trillion in sales by 2018.

Climate Change & Eco-Friendly Management | P.35

98%

Resource and water recycling ratio

In addition to the development of our innovative FINEX technology, POSCO has defined 3 specialized technology routes to reduce CO₂ emissions for mid- to long-term technology development. We also operate a company-wide GHG management system to control CO₂ emissions. We strive to maximize our energy efficiency in order to minimize our direct and indirect environmental impact. As a result, we achieved a 98% ratio in energy(water and by-product) recycling. Our comprehensive eco-friendly management performance indicator, POSEPI stands at 147 at the moment.





Business Ethics & Win-win Cooperation | P.16

19.5 billion KRW
Benefit sharing compensation

While obtaining pledges from our employees every year, we also export our business ethics practice to our subsidiaries, suppliers and outsourcing service partners as part of our corporate culture. In addition to the 2-hour off-the-job training courses and mandatory e-learning courses for POSCO leaders, we held Business Ethics sessions for 120 new partners. To date, 14 of our subsidiaries have adopted the company's compliance program. Upgrading our win-win cooperation team to the Corporate Collaboration and Prosperity Department, we expanded our technological, educational and financial support to our SME partners to a company-wide level, promoting the program to a group-wide level.

Health and Safety | P.48

54%
Year-on-year industrial accident rate decrease

POSCO endeavors to secure the health and safety of its employees through recurring safety training courses and a thorough management system operating under our company-wide Health & Safety control guidelines. In order to preemptively prevent unexpected accidents, it identifies and corrects potential risks. As a result, the injury rates and lost-time injury frequency rates(LOTF) are improving. Nevertheless, one fatality incident occurred at our Gwangyang Works in 2008. We swiftly took necessary follow-up measures and will strive to further the health and safety of our employees and outsourcing service partners.

Community Engagement | P.58

91.9%
Employee Volunteer Ratio

POSCO has established a 4-pronged social contribution activity strategy—human resources development, volunteer activities, supporting the underprivileged and global social contributions. The company is engaged in a number of activities both at home and abroad, especially in such strategic locations as China, India and Vietnam, in cooperation with its local subsidiaries. With a 91.9% participation ratio, our per capita volunteer hours stood at 24.1 hours. We spent KRW 127.8 billion in social contribution expenses.

Global POSCO Way



Celebrating its 40th anniversary in 2008, POSCO has redefined its management philosophies with an aim to continue and expand its success at the global level. Announced in April 2007, the new "Global POSCO Way" is composed of new vision, core values and work process, providing POSCO people with mental model and behavioral guidelines.

Before finalizing our new philosophies, we collected opinions and suggestions from 6,000 employees over a long period of time, to ensure a company-wide consensus on the new guidelines. Strategically integrating our traditional management practices into new future values, the Global POSCO Way plays a pivotal role in strengthening solidarity amongst our employees setting forth behavioral guidelines and linking a variety of business activities.

Vision & Core Values

The vision of "Creating Another Success Story" speaks to our determination to build on our past successes and create a better future. Our vision for a better future originated from our commitment to becoming a global POSCO as a leader in technology, system and culture, which is best represented by our corporate motto, "Beyond Here, Beyond Now."

POSCO's core values provide the guidelines that every POSCO person must uphold to realize POSCO's new vision. In reflection of the rapidly changing business environment, the 5 core values are: Customers, Challenge, Execution, People and Integrity. Collectively reflecting the basic beliefs that have run through POSCO's 40 years, these core values embody the corporate philosophy to grow along with our customers by actively addressing challenges and practicing our beliefs with humanity and integrity.

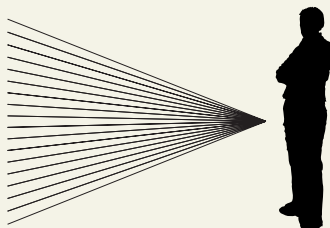
Creating Another Success Story Beyond Here, Beyond Now

Roadmap to the World, Innovation for the future

A global network of steel extending beyond Korea








A global innovation leader reaching beyond existing technology and way of working



Global POSCO Way Core Values



-  **Customer** Integrating customers into our success is a key management principle of POSCO
-  **Challenge** The challenge of transforming the impossible into reality is an indomitable spirit of POSCO
-  **Execution** Reaching goals through ceaseless execution is a working attitude of POSCO
-  **People** Recognizing the value of people is the never-changing mindset of POSCO
-  **Integrity** Adhering to ethics and integrity is a basic policy of POSCO

Vision 2018



Building on a 40 year success story in our traditional business area of steelmaking, we intend to diversify our business portfolios into energy and construction as our second core business sectors. By pursuing new businesses and green growth projects, we aim to grow into a “global big 3 · global top 3” steel maker by 2018 with secured profitability and sustainable growth potential. To achieve Vision 2018, POSCO will implement the ‘3S Strategy’ where the 3S represents ‘size up,’ ‘speed up’ and ‘synergy up.’

Growth & Expansion

We plan different expansion strategies for our steel and non-steel businesses. As for the steel sector, we are considering intensive investments into the “U” and “I” lines of our network. The “U” line connects the Eastern Europe, Asia and Far East regions and the “I” line goes straight through North, Central and South America. In pursuit of the Asian markets, we will establish a production base in the area and implement flexible strategies such as M&As, Brownfield’s and joint ventures, as well as Greenfields. In order to materialize our growth objective of “global big 3 · global top 3,” we will further expand our production capacity in the Middle East, Africa and South America; reinforce our ties with major global steelmakers; and grow our market shares through strategic partnerships and joint development projects with our customers and expanded SCM systems for our strategic products.

In the non-steel sector, our focus will remain on energy and construction businesses, concurrent with the active pursuit of new growth engines. Our energy sector focus will be on growing our commercial power generation capacity, strengthening our LNG terminal operation capabilities and on developing our renewable energy initiatives in fuel cells, wind and nuclear power generation. In the construction sector, we are planning business diversifications into plants and integration of services from design to operations. In support of these efforts, we also plan raw material development, energy and construction businesses in the growing markets of the Middle East and Africa.

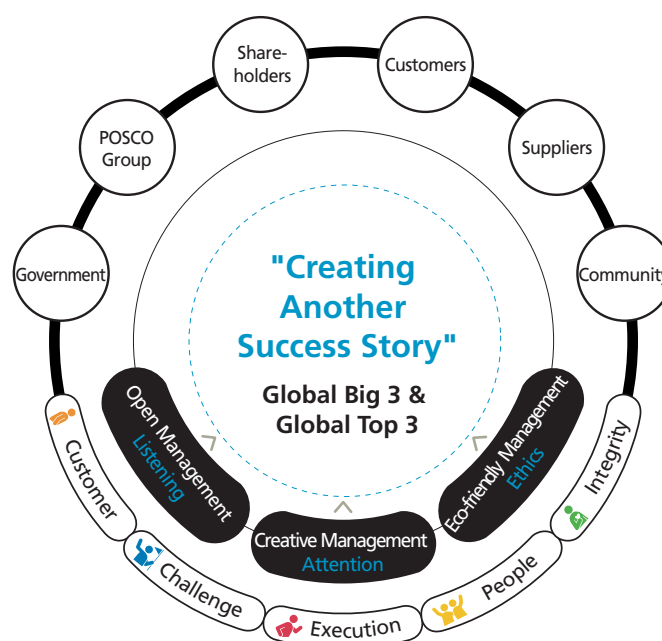
Upgrading Competitiveness

The paradigm change in global competition calls for a flexible and efficient management system. In a swift response to the global recession and decreasing production, POSCO initiated an emergency management system. In pursuit of “World Best, First and Most” technology, we will solidify our global technology leadership through the consistent development of products and processing technologies

such as FINEX, poStrip and endless rolling. We will also continue building global marketing networks, expediting resource development projects, enhancing the efficiency of our logistics systems and implementing cost-saving activities based on our proprietary technologies. Throughout these efforts, we will proactively strive to minimize the environmental impact of our production and business activities.

Reinforcing Group Synergies

Group synergies can be maximized when group businesses are organically linked together. POSCO is building a stable business portfolio to ensure its growth along with its subsidiaries. By realigning the group-wide operational system to enhance efficiency, we will lay the foundation for a pan-POSCO sharing of vision and brand as well as increased inter-group circulation of human resources. In addition, a group-wide integrated information management system will be built to further enhance group synergies to realize our vision of “Creating Another Success Story.”



Corporate Governance



POSCO has been working on its corporate governance to enhance the independence of its board of directors(BOD) and the rights of its shareholders. Our corporate governance enhancement efforts are based on our "Corporate Governance Charter" that sets forth the vision and principles of our governance. Being widely recognized as an outstanding model of transparent governance, we take pride in our being named as having the best corporate governance by the Korea Corporate Governance Service again in 2008, our third consecutive year.

Comprised of 9 outside and 6 standing directors, POSCO's BOD is centered on its outside directors, who also act as the chairman or members of the BOD's various subcommittees. Outside directors are able to convene exclusive meetings, which institutionally secures the opportunity to make statements without reservations.

Our cumulative and written voting systems significantly enhance the rights of shareholders and our Insider Trading Committee ensures transparent and fair transactions with those parties who hold a special relationship with POSCO.

In order to strengthen the independency of the BOD and its audit function over the company's management, the 2006 General Shareholders' Meeting resolved to separate the CEO position from the Board's chairmanship. The CEO Candidate Recommendation Committee was organized in 2007 and its operating principles were designed to ensure an independent and transparent procedure for selecting CEOs.

Ownership Structure

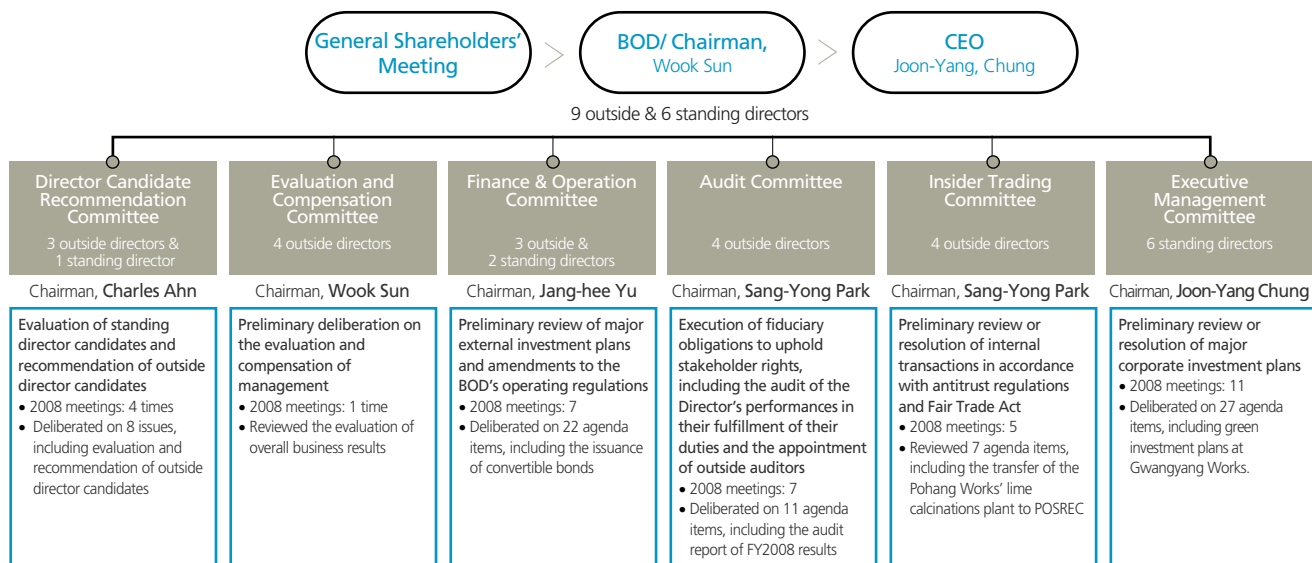
As of the end of December 2008, POSCO had a total of 87,186,835 outstanding shares listed on the Korea Exchange(KRX). Of these issued shares, 15,748,592 shares are traded on the New York, London and Tokyo Exchanges as 62,994,368 ADR shares. As of the end of 2008, the 5 largest shareholders collectively held 20.66% of the company.

Board of Directors

POSCO's BOD is comprised of 9 outside directors and 6 standing directors. Candidates for the outside directors are first screened by the Outside Director Selection Consulting Group. The list is then narrowed down by the Director Candidate Recommendation Committee before the shareholders appoint the outside director by vote at the shareholder's meeting. In the 41st regular shareholders' meeting on February 27, 2009, Mr. Joon-Yang Chung was elected to the new CEO of POSCO; Mr. Dong-Hee Lee and Jong-Tae Choi, to new CEO & presidents; and Mr. Wook Sun, to the new chairman of the BOD. Newly elected outside directors are Mr. Jang-Hee Yu, Mr. Joon-Ho Han, Mr. Yeong-Seon Lee, Mr. Byeong-Gi Kim, Mr. Chang-Hee Lee.

In 2008, the POSCO BOD held a total of 9 meetings with a 92% attendance rate. Standing directors' attendance stood at 98% and outside directors, 88%. Major agenda items include the 2009 business plan, joint bidding for the share dispositions of the Namisa

Subcommittees Organization & Activities(as of March 2009)



iron ore mine in Brazil, acquiring shares in Macarthur Coal of Australia and donations for the needy.

Subcommittees

POSCO BOD has 6 subcommittees and 5 of these, excluding the Executive Management Committee, are chaired by outside directors. The Audit Committee, Evaluation & Compensation Committee and Insider Trading Committee are comprised solely of outside directors, to ensure independency in their decision-making.

Remuneration of Directors and Executives

Remuneration for directors is determined within the limits approved by the shareholders at the general shareholders' meeting. Of the KRW 6.0 billion that the 2008 general shareholders' meeting set as the ceiling, KRW 5.5 billion was actually paid out. Remuneration

is paid in the form of basic salary, performance-based salary, and incentives. The basic salary is decided by the BOD according to the executive's position while the performance-based salary component is decided based on the BOD's evaluation standards. Other details are resolved by the BOD after the deliberation at the Evaluation & Compensation Committee.

In order to set fair compensation in proportion to performance, POSCO has adopted a performance-based compensation system. The performance salary of the CEO is based on the qualitative and quantitative appraisals of the corporation's business results. The quantitative appraisal is calculated according to the accomplishments compared to goal and previous performances in the areas of EVA, EBITDA and revenue. The qualitative appraisal is conducted by the Evaluation & Compensation Committee, based on the achievement of mid-term management strategies. Other standing directors and executive officers receive performance-based salaries in accordance with the company's business results and their individual performance evaluation by the CEO.

BOD Profile(as of March 2009)

Description	Name	Experience	Subcommittee Activities
Outside Directors	Wook Sun	Nongshim CEO Former President & CEO of Samsung Human Resources Development Center	Chairman of the Board Chairman of the Evaluation and Compensation Committee, Audit Committee, Insider Trading Committee
	Jeffrey D. Jones	US Attorney at Kim & Chang Honorary Chairman of American Chamber of Commerce Korea	Audit Committee, Insider Trading Committee Evaluation and Compensation Committee
	Charles Ahn	Chairman of AhnLab's Board of Directors Former President & CEO of AhnLab	Chairman of the Director Candidate Recommendation Committee, Finance and Operations Committee
	Sang-Yong Park	Professor of College of Business Administration, Yonsei University Former President of Korea Securities Research Institute	Chairman of the Audit Committee, Chairman of the Insider Trading Committee, Director Candidate Recommendation Committee
	Jang-Hee Yu	Chairman of the East Asian Economic Association Former Vice-chancellor of External Affairs and Development at Ewha Women's University	Chairman of the Finance & Operation Committee, Evaluation and Compensation Committee
	Joon-Ho Han	CEO & Vice Chairman of Samchully Former President & CEO of KEPCO	Director Candidate Recommendation Committee
	Yeong-Seon Lee	Chancellor of Hallym University Former professor of Economics School of Yonsei University Yonsei University Business Administration Professor	Evaluation and Compensation Committee
	Byeong-Gi Kim	Former researcher of Samsung Economic Research Institute Former Planning & Management Director of the Ministry of Finance & Economy	Finance and Operations Committee
	Chang-Hee Lee	Seoul University Law School Professor International director of Tax Law Association	Audit Committee, Insider Trading Committee
Standing Directors	Joon-Yang Chung	CEO	Chairman of the Executive Management Committee
	Seok-Man Yoon	Standing Director	Executive Management Committee
	Dong-Hee Lee	President	Finance and Operations Committee
	Jong-Tae Choi	President	Director Candidate Recommendation Committee, Executive Management Committee
	Nam-Seok Huh	Senior Executive Vice President	Finance and Operations Committee Executive Management Committee
	Gil-Soo Chung	Senior Executive Vice President	Executive Management Committee



Business Ethics

POSCO's ethics practice encompasses recurring education and promotion programs and the maintenance of an effective infrastructure to help instill ethical practices in the day-to-day duty fulfillment of all POSCO employees. POSCO's ethics practice can be summarized by "recurrent training," "strict disciplinary action against violations" and "leading by example." While, the company shares the necessity and importance of ethical practices with its employees through recurrent promotion and education programs, the consistent exposure of our employees to an ethical practice infrastructure in their daily business activities helps establish an ethical corporate culture throughout the organization.

Education & Promotion on the Employees

A sound ethical value embedded in every one of its employees is the premise of an ethical corporate culture. Keenly aware of this, POSCO has developed and put in place its own ethics education programs on- and off-line. This includes 2-hour, off-the-job training for 4,000 leaders and e-learning courses for all employees each year. We first initiated the Ethical Practice Program, an annual autonomous program focused at the department-level in 2005. The program includes free discussions and self-driven studies on ethical practices and department-level workshops utilizing Six Sigma methods, where participants discover and take countermeasures to potential ethical risks. Our group-wide social contribution monthly webzine "Living Together" helps raise an ethical mindset in our employees. We also motivate the interests of our employees through pop-up windows and screensavers under the theme of ethics.

Ethical Practice Infrastructure

While the company implements and operates institutions and infrastructure to facilitate ethical practices, POSCO employees make pledges to honor the code of conduct on line at the beginning of each year.

Instituted in August 2004, the "Whistle Blowing Program" offers up to KRW 50 million for the reporting of ethical violations. Whistle blowing is encouraged on the basis of: first, irrationality and absurdity, compromised dignity, or disgraceful behavior; and second, intentional or negligent behavior causing losses to the company and; finally, any disadvantage suffered in the course of transactions with POSCO. Consulting or reporting can be made by anyone via phone,

fax, or mail or through the internet to our Ethics Counseling Center and Cyber Ombudsman Center on our website. A total of 230 cases were received via our website in 2008 and we ensure that all communications are protected under anonymity.

In 2003, a "Gift Return Center" opened for the first time in Korea, to root out the old vice practices of giving and receiving gifts with any interest parties during Korean holidays. Items that failed to be returned are donated to charities. The remaining items are sold at internal on-line auctions and the proceeds are donated to charitable causes. In the beginning of 2009, management put more than 200 potted plants they had received in congratulations of their promotion on the auction block, using the KRW 10 million in proceeds to donate rice to the needy.

POSCO is also committed to materializing the institutional and academic aspects of ethics into actual practice in its daily business activities. On the back of every employee ID is 5-item business ethics checklist asking: "Am I making an upright decision?; Am I wielding my authority and time for the sake of the company?; Am I sure that I am not abusing power over others?; Am I am positively attending to my given duties? and; Is this the best way?" These questions help our employees make the right choices at every crossroad. Ethical mottos and quotes are posted in the elevators and lobbies of our office buildings and the house press features regular columns on compliance.

Promoting Ethical Practices of Stakeholders

POSCO encourages its business partners to practice ethical management through its business ethics seminars for new partners. All companies who are starting transactions with POSCO are required to participate in these seminars as a prerequisite to doing business with POSCO. In 2008, 120 new partners attended this program. Moreover, all contracts that POSCO enters into include a special clause which obligates both parties to abide by the code of conduct and reject bribes and any other ethical violations.

Chronology of Business Ethics at POSCO

posco

2003~2004

- June 02, 2003 Established POSCO Code of Conduct
- July 23, 2003 Opened Ethics Counseling Center
- Aug. 01, 2003 Enacted the special clause regarding POSCO Code of Conduct
- Aug. 15, 2003 Enacted and enforced the standard guidelines of POSCO Code of Conduct
- Aug. 25, ~ Sep. 01, 2003 Operated Gift Return Center, a first in the industry
- Aug. 24, 2004 Implemented a reward program for whistle blowing

2005~2006

- Jan. 03, 2005 Pledging ceremony by all POSCO employees to honor the POSCO Code of Conduct
- June 10, 2005 Kicked off the business ethics implementation program applied to the development level
- Dec. 13, 2005 Awarded the grand prize at the "4th Ethical Management Awards"
- Feb. 28, 2006 Received the grand prize at "Korea's Most Admired Companies and CEO Awards-2006"
- July 27, 2006 Published the first issue of online business ethics webzine "Ethics Digest"
- Aug. 24, 2006 Organized Ethics Committee and held the first meeting
- Dec. 07, 2006 POSCO's business ethics implementation program received the "6th Transparent Society Award"

2007~2008

- July 12, 2007 Selected as one of "Asia's Most Admired Companies" by Business Week
- Sep. 28, 2007 Presentation of POSCO's case study at the ECOA Annual Conference
- Oct. 16, 2007 Amended some of POSCO's Code of Conduct articles to include the article prohibiting sexual harassment
- Feb. 14, 2008 Received the grand prize at the "Korea Ethical Management Awards"
- June 05, 2008 Published social contribution monthly online webzine "Living Together"



Fair Competition

POSCO adopted a compliance program(CP) in 2002 in conformity to the Fair Trade Act. The CEO's compliance policy is stipulated in POSCO's Code of Conduct that was unveiled in June 2003. Starting in 2005, all POSCO employees make pledges to honor the code of conduct each year. Appointed by the BOD since 2004, compliance managers are in charge of the CP and report its operational status to BOD every year. The Insider Trading Committee was set up in the same year to insure transparent transactions with our subsidiaries. In 2008, the committee deliberated and reported on 9 issues and established a Fair Competition Support Team under its supervision.

Voluntary Advisory Committee

Consisting of managers from departments with high interests in fair transactions such as sales, purchasing and outsourcing, the Committee holds regular meetings to deliberate on material issues regarding the CP and advise the compliance managers. For the departments under the Committee, a Fair Competition Compliance Leader is appointed to oversee all fair competition practices and provide secondary support to the committee members, self-audit and consultation for each department.

Education Programs

Since the opening in 2002, a total of 25,469 training man-hours have completed the e-learning program on fair competition as of the end of 2008. The program is supplemented with practical lectures by outside experts from the Fair Trade Commission and others. In 2008, 1,873 employees from across-the-board received 40 sessions of off-the-job training in addition to the annual compliance courses. In 2004, we launched an exclusive webpage for fair competition, facilitating self-audits and online consultation. We also distributed handbooks covering the system and methods of self-audit and fair competition checklists to all departments and subsidiaries. The department-level self-audit and consulting system is an internal mechanism for monitoring violations. The workers from the 7 departments involved in sales, purchasing and outsourcing businesses, which are designated for mandatory inspections, conduct self-audit against the checklists and consult with the appropriate department on potential risks.

2008 Performance

We conducted a survey on our employees working in those departments related to fair competition to evaluate and improve the

CP performances in 2008. To strengthen the internal monitoring mechanism, we undertake regular checks on the operations at a department level and publish a monthly "Fair Competition News" to raise our employee awareness of the importance of fair competition through intranet pop-up windows. POSCO also supports its subsidiaries' adoption of CPs. As of 2008, 11 of its subsidiaries have CP programs in operation and conduct off-the-job training for their Voluntary Advisory Committees and Fair Competition Compliance Leaders. Furthermore, we held 4 sessions of our "Fair Trade Academy" to enhance the consulting capabilities of our fair competition officers.

Compliance Program(CP) in Subsidiaries

Period	~2003	2006	2007	2008	2009(plan)
Category	POSCO E&C	POSCO C&C			
	POSDATA	POSCON	POS-M	POSTEEL	POS-A.C
	POSCO	POSREC	POSMEC	POSMATE	POSCO Power
	Specialty Steel	Samjung P&A			SNNC
No. of companies (aggregate)	3	7	9	11	14

POSCO's CP operation was widely recognized as it won the industry's top AA grade in an evaluation by the FTC on the operational performance of its CP. To date, POSCO has no history of being subject to sanctions or legal measures due to unfairness or monopoly business practices.

Future Plan

In 2009, POSCO's dedication to the establishment of compliance into the corporate culture will continue through its initiatives to practice compliance on a group-wide level. Our goal is to prevent potential legal violations, strengthen inspections, promote voluntary compliance, encourage subsidiaries to adopt CPs and reinforce CP operations. To that end, we devised a "Mid- to Long-term CP Roadmap" for effective training in accordance with the position and job function of each employee. As for those matters with high risk potential, a regular monitoring program will be applied. At the same time, the "Fair Competition Academy" will be held once every quarter to improve the consulting capabilities of our compliance officers.

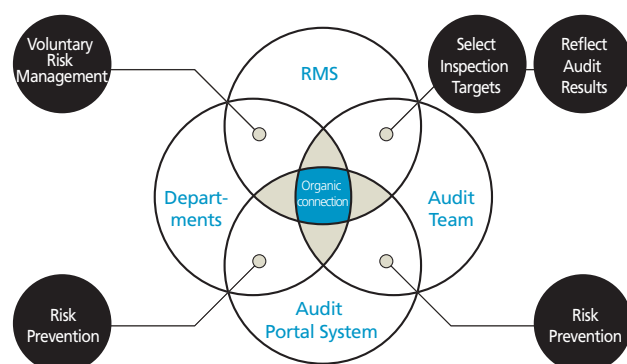
Risk Management System



Risk Prevention Activities

POSCO started a company-wide Risk Management System(RMS) in 2004. The system identifies and classifies the risk elements in each work process by importance, potential, impact and control level. An efficient operation of RMS requires risk updates in tandem with changing business environments. POSCO established an organic system of inter-department cooperation for the constant monitoring of risks by connecting the risk management process with internal audit activities and by collecting feedback from working departments. In addition to the RMS, we have phased in an Audit Portal System by sector in the purchasing, finance and sales business areas, starting in 2006. It is a constant monitoring system that automatically identifies and analyzes irregularities during a given period. This not only reduces the workload for auditors but also minimizes potential “blind spots.” Since the basic elements of risk management rests within each working department, we have opened the system to all departments so that risks can be controlled at the working-level, in turn minimizing risk potential.

Risk Management System Map



However, added workloads have hindered the efficient fulfillment of duties and risk-checking at the working level at the same time. To address this problem, POSCO introduced a department-level risk prevention system to the sales and purchasing departments in 2008. The new system enables preemptive measures to be taken on irregularities as they are discovered, as the system instantly notifies those in charge via e-mail in the event of an identified risk. Composed of highly important key risks, the system has proven its effectiveness in risk management with a high degree of interest and participation of our employees only in 3 months in operation. In 2009, the system will be expanded to other business areas of investment and maintenance.

Internal Audit

POSCO runs a comprehensive Audit Control System, which employs an audit-related knowledge database and manages the systematic control of its audited businesses. Its tight control of risks preemptively prevents the recurrence of the same risks. In 2008, POSCO strengthened its audit of vulnerable areas and took disciplinary measures on 100 persons(precaution and warning) and administrative punishments(instructions and prevention).

Internal Controls for Financial Reporting

POSCO is listed on the Korean and New York stock exchanges. In December 2003, we established a system to assess internal controls over financial reporting, especially regarding the CEO/CFO's certification of disclosures and the internal controls and operation of a disclosure committee. In 2004, we introduced self-assessments on internal control practices. Under the Sarbanes-Oxley Act* that mandates external audit certification since fiscal year 2006, we completed a group-level internal control evaluation system which also covers our subsidiaries in March 2005. External auditing began in 2006, enhancing the credibility of our financial reporting and disclosures. As for the financial reporting internal control system, we employed external consulting agency and used the Standard Control Activity Framework presented by COSO** and the U.S. SEC to document key processes in 10 sectors, evaluate job risk factors and design control activities. We also set up a web portal for the evaluation system.

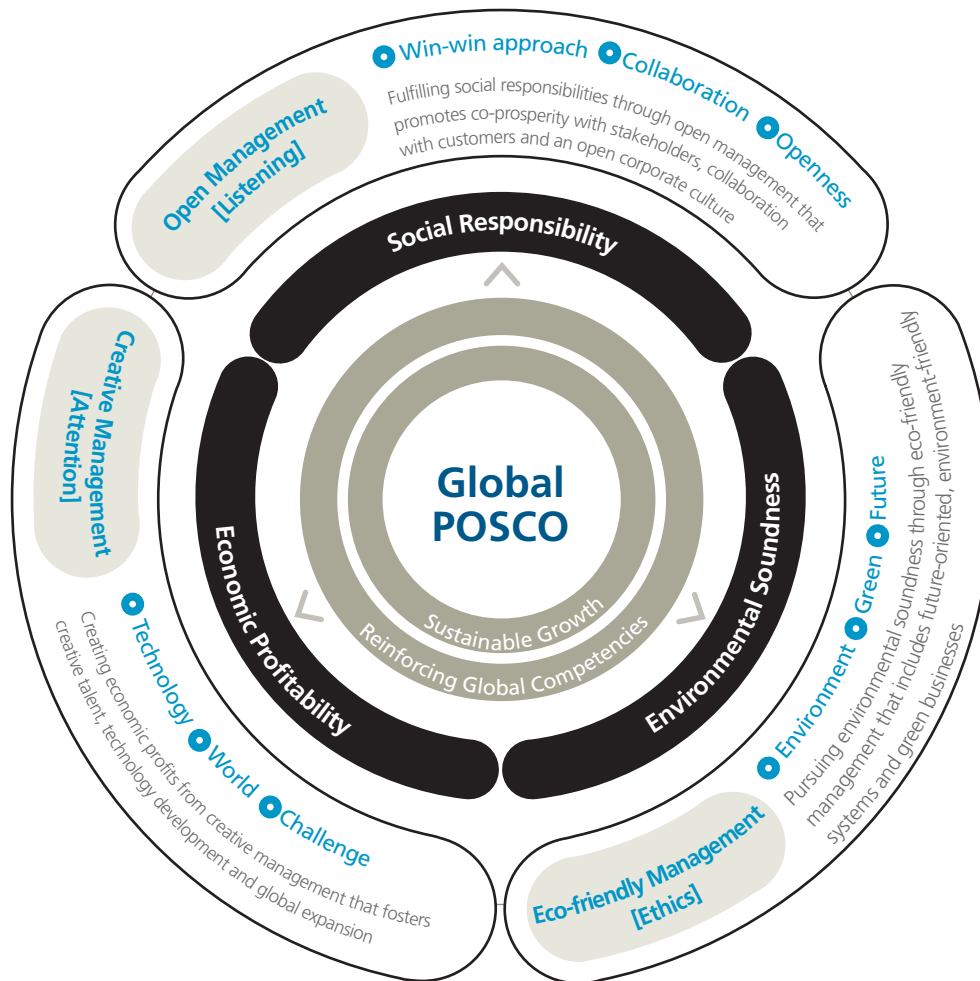
* Sarbanes-Oxley Act: US law on accounting reform introduced in July 2002 that requires more stringent corporate accounting controls.

** COSO(Committee of Sponsoring Organizations of the Treadway Commission): The US corporate internal control system evaluation group set up in 1985.

Internal Controls Evaluation System

Members of an independent department, who have a good grasp of the job functions, carry out effectiveness evaluations of the internal controls to support top management's certification of internal controls. Based on the results, management reports to the board and audit committee on the operational status of its internal accounting control system every year under the “Act on External Audit of Stock Companies” that was amended in 2008.

Sustainability Management



POSCO's Sustainability Management

In his inauguration speech in 2009, the new chairman of POSCO Joon-Yang Chung reiterated his commitment to "Creative Management," "Open management" and "Eco-friendly Management." Constituting the basic principles of sustainability management that POSCO has been pursuing all these years, the three philosophies demonstrate POSCO's determination to become the best company to work for and to invest in, the best partner to work with, and a company that protects the environment. Consuming a vast amount of resources and energy in its processes, steel making has an inevitably significant economic, social and environmental impact on the world. Keenly aware of this from the outset, POSCO has striven to address these issues. In 2003, we announced our sustainability commitment and set up a CSM team. Leveraging our transparent and advanced corporate governance, we are promoting eco-friendly management, win-win cooperation,

social contributions and business ethics. Details on each subject are available in the following pages.



► Eco-friendly Management Milestone 34p, Win-win Cooperation 53p, Social Contributions 58p, Business Ethics 16p

POSCO's Sustainability Accomplishments and Awards

In 2008, we were selected as the most admired company in Korea by Fortune, one of the top 3 most admired Korean companies for 3 years in a row by Asia Wallstreet Journal and the most admired company for 5 consecutive years by the Korea Management Association. In January 2009, we scored first amongst 30 major Korean companies in the Accountability Rating Korea 2008. Of the 4 criteria, we outperformed the 10-top performer average in strategy,

management systems and operational performance. In November 2008, we received the grand prize at the “Korea Sustainability Report Awards” by Korea Standard Association and GRI. In determining this Award, 1,570 stakeholders cast votes online, on 57 reports published in Korea. According to the result, POSCO was selected as the top performer in the manufacturing category.

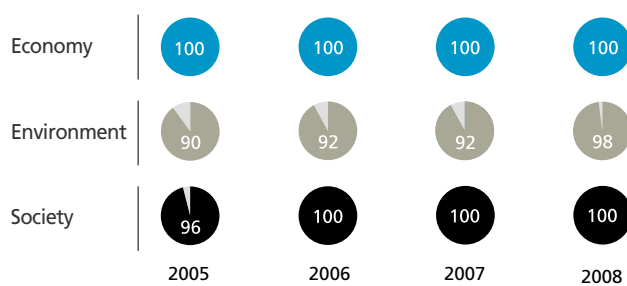
POSCO has also received good responses from abroad. Not only was POSCO included in the DJSI for 4 years in a row since 2005, but it was also selected as a gold class company(over 75 points) and sector mover. POSCO was the only company to be added to the index for 4 consecutive years from the steel industry, which has notoriously high environmental risks. In particular, POSCO received the highest scores in 10 out of 18 categories in economic, environmental and social aspects in 2008.

SAM_DJSI Scores

● POSCO ● Steel Industry Average ● Steel Industry Top Performer



● % Against Economic aspect top performer
● % Against Environmental aspect top performer
● % Against Social aspect top performer



Awards

Jan. 10, 2008	Money Today, the best stock for inheritances
Feb. 21, 2008	Korea Association of Business Ethics, Grand Prize at the Korea Ethical Management Awards
Feb. 21, 2008	Korea Management Association, the Most Admired Company in Korea
Mar. 13, 2008	Fortune, the Most Admired Company in Korea
Apr. 10, 2008	Forbes, Global 200 companies
Apr. 17, 2008	Asia Wall Street Journal, Top 3 Most Admired Korean Companies(3 years in a row)
May 29, 2008	P&P Research Group, the best company in the Best Social Contribution Awards
July 3, 2008	Financial Times, Global 500 companies (5 years in a row)
Dec. 26, 2008	Hankook Daily, Korea Sharing Service Award



Dow Jones Sustainability Indexes(DJSI)

The Dow Jones Sustainability Indexes(DJSI) tracks the performance of leading sustainability-driven companies worldwide. The DJSI World investable stocks universe consists of 2,500 companies that are included the Dow Jones Global Indexes(DJGI). DJSI stocks are selected based on corporate sustainability evaluations by SAM Research, which bases its findings on media assessment, stakeholder analyses and extensive surveys.

The component companies are subject to constant monitoring. Based on annual reviews, an average 10~15% of the DJSI components are replaced every year. DJSI component companies are given priority recommendation for investment by SRI(Socially Responsible Investment) funds, meaning exposure to stable, long-term investors.

Activities with Major Sustainability Related Organizations

Category	Organization
Global agencies	worldsteel WSA(World Steel Association) Sustainability Forum
	ENCO(Environment Committee)
	CO ₂ Breakthrough Programme
	Kyoto Protocol and Steel Industry
	LCA(Life Cycle Assessment) Project, LCI(Life Cycle Inventory) Project
Domestic agencies	World Business Council for Sustainable Development WBCSD
	지속가능발전기업협의회 KBCSD
	지속가능경영원 BISD
	한국철강협회 KOSA

Running with all the Cars

across the World



POSCO has developed high-quality auto steel sheets and has expanded its production and sales network. In **2008, the company completed a production base of 6.5 million tons of annual capacity** and began supplying hot dipped galvanized steel sheets to Toyota, **emerging as one of the world's top 3 auto steel sheet suppliers**. POSCO will flexibly respond to rapidly changing business environments by stepping up its **sales of strategic products** and prepare for the future market, continuing its success story.

World's 3 Top Auto Steel Sheet Supplier

TOP 3

Economic Contribution

Disclosure Management Approach

Adapting to the new global market competition requires capability to swift response to changes and efficient drive towards attaining goals. Therefore, POSCO pursues “World’s Best, First, and Most” technologies in order to secure its global stance as a leading company with competitive technology.

Vision

POSCO has declared its “Vision 2018” of growing into a global leading steelmaker with annual consolidated sales of KRW 100 trillion. To attain that goal, the company will add more new growth engines to its steel-focuses business portfolios and further reinforce its growth potential, profitability and stability of business operation.

Strategies

POSCO has set its mid-term roadmap with an aim to rise over the challenge of global economic crisis by proactively coping with the ever-changing global markets. To that end, the company has come up with 10 initiatives and 100 action plans including emergency management system to overcome the economic crisis and customer-oriented marketing infrastructure.

Major Issues

- ★ High: Business results, R&D
- ★ Medium: New business, raw materials
- ★ Low: Employment, corporate value, wage

Performances

In 2008, POSCO realized KRW 30,642.4 billion of sales, KRW 6,540.0 billion of operating profits and 33 million tons of crude steel production. Despite the adverse economic circumstances, the company was able to achieve this historic business results, driven by its high-value added product line-up and low-cost production system. While expanding its facilities to achieve 41 million tons of crude steel annual production in its domestic location, POSCO continued to increase its overseas equity investments in Brazil, Australia. It also carried on with its global base expansion in Vietnam, China and the U.S.

Mission

In a bid to cope with the global economic recession, POSCO made a hard decision to reduce its production for the first time in its history. In addition, the company initiated an emergency management system and will reinforce its business operations for better cash flows and cost-reduction. In 2009, it plans a record-high size of investment in facility expansion and high-added value production line.

Leaping towards the world's largest plate producer P. 24



We are building a plate plant at our Gwangyang Works to boost our production capacity to 7 million tons per annum to meet the rapidly growing market demands for our plate products. To be completed in July 2010, the new plant will boost our annual plate production from 4.3 million tons in 2007 to more than 7.25 million tons by 2011.

Historic-high sales records in 2008 P. 28



POSCO realized historic high performances in 2008-33.14 million tons of crude steel production, KRW 30.6 trillion in sales and KRW 6.5 trillion in operating income. Production grew by 21% from the previous year, while sales and operating income increased by 38% and 52% year-over-year, respectively. To repeat this achievement in 2009, we plan to make a total KRW 7.5 trillion in domestic investments, up 53% from the previous year.

Acquiring 40% stake in a Brazilian iron ore mine Namisa P. 24



POSCO has acquired a 40% stake in Namisa, a Brazilian iron ore company, forming a consortium with a Japanese steel company and corporation. The Namisa mine is estimated to have a total of 500 million tons of iron ore reserves. POSCO imports 25% of its iron ore from Brazil and the recent equity acquisition in Namisa will increase its iron ore self-supply ratio from the current 14% to 25% by 2012.



Management Strategy

In 2008, the world steel industry was challenged by skyrocketing raw material prices, only to face sagging market demand and plunging international steel prices. While steel makers in Europe, Japan, China and others cut back in production to deal with the market insecurity, we focused on solidifying our growth drivers. While offsetting the raw material price hikes through cost-savings and onsite innovations, we continued investments in new growth engines. In 2008, non-consolidated sales reached a historic-high of KRW 31 trillion with KRW 6.5 trillion in operating income, while consolidated sales amounted to KRW 42 trillion with KRW 7.2 trillion in operating income.

◎Laying the Foundation for 41 Million Tons of Crude Steel Production

Under a plan to accommodate a crude steel output of up to 41 million tons, Pohang Works broke ground on a new steel mill in July 2008. A new 2 million-ton plate plant at Gwangyang Works will pave the way for POSCO to become the world's largest plate producer by 2011. Other strategic production line expansions include: large & heavy production facilities at Pohang No. 2 plate mill; a new large section, bloom type, continuous casting machine at our No. 1 continuous casting plant; the rationalization of billet mill; and the upgrade of Gwangyang No.1 hot rolling plant.

◎Continuous Investments in Our Global Expansion Strategy

While expanding our investments in raw material development to attain our goal of 30% self-supply ratio, we have continued to invest in our overseas projects, building local production lines in Asia and the U.S. Our historic-high overseas raw material share investments include taking stakes in Macarthur Coal in Australia, Namisa, a Brazilian iron ore company, and a molybdenum mine in the U.S. We also completed an SNNC plant, our nickel smelting subsidiary in Gwangyang, to secure a stable supply of STS raw materials. Our cold rolled steel plant with an annual capacity of 1.2 million tons in Vietnam completes our Asian production network which spans the region from India to China. We constructed a tin plate plant and a wire rod processing plant for the automotive sector in China and successfully launched POSCO Malaysia, our first overseas steel plant M&A. With the construction of a joint API steel pipe mill in the U.S and a hot dipped galvanized steel sheet plant in Mexico, we expanded our share base in the growing American automotive markets and completed a batch service ranging from production, to processing and sales.

◎ Reinforcing Our Global Sales Infrastructure and Cost Competitiveness

While reinforcing our global sales infrastructure, we have solidified our high value-added product base along with multifaceted cost-saving efforts to balance out the rising raw material prices. Having completed a 6.5 million-ton capacity, we will begin supplying automotive steel sheets to Toyota. In addition, we have

added 8 new overseas points to complete our global supply chain management(SCM) network worldwide for the sale of our high value-added products. We also initiated a global early vendor involvement (EVI) forum for domestic and overseas car and component makers. In an effort to absorb rising raw material prices, we have mounted an across-the-board campaign for low-cost production and lower-price raw materials, saving costs of KRW 700 billion annually. As a result, we were able to reduce operating costs by KRW 2.7 trillion over the past 3 years.

◎ Improving the Future Value of POSCO

We continue with R&D activities on eco-friendly technologies to enhance the future value of POSCO while securing new growth engines. The FINEX facility that we completed in 2007 improved technology, attaining production targets ahead of schedule. As part of our investment in new growth engines, we completed the construction of our first fuel cell plant for power generation in September 2008. We also started the operation of solar power plants at our two Works and broke ground on a 1,200 MW-class LNG combined power plant in Incheon, setting the stage for us to become a major, private power generation company. We also take pride in our small hydroelectric power plant in Gwangyang, which was registered as a CDM project by UN.

◎Continuous Management Innovation & Win-Win Cooperation

We have enhanced our sustainable growth competencies through management innovation activities and win-win cooperation initiatives. We promoted the POSCO Way, an advocacy for our Group-wide core values, and various innovation initiatives and incorporated the Quick Six Sigma(QSS) and Work Diet initiatives into our corporate culture. In support of the SMEs who are suffering from the global financial crisis, we have held group-wide win-win cooperation and fair trade agreement ceremonies. In addition, we launched the POSCO Social Contribution Committee as the vehicle for organizing our CSR activities. By maintaining proactive communications with industrial, economic, academia and media entities, POSCO also actively states its position regarding public policies and participates in legislation activities that have influence on its business operation. For instance, we played a role in the amendment to the Enforcement Decree of the Foreign Investment Promotion Act in February 2008 that contributed to a policy environment that supported the sustainable development of the national infrastructure industry. Our accomplishments included: POSCO's appointment to the SAM-DJSI(Dow Jones Sustainability Index) for 4 consecutive years; a grand prize at "Korea's Ethical Management Awards;" and 2nd largest corporate value amongst the world steelmakers, for the second year running; the "Best Company to Work For" in Korea; and one of the "28 Asian companies who will survive the world economic crisis."

Technology Innovation



Securing the Front Runner Position in Steelmaking Technology

With an aim to sharpen its competitive edge in high-grade steel production, POSCO is mobilizing its available resources on its technology development projects, including its 8 strategic products. In 2008, the surface quality of electrical steel sheets considerably improved and the productivity of TMCP plates has reached a world leadership level, substantially boosting the strategic product sales ratio up to 65% of the company's total sales portfolio. Since 2006, we have invested KRW 3 trillion in enhancing our strategic products' production lines including the Pohang No. 2 plate mill and the Gwangyang CGL plant. POSCO has also secured a technology leadership in innovative process technologies. In response to competitors' catch-up activities to our quality advantage in strategic products and customer demands for high quality, we are projecting our strengths forward to develop world-best and world-first products, maintaining the momentum in our technology development.

POSCO's Diverse Growth Engines for a Greater Business Group



◎Main Supplier of Auto Steel Sheets to Major Global Carmakers

POSCO has become one of the world's top 3 auto steel sheet suppliers, supplying hot dipped galvanized steel sheets to Toyota and selected as an excellent supplier by several major, global car makers. POSCO is spurring the development of its own technologies for mass production of high-value added products with quality surfaces and low-cost.

◎API-Grade Steel Mass Production Technology

With skyrocketing oil prices giving rise to a number of pipeline

construction projects, POSCO sold 820,000 tons of hot-rolled API-grade steel in 2008. It will further solidify its position as a world leader in the API-grade steel sector, by securing stable distribution channels and providing customized total solutions on all related technologies, including welding.

◎Stainless Steel Competitiveness

POSCO has focused on reinforcing the functions of our auto steels, securing supply chains for exports and EVI activities and acquiring certificates for our products. In 2009, we will proceed with our continuous cold rolling plant, which will be completed in the first half of the year.

◎Electrical Steel

Through constant quality enhancement and new product roll-outs, POSCO is one of the global top-tier, high quality suppliers of electrical steel products. Throughout our journey to achieve quality targets, we will assist the manufacturers of convertors and motors to sharpen their global competitiveness, while contributing to environmental protection.

◎Hot Rolled Steel Technology

POSCO has continued R&D activities on low-cost steel products and processes. A joint development initiative with its customers has successfully replaced the H section and concrete with hot-rolled steel. In the future, we will achieve industry-leading quality by developing high value-added hot-rolled steels and low-cost manufacturing technologies.

◎Plate Technology

POSCO has striven to upgrade the productivity and quality of its heavy plates and has successfully secured the technology base to do so. Moving forward, we will further differentiate our technology by focusing on TMCP steel technology.

◎Wire Rod Technology

Setting our vision at "establishing our brand image as the world's best auto wire rod maker," POSCO has already made improvements in its coil armor and packaging. Looking ahead, we will push forward on the development of new technology and products in the high-quality auto wire rod sector.

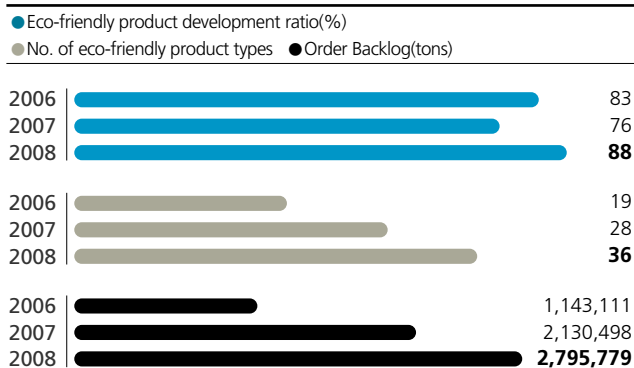
◎Cold Rolled Steel Technology

In 2008, POSCO utilized its proprietary engineering and designing technology to complete the No.2 Electrolytic Galvanizing Line(EG) at its Pohang Works, for the expanded supply of high-quality, electric home appliances. In pursuit of creating new market demand, we will continue R&D activities on new-functional surface-processed products.

Environment-Friendly Products

POSCO endeavors to develop new technologies and processes to minimize pollutants and energy consumption in its production, to reduce its impact on people and the environment in the use of its products and to promote the recycling of wastes. Since our first development of 14 products in 2000, the number of eco-friendly products now totals 202 as of 2008, in the areas of environmental preservation, energy saving and recycling. In 2008, eco products accounted for 88% of POSCO's total product development and sold 2.8 million tons.

Environment-Friendly Product Development Trends



Types of Environment-Friendly Products

Category	Function	No. of products in 2000~2008
Environmental preservation	- Decontamination of environmentally hazardous substances and isolation of harmful substances to the human system	25
	- Reduction of noise and vibration, upgrading of exhaust gas purification performance	
Energy saving	- Light-weight automobiles, omission of a heat treatment process	142
	- Enhancement of energy efficiency and machinability	
Recycling Increase	- Improvement of corrosion resistance, life span and durability	35

◎ Shipbuilding Plates with High Heat Input, EH36-TMU

Shipbuilding plates with high heat input offer superior strength and impact resistance, enhancing productivity at ship yards. The outer hulls of container vessels are covered with thick, heavy steel weighing over 80 tons, requiring a heat input of 30 kJ/cm /26pass /13 hours to weld. The EH36-TMU, however, has considerably reduced the required heat input to 550 kJ/cm /1 pass

/1.5 hours, improving welding productivity tenfold over the old product. The market demand for this product is on the rise as it is expected to phenomenally expedite dock turnover rates.

◎ Non-Grain Oriented Electrical Steel Sheet Thick Coating

Our non-grain oriented electrical steel sheet thick coated products have been greatly improved using chromate-free insulation. Chromate, which to date had been an essential substance in insulation coating, has long been controversial because of its status as an environmental hazard. The new product can be applied to iron cores that require a high degree of insulation, achieving the highest efficiency, especially valuable in large-scale generators used in hydro, thermal and wind power plants. As the coatings ensure the durability and high efficiency of the core parts of these expensive power generation facilities, this new product will create new market demand within the power generator industry. Having filed for a patent in 2008, POSCO will continue its R&D activities to improve the function of this product.

◎ CR/GA 490DP Steel Sheets for Car Exteriors

CR/GA 490DP is an application for automotive outer door panels with enhanced strength and ductility. POSCO is currently working on mass production and promoting demand for this new product. When applied to a vehicle's exterior of the same thickness, our new product substantially improves the car's fuel efficiency while providing better dent-resistance and strength, as it weighs less than the 340MPa-class Bake Hardening, which is currently popular for car door exteriors. At the moment, we are cooperating with car makers in the assessment of these sheet strengths for expanded application to hoods and fenders. Once the tests are completed, this new product will be a game changing technology leader in the car exterior steel market within the next couple of years.

◎ STS436J1L Steel for Car Exhaust Systems

The STS436J1L steel used for automotive exhaust systems is made by applying molybdenum to 18% chromium-content, ferrite stainless steel to strengthen its corrosion resistance. It is popular for automobile muffler casings due to its excellent corrosion resistance to the high salinity(C12-). Originally developed by a Japanese steelmaker, it had been previously applied only to Japanese automobiles. However, POSCO, working together with Korean exhaust system manufacturers, has developed a superior product with improved corrosion resistance and formability. This timely, new product meets the requirements of today's stricter environmental regulations while extending the lifespan of the exhaust system. The market demand for this product is growing due to its excellent performance in corrosion resistance, trimming and cost-savings.

New Businesses



Accounting for 7% of Korea's total domestic energy consumption, POSCO has been constantly investing on reducing energy consumption since its foundation. Such efforts resulted in accumulated experience and expertise in the areas of electricity, gas, coal and oxygen in addition to its main business of steel making. Offering both competitive advantage and synergy with its core businesses, the energy business is therefore one of the new growth engines of POSCO. Our focus will be on projects in the energy, natural gas, overseas resources development and renewable energy arenas.

◉ Energy

POSCO operates private power stations that utilize by-product gases from its two Works and LNG to generate 2,500MW electricity. POSCO Power, Korea's largest private power generator that we acquired in 2006, is now building two 1,200MW-class LNG combined cycle power plants(units No. 5 and 6). Upon completion, these new plants will serve as a strategic vehicle for the stable supply of electricity to Seoul and its vicinity as well as the platform for the company's sustainability. Also under construction are two by-product gas combined cycle power plants(units No. 1 and 2) at Gwangyang Works that utilize the by-product gasses from the Gwangyang Works to generate 300MW power. The completion of these plants in July and May 2011, respectively, will increase the total power generation capacity of POSCO and POSCO Power to 5,800MW, which represents 8% of Korea's total power generation capacity as of the end of 2008.

◉ LNG Terminals

POSCO's "Oil-Less" policy that stipulates the use of clean LNG for power generation fuel, effectively adheres to emerging carbon regulations, while protecting local environment. In July 2005, POSCO became the first Korean company to directly import LNG with its completion of two 100,000kℓ-class Gwangyang LNG Terminals. Of the 1.15 million tons of imported LNG, the Terminal supplies 300,000 tons to Pohang Works, 250,000 tons to Gwangyang Works and 600,000 tons to the SK Group's K-Power plant. In order to heighten the operational efficiency of the Terminal and to meet the growing LNG demand of the future, POSCO is now constructing an LNG storage tank to be completed by September 2010.

◉ Overseas Resource Development

In order to secure our access to stable energy supplies, we participated in the exploration of the Aral Sea gas fields in Uzbekistan in cooperation with Korea Oil Corporation in 2007. The Aral Sea gas fields are estimated to hold reserves of 8 Tcf(trillion cubic

feet, 168 million tons), equivalent to the total amount of gas consumed in Korea over the past 8 years(Korea's annual consumption is about 22 million tons). POSCO's stake in the project is equal to approximately 30 years worth of the company's annual LNG imports(550,000 tons/year). Assessments are currently under way on the geological structures of the sections to be drilled, with drilling on the first couple of sections to begin in 2009.

◉ Renewable Energy

In promotion of our resource recycling practice which focuses on the elimination of wastes, POSCO is involved in a project that will dry and process sewage sludge and daily wastes to transform into fuel for power generation. This project will enable us to generate income from waste treatment, while satisfying the renewable energy portfolio standards(RPS) and securing carbon credits. The sewage sludge-fueling project will transform 40% of sewage treatment by-products,(or 1.5 million tons/year) into power generation fuel amounting to 300,000 tons/year by 2011. The waste fueling project will treat 780,000 tons, or 10% of the nation's total annual waste, turning it into 390,000 tons of refuse derived fuel(RDF) and 80MW of power generation capacity. In 2007, we secured priority rights for private investment in a waste-fueled power generation project for Busan. We are now constructing a sludge treatment facility in Suwon and preparing proposals to the local governments of Seoul metropolitan area, Daegu, Gwangju and Pohang.

◉ Clean Development Mechanism(CDM)

Committed to reducing carbon emissions arising from the steel-making process, POSCO is an active member of the CDM project. Work is underway to register 3 projects with the UN which include the combined cycle power generation using FINEX by-product gasses and 2 small hydroelectric power plants in Gwangyang. We are also seeking ways to link our strip casting and fuel cell business with CDM. We are also participating in the forestation initiative as part of the CDM project. Planting trees which absorb gases from the atmosphere is an effective way of securing carbon credits. We are studying the feasibility of CDM forestation projects in Southeast Asian and South American nations. We intend to secure 10% of our targeted carbon credits through such overseas endeavors. In addition, we plan a 1MW solar power plant at our Pohang and Gwangyang Works, respectively, and a 40MW-class wind power plant on Taegi Mountain of Hoengseong, Gangwon-do.

Economic Performances



Business Performance & Product Sales

Sales revenue grew by 38% year-over-year to reach KRW 30,642.4 billion in 2008, driven by an increase in the production volumes of crude steel and other products. The company's operating

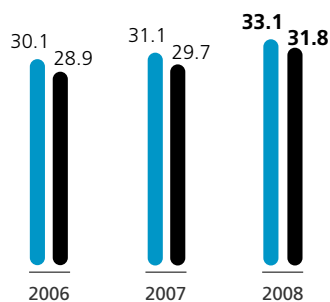
margin increased by 1.9%p to 21.3% as a result of rising product prices driven by the surge in raw material prices and the growing exports of high value-added, strategic products. EBITDA*, an indicator of cash generating ability, increased to KRW 8,448 billion, with the EBITDA margin edging up 0.4%p from 2007.

* EBITDA: Earnings before interest, tax, depreciation and amortization

Production Volume

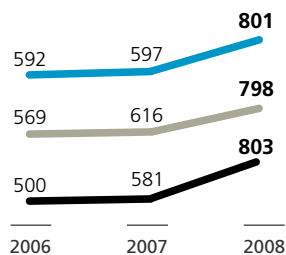
(Unit: million tons)

● Crude Steel ● Product



Prices of Major Products

● Cold-rolled coil (Domestic, KRW 1,000)
● Cold-rolled coil (Export, USD)
● Hot-rolled coil (Export, USD)

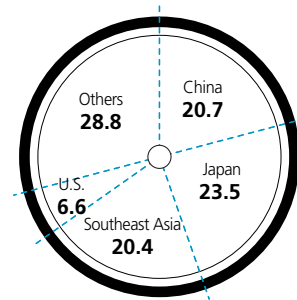


* Premier product, FOB basis

* Product prices increased due to rising raw material costs.

Export Breakdown by Region

(Unit: %)



Key Financial Indicators

	2006	2007	2008
Sales (KRW billion)	20,043	22,207	30,642
Operating Income (KRW billion)	3,892	4,308	6,540
Net Income (KRW billion)	3,207	3,679	4,447
Operating Margin (%)	19.4	19.4	21.3
ROE (%)	15.5	15.9	17.0
EBITDA (KRW billion)	5,450	6,029	8,448
EBITDA Margin (%)	27.2	27.2	27.6
Shareholders' Equity (KRW billion)	21,792	24,503	27,784
Debt-to-Equity Ratio (%)	21.0	24.4	33.3

Sales Volume by Product

(Unit: 1,000 tons)

	2006	2007	2008		
			Total	Domestic	Export
Hot-rolled steel (including PO)	10,395	10,264	10,700	7,809	2,891
Plate	3,572	3,831	4,593	4,355	238
Wire rod	1,853	2,018	2,020	1,663	357
Cold-rolled steel	8,971	9,607	10,416	6,064	4,352
Electrical steel	659	907	932	481	451
Stainless Steel	1,885	1,609	1,306	744	562
Others	1,208	1,345	1,198	1,076	122
Total	28,543	29,581	31,165	22,192	8,973

Economic Impact on Stakeholders

As a responsible corporate citizen, POSCO is dedicated to mutual prosperity along with its stakeholders. We create value throughout all our business activities, from purchasing, to

production, to sales. We also distribute value to our stakeholders in the form of taxes to the government, dividends and interest to our investors and contributions to our local communities. Also, POSCO has neither received state subsidies nor been subject to penalty or sanctions due to violations in 2008.



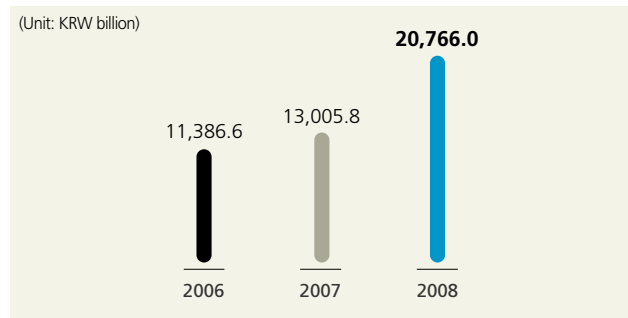
Purchasing & Outsourcing Costs

(Unit: KRW billion)

	2006	2007	2008
Raw material costs	8,805.0	10,347.1	17,612.5
Other material costs	1,350.8	1,308.0	1,648.7
Outsourcing costs	1,230.8	1,350.7	1,504.8
Total	11,386.6	13,005.8	20,766.0
As % of revenue	56.4%	58.6%	67.8%

* Increases in raw materials and other material costs, produced an increase in total costs as a percent of revenue, by 9.2 points year over year.

(Unit: KRW billion)



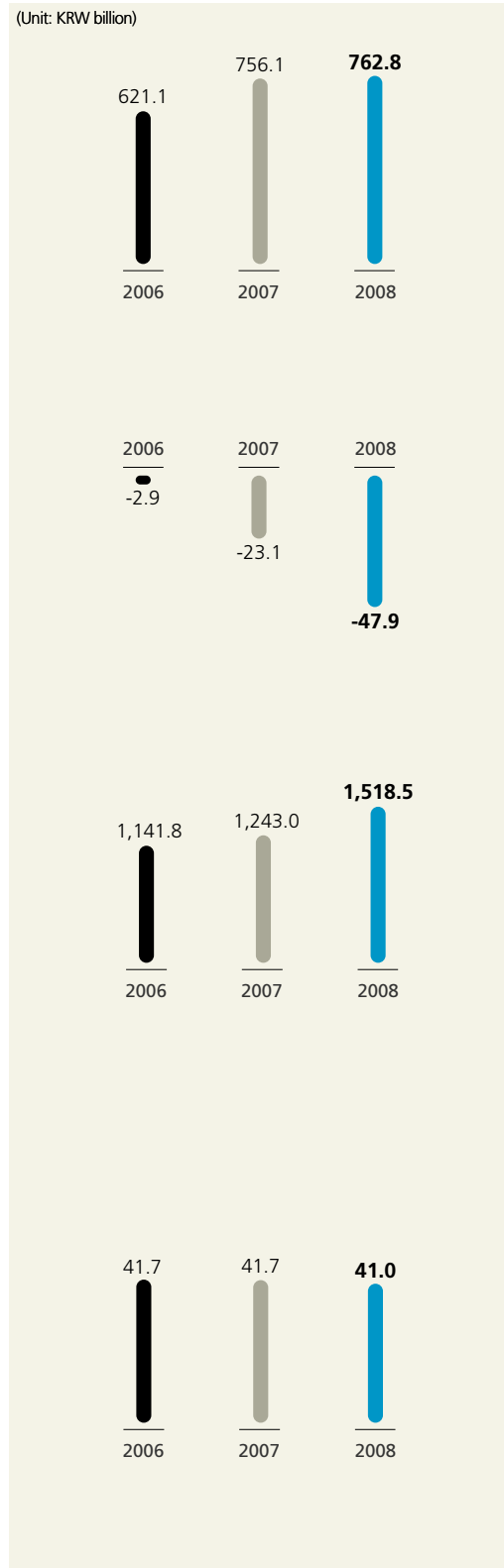
Dividend Payout (Unit: KRW)			
	2006	2007	2008
Dividends(%)	160	200	200
Dividend per share(KRW)	8,000	10,000	10,000
Interim dividend per share(KRW)	2,000	2,500	2,500
Total Dividends(KRW billion)	621.1	756.1	762.8
Earnings per share(KRW)	40,748	48,444	58,905

Interest Expenses (Unit: KRW billion)			
	2006	2007	2008
Interest Expenses	78.8	103.3	143.2
Interest Income	81.7	126.4	191.1
Net Interest Expenses	-2.9	-23.1	-47.9

Wages (Unit: KRW billion)			
	2006	2007	2008
Fixed wages	907.1	930.8	972.0
Provisions for severance & retirement benefits	78.0	134.4	240.0
Variable wages	156.7	177.8	306.5
Total	1,141.8	1,243.0	1,518.5

- * POSCO abides by the provisions of the Minimum Wage Act.
- * Salaries for new recruits are equivalent to 505% of the legal minimum wage.
(Theoretical annual salary of a new recruit at a plant divided by average annual working hours per employee in 2008)
- * There is no gender discrimination in POSCO's basic salary system.

Pensions (Unit: KRW billion)			
	2006	2007	2008
National Pension premiums			
(company's contribution)	33.4	33.3	32.6
Subsidies to personal pensions	8.3	8.4	8.4
Total	41.7	41.7	41.0
Number of beneficiaries to the personal pension subsidies			
(persons)	12,606	12,763	13,491



Total Taxes Paid (Unit: KRW billion)			
	2006	2007	2008
National taxes	1,089.9	644.2	527.6
Local taxes	180.4	108.2	135.5
Customs duties	126.4	85.4	75.5
Total Taxes Paid	1,396.7	837.8	738.6

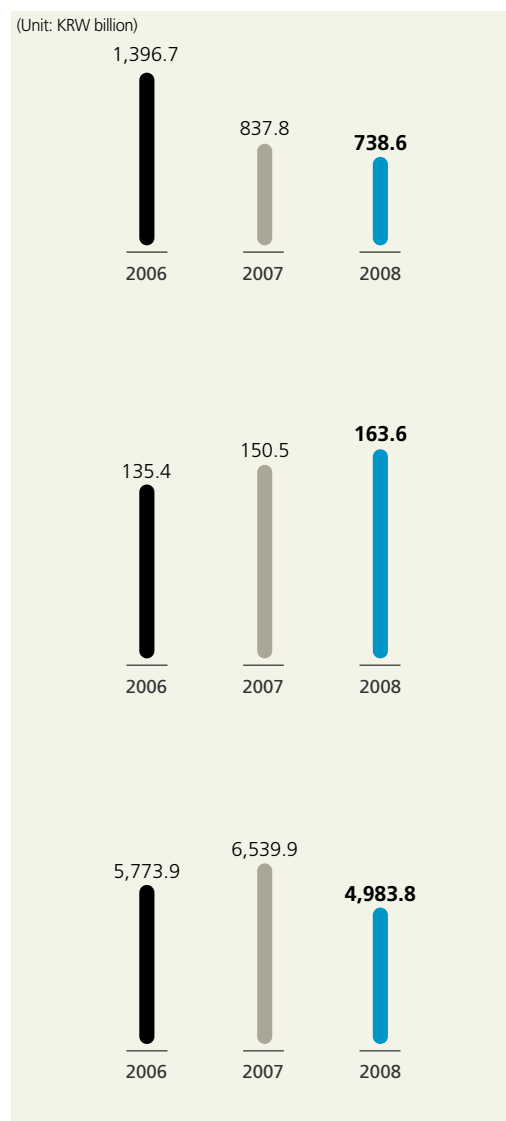
Contributions (Unit: KRW billion)			
	2006	2007	2008
POSCO Education Foundation	33.0	47.2	42.5
POSTECH	20.0	25.0	-
Labor welfare fund	59.4	66.6	50.8
Others	23.0	11.7	70.3*
Contributions	135.4	150.5	163.6

* The steep increase can be attributed to the construction of Pohang Lakeside Park and Jeonnam Techno Park and subsidies to other community projects.

Asset Acquisition		(Unit: KRW billion)		
		2006	2007	2008
Tangible assets	Construction in progress	3,092.8	2,468.0	3,172.0
	Machinery and equipment	2,292.3	3,257.3	1,370.4
	Buildings, structures, etc.	340.3	732.8	390.7
	subtotal	5,725.4	6,458.1	4,933.1
Intangible assets		48.5	81.8	50.7
Total		5,773.9	6,539.9	4,983.8

Stock Performance & Credit Ratings

POSCO's credit ratings remained steady in 2008 at "A1(stable)" by Moody's, which is, higher than Korea's sovereign rating(A2), and an "A (stable)" grade by Standard & Poor's(S&P). Given the challenging economic environment, this is; a positive endorsement of POSCO's financial stability and strong profitability, backed by the growing sales of strategic products and cost reductions. Although POSCO's share prices closed the year down 33.91%, year-over-year, earnings per share(EPS), an indicator of profitability, grew by 21.6%.



Stock Information

	2006	2007	2008
Share Price(KRW)	309,000	575,000	380,000
Market Capitalization(KRW trillion)	26.9	50.1	33.1
EPS(KRW)	40,748	48,444	58,905
PER(x)	7.6	11.9	6.5

* World's second largest market capitalization

Growing Green Dreams

for the Globe

● In March 2009, POSCO established a local subsidiary in Uruguay and **began its afforestation project of planting trees on a 20,000 ha-sized land for 30 years.** The project will not only contribute to reducing greenhouse gas but also **secure carbon credits for the company of 206,000 tons per annum,** setting the platform for a new green growth. Planting trees of hope and growing green forests for the globe, POSCO will create new green success stories for everyone.

The size of afforestation in Uruguay

20,000ha

Environmental Soundness

Disclosure Management Approach

Steel is an, omni-present material in our daily lives, and the foundation for the world's industrial activities. Produced through an energy-efficient process, steel has become an environmentally-friendly product, known for its high recyclability. It is also a key component to numerous industries, such as the automobile, shipbuilding and green industries.

Vision

As part of its sustainability management initiatives, POSCO is committed to environmental protection. It is developing a new steel-making process that will improve the industry's shortcomings as a traditionally high consumer of energy and emitter of CO₂. It will build a new growth base in line with its goal of "carbon-lean green growth."

Strategies

To facilitate environmental protection and foster recycling of resources, POSCO operates an eco-friendly management system, embracing environmental objectives and systems. The Environment & Energy Committee that is staffed with relevant experts from the company's executive and department manager ranks, draws up and implements POSCO's annual environmental objectives and action plans. We make sure that all our business activities are environmentally-friendly. The 2008 POSCO Environmental Objectives include: securing global leadership in addressing climate change; maximizing the environment-friendly value of by-products; and reinforcing environmental management centered on humanity and our ecosystem.

Major Issues

- * High: Climate change, eco-friendly management, emissions, recycling
- * Medium: Eco-friendly technologies, violations

Performances

In response to the global initiatives to address climate change, POSCO is undertaking a company-wide endeavor to reduce its greenhouse gas emissions. As a result, we have realized energy savings worth KRW 110 billion, saving a total of 2.91 million TOE's of energy from 1999 to 2008.

Mission

POSCO is developing carbon-lean and renewable energy technologies and expanding its eco-friendly new growth engines in pursuit of green growth and future energy competitiveness.

Completed world's largest fuel cell plant P. 38



POSCO has completed a commercial fuel cell factory, its flagship, eco-friendly energy project, with a capacity of 50MW of electricity, sufficient to supply 17,000 households. POSCO plans to invest a total of KRW 170 billion by 2012 to grow the factory as one of its next-generation growth engines in response to the government-driven carbon-lean green growth initiative.

Commercialization of the economic and eco-friendly FINEX technology P. 39



We have successfully developed and commercialized our FINEX process, the long-cherished innovative technology that leads our industry. The FINEX technology has come under the spotlight of the world steel industry as it abridges the sintered ore and coke processing stages of iron ore refining, considerably reducing pollutant emissions.

Clean & Green Pohang Works Environmental Vision P. 40



POSCO's Pohang Works recently announced its environmental vision and 5 action plans including programs for clean air quality and a high level of environmental control. Having invested as much as KRW 1.5 trillion in environmental improvement initiatives since its foundation, Pohang Works continues to hold its industry leading position on the cutting edge as an environmentally-friendly steelwork. In 2009, it plans additional KRW 140 billion with an aim to make cleaner steelworks.

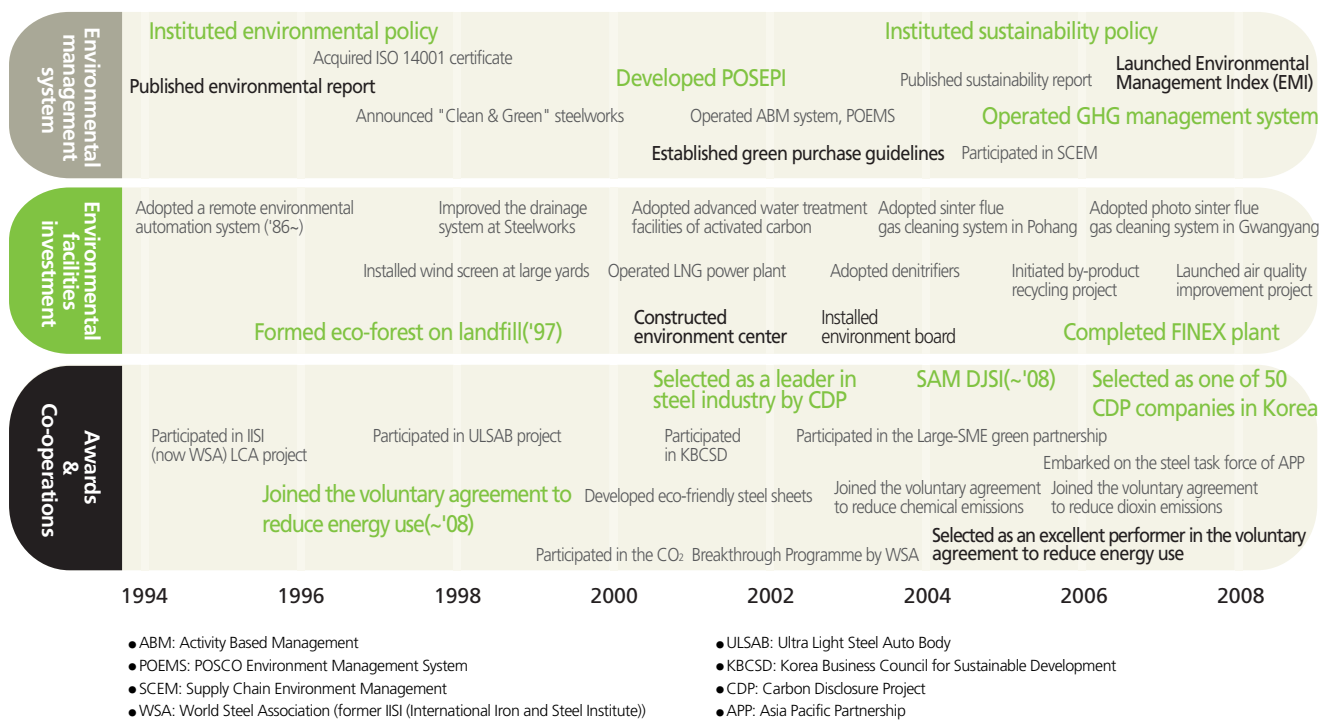
Eco-friendly Management Milestone



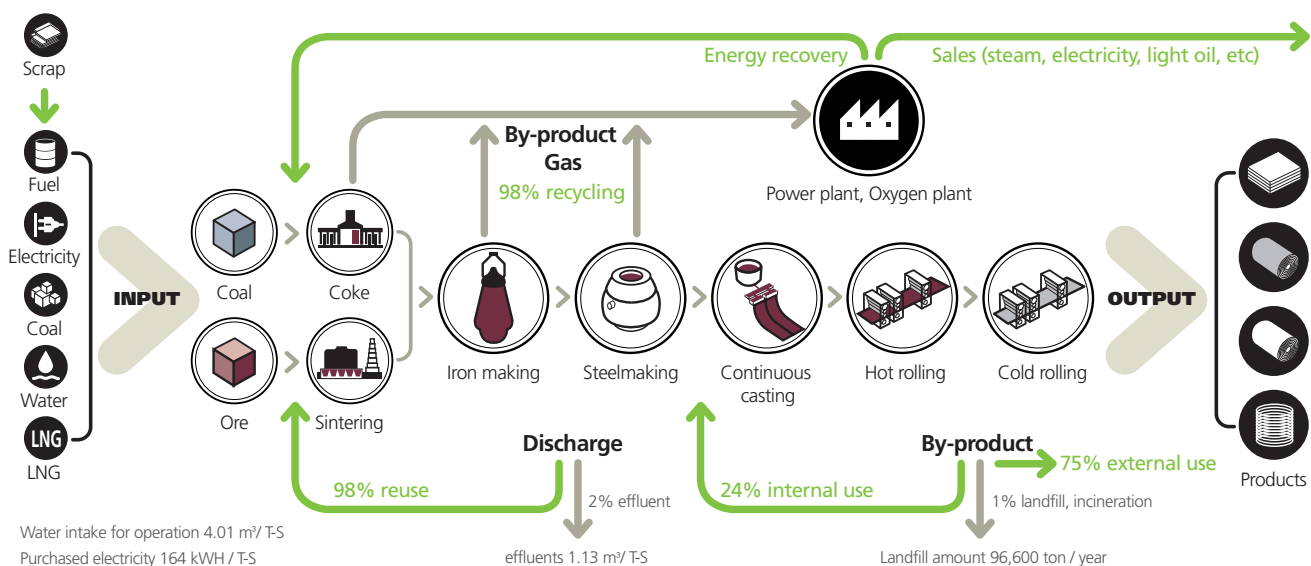
In response to our stakeholder's demands and international trends, POSCO established its environmental policy in 1995 and announced its sustainability policy in January 2004, proclaiming our commitment to sustainable development. In 1994, POSCO became

the first Korean company to publish an environmental report. In 2004, we published our first sustainability report encompassing our environmental, social and economic performances. We disclose our environmental information with sustainability report and homepage.

POSCO Eco-friendly Management Milestone



POSCO Recycling Rate (By-product gas recovery rate 98%, Resource recycling rate 99%, Water reuse rate 98%)



* By-product gas recovery rate: (total off gases-loss) / total off gases

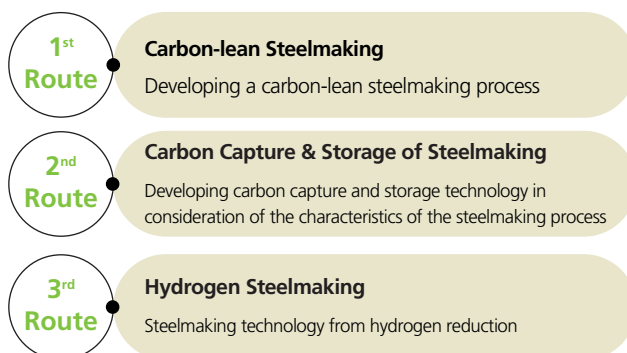
Climate Change & Energy



CO₂ Breakthrough Programme

In line with the CO₂ Breakthrough Programme, POSCO implements mid- to long-term technology development projects, applying 3 specialized technology routes to its steel making process. First, the carbon-lean steelmaking route aims at producing less CO₂ emissions. We are currently developing a carbon-lean FINEX technology. The second route is to capture and store the CO₂ from the steel making process. POSCO is currently developing a technology for capturing CO₂ from by-product gases using ammonia. The third and last route is to utilize hydrogen in the steel making process. Organizing a consortium with international steelmakers, we are working on the development of furnace-based hydrogen steelmaking technologies. Given the risks that climate change presents, POSCO sees opportunities for enhancing its competitiveness, as it develops technologies to effectively reduce its carbon emissions while improving its energy efficiency.

CO₂ Breakthrough Programme Routes



In addition to its cooperation with RIST and POSTECH, POSCO is actively engaged in the Global Steel Sectoral Approach discussion. Initiated by the World Steel Association (WSA, former IISI: International Iron & Steel Institute) in April 2007 to find a substantial sector-specific response to climate change, the Approach focuses on setting goals for GHG reductions by examining reduction potentials. In July 2005, Korea, U.S., China, India, Japan and Australia entered into an Asia-Pacific partnership on clean technology development and the UNFCCC. A taskforce team comprised of governments and industrial sector members was launched in April 2006. In October 2007, Canada joined the partnership. POSCO is also an active member of the steel industry taskforce team on voluntary reduction of GHG and clean technology development. The active discussions on technology transfers and cooperation are expected results in the near future.

CO₂ Emissions

The main source of GHG produced from the steelmaking process is the combustion of coal, used as a reducing agent for iron ore. Consequently, CO₂ emissions rise in growing steel output. Despite our ceaseless efforts to minimize CO₂ emissions per ton of crude steel, the recent increase in production of high-grade steel has pushed up the amount of hot metal, consequently elevating the CO₂ emissions. To reduce indirect GHG emissions, we reuse steel slag as an alternative raw material for cement. Our GHG emissions information is disclosed in our sustainability reports and through the SAM-DJSI and CDP projects.

CO₂ Emissions per Ton of Crude Steel

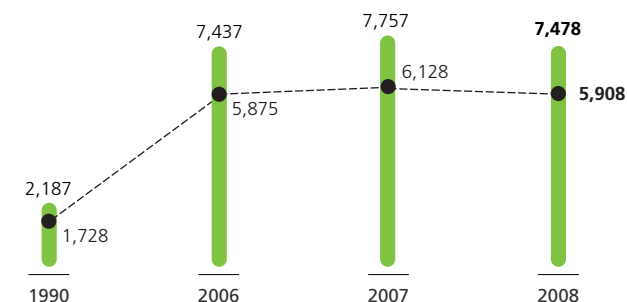
(Unit: T-CO₂ / T-S)

● Direct emissions (Scope 1) ● Indirect emissions (Scope 2)



● Granulated slag selling (1,000 tons)

—●— Indirect CO₂ amount (1,000 tons) reduction by granulated slag



* Calculation based on the WBCSD/WRI Greenhouse Gas Protocol guidelines(2004)

- Calculation scope: Pohang and Gwangyang Works

- Direct emissions(Scope 1): transportation on site is not included

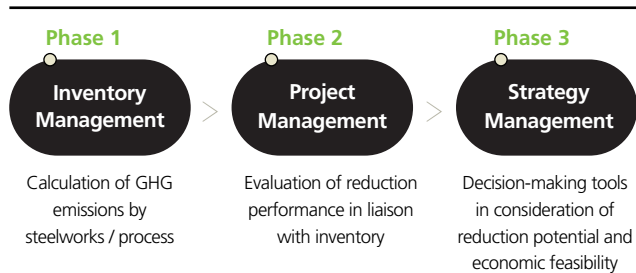
- Indirect emissions(Scope 2): indirect CO₂ emissions via use of purchased electricity

* CO₂ emissions figures are subject to change in the future according to adjustment in the national emission factor and boundary condition for calculation as well as self-production of coke, self-utilization of by-product gas and emissions factor adopted in calculation.

* Indirect CO₂ reduction thanks to use of granulated slag in cement: 0.79 T- CO₂ / T-Clinker (used Asia-Pacific Partnership Steel TF reduction effect calculation)

◎ Carbon Management System(CMS)

POSCO launched a company-wide carbon management system covering its steelworks at Pohang and Gwangyang in January 2006.



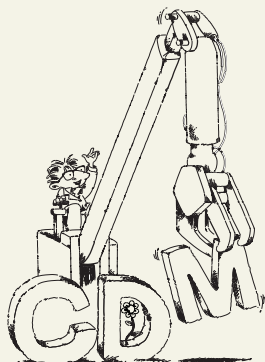
Developed in accordance with the 'WBCSD*/ WRI* Greenhouse Gas Protocol Guidelines, the CMS takes into account the fuel/raw material consumption, electricity purchase, product output and its consequent by-products in its calculation of CO₂ emissions. The system has facilitated more efficient control over CO₂ emissions and the impact of CO₂ emissions arising from new businesses and select the most cost-efficient method, given the potential GHG reduction amount and cost.

* WBCSD: World Business Council for Sustainable Development

* WRI: World Resources Institute

CDM Project

Supplied with 170,000 tons of water per day from Sueo Dam, the small hydroelectric power plant was registered with the UNFCC as a CDM project in July 2008—a first within the Korean steel industry—, securing 26,000 tons of carbon credits over the next 10 years. POSCO is engaged in CDM projects such as rotary hearth furnace(RHF). With an annual treatment capacity of 200,000 tons of sludge from the dust collectors and wastewater treatment facilities, the plant recovers effective resources from the ferrous by-product wastes. In promotion of overseas forestation projects, we plan to utilize a local subsidiary in Uruguay for test planting before actual afforestation.



Energy Saving Initiatives

◎ Voluntary Agreement to Reduce Energy Use

In the implementation of the "2nd voluntary agreement to reduce energy use," POSCO has built up its global cooperation in energy saving, innovative technology development for CO₂ reduction and clean technologies, and the climate change convention. Having invested KRW 890.0 billion in energy facilities, we outperformed our goal by 4%.

The Performance of Voluntary Agreement to Reduce Energy Use

1st agreement

Period	1999~2003
Investment in Energy Facilities	KRW 540 billion
	790,000 TOE (5.9% of 1997 energy use)
Performance	1,250,000 TOE (9.3% of 1997 energy use)

2nd agreement

Period	2004~2008
Investment in Energy Facilities	KRW 890 billion
Objectives	1,040,000 TOE(6.9% of 2003 energy use)
Performance	1,660,000 TOE(11% of 2003 energy use)

* We corrected the reduction amount for the 2nd voluntary agreement in the 2007 Sustainability Report from 1.07 million TOE to 1.30 million TOE.

2008 National GHG Emission Registration Reduction Project Certification List(1,000 t-CO₂ eq/year)

Project	Certified performance
Installation of Combined Cycle Power Generation Plant Using FINEX By-Product Gas	28
Installation of electricity reducing descaling pumps at the No. 2, 3 hot-rolling plants at Gwangyang Works	1
Installation of No. 9 power station at Gwangyang Works	440
Electricity generation from CDQ installation at Gwangyang Plants unit 3, 4	162
Installation of converter by-product gas boiler at the No. 2 steelmaking plant at Pohang Works	7
Electricity generation in tandem with the increased capacity of top-gas recovery turbines at the No. 3, 4 furnaces at Gwangyang Works	9
Electricity generation from CDQ installation at Pohang Plant unit 2_2 nd round	31
Total	678

Through participation in the National GHG Emission Registration Reduction Project by the Korea Energy Management Corporation (KEMCO), POSCO has been engaged in 12 related projects since 2005. In 2008, we won 678,000 tons in CO₂ credit certification for 7 cases. Our engagement in the registry will help us cultivate our ability to address climate change and provide opportunities to participate in the carbon-trading market in the future.

Comprehensive Energy Information System

By adopting a comprehensive energy information system in 2001, POSCO has been able to manage its mid- to long-term energy conservation plans, performance and energy use by its plants. The system also enables the sharing of ideas and related activities between departments. Coupled with the action plans devised from energy assessments, department workshops and benchmarking studies, our active energy saving initiatives saved KRW 123.1 billion in energy costs in 2008. As an active member of the large and smaller companies' cooperation program, we are transferring our energy saving know-how to 10 SMEs. We also share useful information with them and instill energy-saving mindsets in the participants through our pan-POSCO energy saving forums, introducing best practices and new technologies.

By-Product Gas Recovery

The majority of our fuel needs for operations are met by the by-product gases(COG, BFG, LDG, FOG)* generated from the production process. Surplus by-product gas is also absorbed by our steelworks' in-house power plants. In 2008, 76% of the combined electric energy used at our head office and two Works was supplied through our in-house power plants, energy recovery facilities—coke dry quenching(CDQ) and top gas pressure recovery turbines(TRT)—and our LNG combined power facilities. The remaining 24% was secured

from external sources. Gwangyang Works used to have to stop operation for regular check-ups of its boilers. Now the improved process enables check-ups during the operation. Also, the newly developed turbine governor controller tuning technology has considerably reduced the overhaul period of our power generators, improving the operation ratio and the by-product gas recovery.

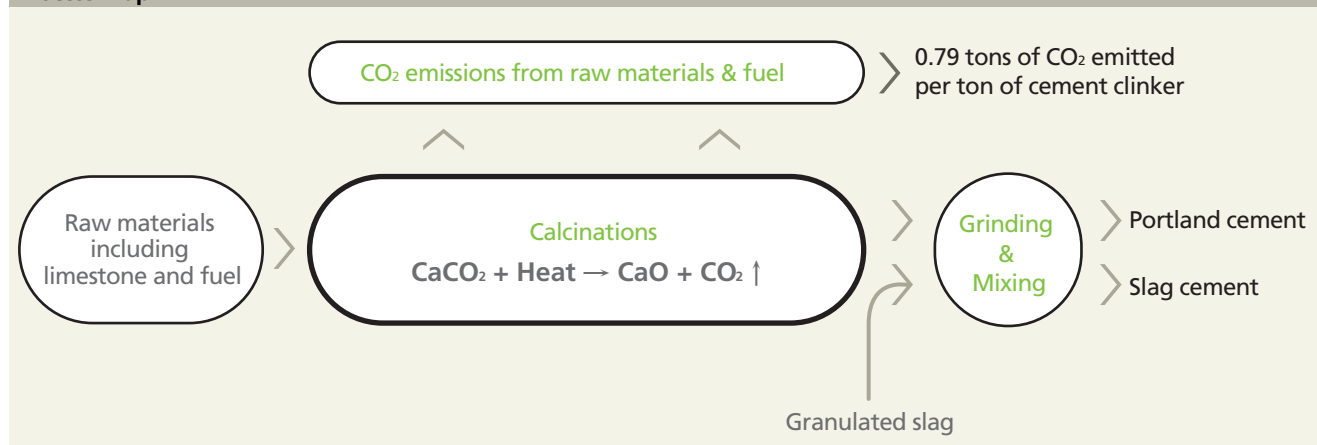
* COG(Coke Oven Gas), BFG(Blast Furnace Gas), LDG(Linz-Donawitz Converter Gas), FOG(FINEX Off Gas)

Reducing GHG in Society(Green Steel)

POSCO is committed to the development of CO₂ reduction technologies for low-carbon green growth. We also promote various social activities to reduce greenhouse gas emissions through the use of energy-saving materials such as high-efficiency automobile steel and using steel by-products in cement. Our high-strength steel sheets are thinner than normal steel sheets with the same strength, lightening the weight of cars, and consequently improving fuel efficiency. We also provide high-end electrical steel sheets that have low core loss with high energy efficiency. Electrical steel sheets have ubiquitous applications in all electrical products such as power generators, transmission transformers and motors. We produce grain-oriented electrical steel sheets and non-grain oriented electrical steel sheets. The high-end electrical steel sheets have high energy efficiency due to their low core loss and high magnetic flux density. We also encourage the use of a steel by-product, slag, as the cement clinker, reducing the use of limestone and CO₂ emissions. In 2008, we reduced indirect GHG emissions by 5.91 million tons with 7.48 million tons of granulated slag.

* Clinker is an intermediate cement product made by sintering limestone and other raw materials.

Process Map



* Source: Steel Taskforce of Asia-Pacific Partnership & 2001 Korean cement producer survey

In support of reducing indirect GHG emissions, we initiated the POSCO Carbon Neutral Programme in 2008. We also run a “High Eco-Kids” program, afterschool, for children in cooperation with the Korea Green Foundation. The program provides “zero kits” to the children including the eco-family guidebook with information on reducing GHG to awaken our next generation to the value of environmental protection. In partnership with UNEP, we are also

building solar power plants at charity buildings that will reduce heating costs and GHG emissions at the same time. In November and December 2008, we completed a modular house equipped with solar power facilities, called “Love House”, for children’s charities at Pohang and Gwangyang, respectively. Modular house is an environment-friendly factory-assembled residence built in units or sections, transported to a permanent site and erected on a foundation.



* High-strength steel sheet



* granulated slag



* grain-oriented electrical steel sheet



* non-grain oriented steel sheet



* Solar-powered Modular house, “Love House”

Renewable Energy

POSCO is actively involved in an array of group-wide renewable energy projects including solar, wind, small hydroelectric power plants and fuel cell and waste-turned-fuel projects. We installed a 1 MW-class rooftop solar power generator at the plants in our Pohang and Gwangyang Works, respectively, for the first time in Korea. We also built a 600 kW-class small hydroelectric power plant that uses

water from the nearby Sueo dam, which was registered to CDM in July 2008. In cooperation with local governments, we are also implementing projects to turn sewage sludge and bio-wastes into fuel. POSCO Power has completed a commercialized fuel cell production line and is developing its own technology of fuel cells for use in the next-generation power plants. POSCO E&C is building wind power plants in Hoengseong and Pyeongchang and a large-scale marine power generation complex in Jeonnam.

Fuel Cell

- POSCO Power completed stage 1 of a fuel cell plant construction (Sep. 2008, 50MW annual capacity)
- Next-generation solid oxide fuel cell (SOFC) under development (by 2012, 180 kW-class)

Small hydroelectric power plant

- Installation of small hydroelectric power plant at Gwangyang Works using raw water pipelines (600 kW, Apr. 2007)

Solar power generation

- Completed solar power plants at Pohang and Gwangyang Works (June 2008, 1MW-class, respectively)

Turning sewage sludge and general bio-waste into fuel

- POSCO E&C is to complete the facilities to turn sewage sludge into fuel at Suwon city (Dec. 2009, 450 tons/day)

Wind power plant

- POSCO E&C completed a 40 MW wind power plant in Hoengseong and Pyeongchang (Nov. 2008)
- A marine power plant building is in the pipelines at Jeonnam (by 2015, 600 MW)

Turning waste plastics into fuel

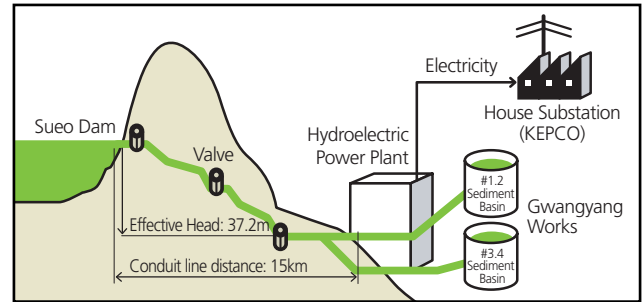
- Carrying out the demonstration of a national development project for the steelmaking process (Aug. 2008–May 2010, 150 tons/day)



* Fuel cell plant



* Solar power plant



* Small hydroelectric power plant system diagram

FINEX

In cooperation with RIST and Austrian steel company Voest Alpine, POSCO has been developing its FINEX technology since 1992. After a decade of intensive R&D activities, we successfully placed a 600,000-ton capacity demo plant into operation in June 2003. Following its completion in May 2007, a commercialized plant with an annual capacity of 1.5 million tons has now successfully gone on-line.

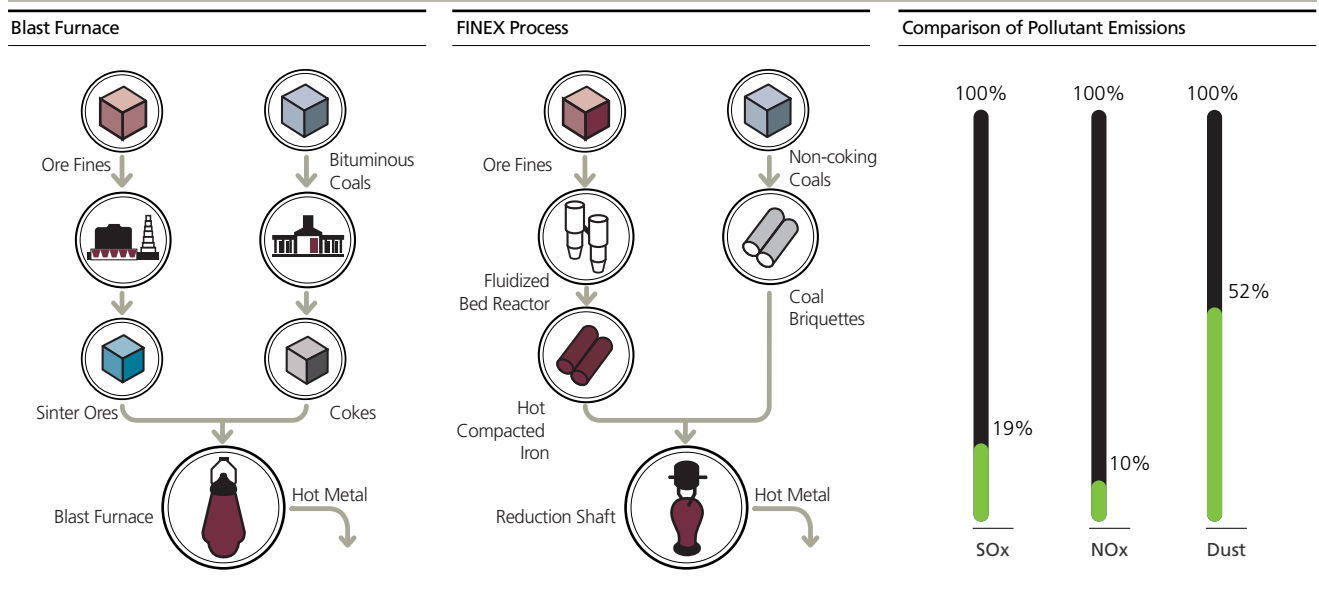
The blast furnace process includes a sintering process which sinters iron ore fines and a coke making process which produces coke from coking coals. These two processes produce pollutants such as SO_x and NO_x, requiring the expenditure of financial resources to develop technologies to prevent environmental damage. On the other hand, FINEX is a strip casting iron-making

technology which eliminates the sintering and coke making steps, drastically reducing pollutants. Compared to the state-of-the-art blast furnace process equipped with desulfurizers, denitrifiers and dust collectors, FINEX produces only 19% of SO_x, 10% of NO_x and 52% of the dust produced by the most efficient blast furnaces. In addition, its highly efficient process considerably reduces coal consumption as well. As of May 2008, the FINEX demo plant emitted 3%* less CO₂ per ton of hot metal than the comparative mainstream technology.

Moreover, the recent steep surge in the prices of quality raw materials for iron making, put the FINEX process in the spotlight of global steel makers as it uses cheap ore fines and non-coking coals which account for 70~80% of global iron ore reserves.

* Compared to the estimated CO₂ emissions from blast furnace processes of 9 Asian and European steelmakers

Process & Pollutant Emission



* Emissions against the blast furnace that employs cutting-edge BAT facilities

Eco-friendly Management Performances



Pollutant Control

◎ Air Pollutants

POSCO aims to achieve cleaner air in the vicinity of its steelworks than downtown and has organized a task force team to reduce exhaust and dust from the iron and steel making areas and fugitive dust and odor pollution from the raw material yards and roads. In particular, our efforts to intercept fugitive dust flowing out of our yards include improving the water sprinkler automation system, enhancing green density and spraying surface hardener around the yards. All vehicles operating within our steelworks must undergo checks of their loads, tires and vehicle neatness to block the inflow of dust at the source. We also installed water sprinkler systems on the roads within 38km of our steelworks.

Emission of Air Pollutants

(Unit: kg / T-S)

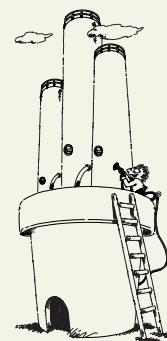
● Dust ● SOx ● NOx



◎ Reducing Dioxin Emissions

In July 2005, POSCO signed a "Voluntary Agreement for the Reduction of Emissions of Persistent Organic Pollutants(POPs)." Under the agreement, R&D activities are underway to develop the technology to lower POPs, in addition to our application of sintering flue gas dioxin treatment facilities. Also, the best available technology(BAT)-absorption facility for activated carbon has been in operation at our Pohang Works' sintering facility units 3 and 4 since July 2004. In December 2007, all sintering plants at Gwangyang Works were injected with NaHCO_3 and fitted with selective catalytic reduction(SCR) facilities, drastically lowering SOx, NOx and dioxin levels. Through these efforts, POSCO plans to reduce dioxin emissions from its two steelworks by more than 81% of the 2001 level, by 2010.

Intensive Investments in Improvement of Air Quality



As part of its commitment to raw material treatment program, POSCO is building silos, Korea's largest cylinder-shaped raw material storage tower. We plan a total of 21 silos at our works(6 units in Pohang and 15 in Gwangyang). Accommodating 60,000 tons of raw materials per unit, the silos will cut off fugitive dust at its source, making the silo a year-round operating environment-friendly, raw material storage facility. Pohang Works is installing the environment-friendly low-temperature plasma facilities that POSCO developed jointly with RIST and POSCO at its No. 1 and 2 sintering units, to be completed in December 2009. The new facility has attracted much attention from global steelmakers for its low investment and operational expenses compared to the existing absorption facilities for activated carbon and the selective catalytic reduction(SCR) compound facilities, while reducing SOx and NOx emissions by more than 80%.



The raw material plant of Pohang Works has so successfully reduced falling iron ore, coal and fugitive dust, that we can even enjoy lunch right under the belt conveyors. The picture is a scene from a ceremony celebrating the crystal clean working conditions, with lunch.

◎ Compliance with environmental regulations

In 2008, we have no case of penalty or sanction due to violations of environmental regulations.

Reduction of Dioxin Compared to 2001



* Indexed dioxin emission levels where 2001=100

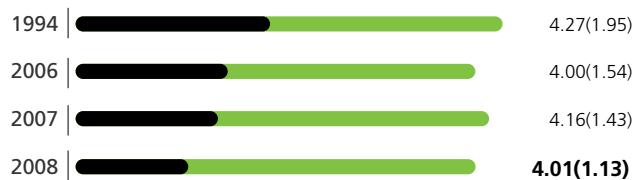
Water Quality Control

The wastewater from our steel making processes goes through primary wastewater treatment plants(WWTP) at each plant and more than 98% of the treated water is reused. The remaining 2% of the water supply is sourced from nearby dams—supplying an average of 180,000 tons and 190,000 tons everyday from Youngcheon and Sueo dams, respectively. Water that is not recycled undergoes secondary treatment at WWTPs before being reused for cleaning roads and sprinkling at our raw material yards to control dust. The rest of the treated wastewater flows into the nearby ocean of Pohang and Gwangyang steel works respectively, the East Sea and the South Sea. For efficient water usage, POSCO strives to further enhance its water reuse and minimize effluents. The rising production of high-end steel products resulted in high water pollutant loading factors, slightly raising the COD concentration in our effluents in 2008.

Water Supply for Operations & Effluents

(Unit: m³ / T-S)

● Water Intake for Operation ● (Effluents)



* Water supply for operations: the volume of water used for steel making operations.

Final COD Concentration in Effluents

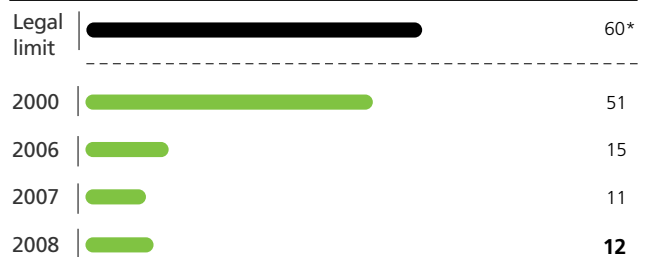
(Unit: mg / l)

Category		1994	2006	2007	2008
Concentration		10	5	6	10
Legal limit	Gwangyang	80	70	70	70
	Pohang	100	90	90	90

Final T-N Concentration in Effluents

(Unit: mg / l)

● Concentration



* T-N concentration has been regulated since 2003.(Same regulation applies to both Pohang and Gwangyang Works.)

Chemical Substances

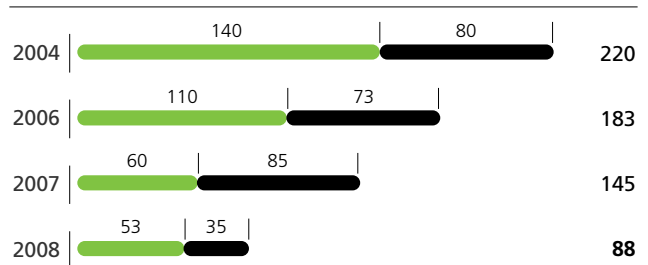
In December 2004, POSCO joined a government and civic group-led "Voluntary Agreement to Reduce Chemicals Emissions." The pact calls for a reduction of chemical discharges by 30% within 3 years from its conclusion and 50% within 5 years. A total of 164 Korean companies are participating in this "Chemicals Discharge Reduction 30/50 Program." To reduce emissions of BTX* and ammonia from coke plants, we introduced a Leak Detection and Repair(LDAR) system and covered our WWTPs to collect and treat chemicals. In addition, we regularly replace worn-out tanks and pumps, and have installed pipes to collect and treat Volatile Organic Compounds(VOCs) that leak from our chemical plant tanks and collector lines in our roll-out of light oil products. We are also spraying odor neutralizers and adopting a non-steam granulated slag production system to eliminate odors from the blast furnace areas. In 2008, we have put in place a chemical management system, which monitors chemicals throughout the entire process from purchase, transportation and use to waste, by type.

* BTX: Benzene, toluene and xylene compounds

Emissions of Chemical substances

(Unit: tons / year)

● Pohang ● Gwangyang



By-Product Recycling

Our Pohang and Gwangyang Works collectively produced 21.69 million tons of by-products from their operations in 2008. Of this, slag accounts for 75%(blast furnace slag 47% and steel making slag 28%), with dust/sludge 16% and others 9%. 98.8% of these by-products are recycled into resources and the remaining is either incinerated or solidified for landfill. As for the blast furnace slag and steel making slag, 100% is recycled into sources. 73% of blast furnace slag in 2008 was re-processed as granulated slag for the usage in high-end products, and we are developing diverse uses for the steel making slag such as restoring marine ecosystems. Our technological development to reuse by-products as raw materials for our steel making process, contributes to promoting a recycling society, while enhancing added values.

By-Product Recycling

● Generated (10,000 tons) ● Recycled (10,000 tons)



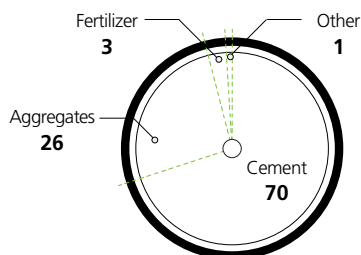
● Recycling rate(%)



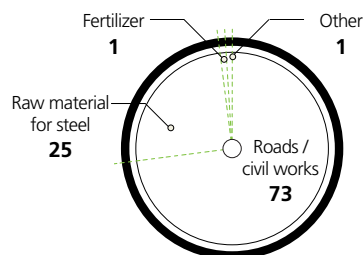
By-Product Recycling by Application(2008)

(Unit: %)

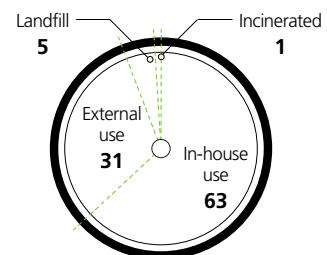
Blast Furnace Slag



Steel Making Slag



Dust / Sludge



Steel Slag Reuse

Creating Submarine Forests Using Steel Slag

POSCO utilizes steel making slags to revitalize bio-diversity at the offshore of Namhae-gun, Gyeongnam contains lots of minerals such as ferrous iron and calcium that are valuable to marine life. Ferrous iron facilitates the sprouting and growth of seaweed spores and calcium purifies pollutant sediments and waters. A submarine forest protects bio-diversity as it absorbs CO₂ in the course of photosynthesis.



* Bio-slag Reef



* Natural CO₂ Storage

Diversified Usage of Eco-Friendly Slag Cement

POSCO cooperates with domestic construction companies to develop diversified uses for slag cement. We are also developing and working on the commercialization of specialty concretes such as high strength concrete and low-heat concrete. Slag cement is made by mixing finely-ground, vitrified, granulated slag into Portland cement after rapidly cooling the melting slag by-product from the manufacture of pig iron. Slag cement is an eco-friendly product that reduces CO₂ emissions by reducing the limestone content by more than 40% compared to normal Portland cement.

Environmental Investments & Expenses

In 2008, POSCO's environmental investments amounted to KRW 214.7 billion, accounting for 12% of the company's total capital expenditures(capex). Through its consistent investments in environmental improvement, POSCO has committed a total of KRW 3,661.4 billion, or 9.1% of its total accumulated capex, to environmental initiatives, from its founding to date. In 2008, KRW 625 billion was spent to maintain or operate environmental facilities. Including the energy recovery costs and environmental R&D costs, POSCO's total environmental expenses amounted to KRW 687 billion. Our intensive investments in air environmental equipment such as the adoption of a sinter flue gas cleaning system and the optimization of dust collectors, has reduced the unit loading factors of 3 major air pollutants(SOx, NOx, Dust) by 20% compared to that of 2006. Especially, our Gwangyang Works have reduced their unit loading factors of SOx and NOx by more than 60%.

2008 Investments in Environmental Facilities (Unit: KRW billion)

Category	Investments	Amount
Air	Installing dust collectors on sintering process and adding tele-metering system	94.7
	Installing wind screen at raw material yard	
Water	Water purifying facilities at new steel mills	69.2
	Mending recycled water pipelines at steelworks	
Recycling & Others	Expanding STS 1 steel mill facilities	50.8
	Rationalization of slag pit including those at the FINEX 2 plant	
Total		214.7

Environmental Expenses

(Unit: KRW billion)

Category	Details	2006	2007	2008
Environmental facility operating costs	Electricity, maintenance, labor costs, etc.	226.4	231.4	239.9
Recycling costs	By-product processing, delivery, incineration/landfill, outsourced treatment costs, etc.	186.8	178.3	197.5
Depreciation costs	Environmental facility depreciation costs	122.0	133.7	147.7
General administration costs	Environment-related department labor costs, water usage dues, etc.	34.4	36.3	39.9
Environmental R&D costs*	Environmental R&D costs	9.7	14.0	14.0
Energy recovery costs	By-product gas recovery costs, hot water/steam/electricity recovery costs	50.7	50.7	48.0
Total		630.0	644.4	687.0

* ABM system was newly adopted in 2005 to measure the environmental expenses. Environmental R&D costs do not include the energy sector.

Environmental Accounting System

POSCO designed an environmental activity cost calculation system at the end of 2003 based on an Activity Based Management(ABM) system. Launched in January 2005, the system analyzes the environmental benefits and costs of energy recovery and by-product recycling at the same time to support efficient decision-making on operations and facility investments of each department.



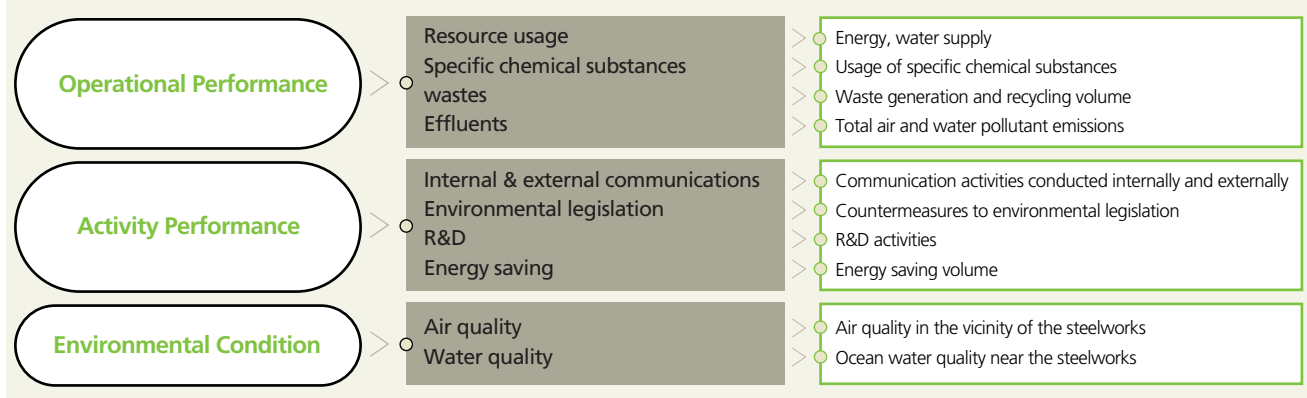
◎ POSCO Environmental Performance Index(POSEPI)

POSCO Environmental Performance Index(POSEPI) Trends				
Item	Base Year	2006	2007	2008
Operational Performance	60	87	86	84
Activity Performance	30	44	45	50
Environmental Condition	10	11	14	13
Total	100	142	145	147

The POSEPI is an environmental index for assessing POSCO's comprehensive environmental management performances and to support rational decision-making by management. By averaging the

performance of three years from 1997 to 1999, 60, 30 and 10 points were weighted and assigned to each operational and activity performance and environmental condition, to form a reference basis point of 100. The 2008 POSEPI advanced from 145 to 147 as we attained our energy reduction goal and intensive investments in R&D. POSCO is currently developing an environmental management index(EMI) to further refine the POSEPI in reflection of the paradigm shifts in environmental conditions and issues. Setting mid- to long-term environmental objectives to achieve by our 50th anniversary in 2018, we will come up with additional measures not only to reduce general pollutants, but also to add values to our by-products while reducing CO₂ emissions.

POSCO Environmental Performance Index(POSEPI) Factors



* The yearly records of air quality concentration around the Works are based on the Annual Report of Ambient Air Quality (previous year average) in Korea by the Ministry of Environment.

◎ Environmental Management System(ISO14001)



Since our first acquisition of ISO14001 back in 1996, we undertake regular internal and external audits to determine whether

our systems meet the standards. For efficient assessment and improvement planning, we recently revamped our environmental impact evaluation system and provided specialized training courses to the internal auditors who are in charge of ISO14001. We also provide venues and vehicles for active information sharing between environmental officers.

Category	Pohang Works	Gwangyang Works
Audited Dept.	13 depts. Including iron making, chemical, steel making depts	14 depts. Including iron making, chemical, steel making depts
Certification organization	Lloyd's Register Quality Assurance Korea(LRQA Korea)	
Period	May 26~29 2008	Sep. 29~Oct. 2 2008
Audit results	<ul style="list-style-type: none"> Regular monitoring is required on the action plans for detailed goals of each department Checklist is required for internal reviews and onsite inspections 	
Period	April 28~30 2008	Aug. 18~25 2008
Audit results	<ul style="list-style-type: none"> Education program is required to catch up the improvement in the environmental impact evaluation system Information sharing among employees is required on their environmental improvement activities 	



Building a Happy House for Everyone

Since 2008, POSCO University Student Volunteer Group and overseas subsidiary employees has participated in the **"Habitat for Humanity" activities** in New Delhi, India and Chonburi, Thailand to build houses for the local homeless. POSCO is engaged in a number of **social contribution activities in China, Indian, Vietnam and other strategic points** of its overseas operations. It will continue to create more beautiful success stories of building a better society for global citizens.

2008 Employees' Volunteer Ratio

91.9%

Social Responsibility

Disclosure Management Approach

Behind POSCO's sustained growth were unwavering support and encouragement of suppliers, outsourcing service partners, customers and communities as well as its hard working employees, who endeavored to produce globally competent products.

Vision

Committed to transparent and open management, POSCO encourages open and communicating corporate culture for mutual growth along with its stakeholders, cooperation with value chain partners, and active communications and mutual trust among its employees.

Strategies

POSCO will continue spreading its cooperative and sharing management into a company-wide level. In particular, its cooperation and co-prosperity with value chain partners will facilitate maximizing the potentials of its whole network. At the same time, it will put every effort in its customer-oriented 4C marketing strategies of customer, cost, convenience and communication.

Major Issues

- * High: Social contributions, health and safety
- * Medium: Win-win cooperation, human resources development, communities, industrial relations, customers, suppliers
- * Low: Human rights, scholarship programs, security, communications

Performances

POSCO is providing KRW 800 billion in support of its SME partners to relieve capital stringency in the aftermath of global financial crisis. It also involves in joint technology development projects, providing its excellent expertise. In addition, the company established POSWITH, the first government certified workplace for the handicapped in the form of a subsidiary, employing 90 disabled workers, which accounts for 40% of the workforce. POSCO also conducts social contribution activities in India, China and Vietnam. In 2008, its customer satisfaction index edged up by 6.7 points from the previous year to reach 89 points.

Mission

POSCO develops plans for cooperative partnership with competitive customers and suppliers to support their business development. As a responsible corporate citizen, it also practices sharing management for the development of local communities. Specifically, its engagement policies such as claim handling, observance of payment period and technological service support will further enhance its customer satisfaction.

POSWITH, the first government certified workplace for the handicapped in the form of a subsidiary P. 60



POSWITH is the first government certified workplace for the handicapped, structured in the form of a subsidiary. POSCO contributed 100% to establish this wholly owned subsidiary company, in order to promote employment for the disabled. The company provides opportunities for both the disabled and the able bodied, to work side by side and better understand each other, spearheading the elimination of discrimination and social prejudice towards the disabled. We have three offices of POSWITH, located at our Seoul office and Pohang and Gwangyang Works.

Spreading care and love to global communities P. 61



POSCO's group-wide social contribution activities go well beyond its domestic base, to the global front. We sponsored the operation of 23 child patients with cleft palates and harelips living near our prospective steelwork site in India. We also supplied educational materials to the Chinese elementary school with which we have established sisterhood ties and clothes to disaster-damaged regions in China. In Vietnam, we are involved in education initiatives and have supported sponsorships and construction of libraries.

KRW 300 billion SME Fund P. 56



POSCO has funded a total of KRW 100 billion since 2005 to support SME loans. In 2008, we contributed an additional KRW 200 billion and Shinhan Bank and Woori Bank chipped in KRW 50 billion each to form a KRW 300 billion SME loan fund. Totalling KRW 400 billion, this SME special fund has helped our SME partners weather their capital crisis, with access to liquidity at prime rates.

Employees



Communications with Employees

◎ Labor-Management Council

POSCO endeavors to communicate friendly with employees as one of the most important stakeholder. The Labor-Management Council was founded on November 17, 1997, as a representative body of the employees and an effective vehicle for the company to listen to and care for the grievances and demands of our staff. Of the 20 members, the 10 employee members represent the rank and file of POSCO regarding company-wide issues such as wages, working conditions, employee welfare, and productivity. They also actively participate in discussions pertaining to the general business issues of the company through both operational meetings and meetings with the management.

Under the Labor-Management Council, Works Councils and Division Councils are a number of sub councils at the respective department and plant level. The Department and Plant Councils are the fundamental units of the Labor-Management Council, made up of 420 coordinators, who tackle issues relevant to their respective departments and matters of common interest along with the Council. Also, the company provides a briefing session for the management, meetings and workshops quarterly to build solidarity between the workers and the company. The Labor-Management Council also plays an important role in fostering mutually prosperous industrial relations through such initiatives as the "company competitiveness enhancement" agenda in 2006 and the campaign to own "one more share of the company stock" as part of "We love POSCO" activities in 2007.

The employee members of the Labor-Management Council and coordinators of each department are elected by the workers through anonymous balloting, to serve 3 year terms. The incumbent members were appointed through electronic voting in October 2006, and will serve until November 2009.

In addition to the quarterly meetings, the Labor-Management Council hosts special sessions on occasion. The Works Councils and Division Councils also convene quarterly, while the Department Councils meet every other month and the Plant Councils, monthly. By offering employees a forum to express their opinions and seek solutions, they quickly deal with the raised issues, building employees' trust in the Labor-Management Councils. Employees may also express their views or send inquiries through its hot-line; phone, e-mail and via a designated website.

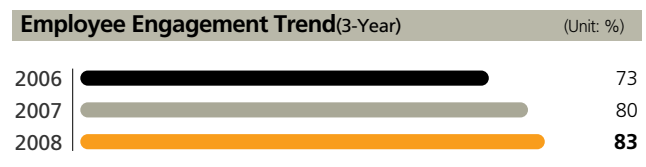
◎ Communications Vehicles

Young Board | The Young Board is an effective bottom-up approach to convey staff opinions to top management. The operation of the Young Board has evolved since its inception in 1999 and has included the employees of our subsidiaries as active participants since 2007. It was even headed by a female director for the first time in its 10 year history. The Young Board has become an important route for the younger generation of the company to make statements and for top management to be inspired with fresh young ideas.

POS-B | POS-B refers to the intranet site that POSCO operates to help its employees stay connected with each other on corporate issues and share opinions and personal concerns. Any postings regarding work issues are regularly checked and answered by the related departments. Accessible to anyone working for POSCO from the top to the bottom, POS-B serves as a vital communications channel between the staff and top management.

Dialogue with the CEO | "Dialogue with the CEO" is a special session of the company's annual Innovation Festival(IF). Aired live on the Internet via the company's broadcasting service, representatives from across-the-board are able to have a frank chat with the CEO over the five core values of the company.

Employee Engagement Survey | POSCO has conducted annual employee engagement surveys to identify and develop means for improvement. The survey is implemented in cooperation with an outside consulting firm on all employees. A summary of the in-depth interviews with individual from each class and business sector was prepared for post management follow up. Giving due consideration to the nature of the different work functions and responsibilities, various measures have been taken to further employee engagement, at all levels, including improvements in work process and organizational structure as well as team empowerment activities. As a result, the scores have sustained steady growth over the past years. In 2008, we achieved 83% satisfaction and expanded this activity to include the employees of group affiliates and overseas subsidiaries.



Health & Safety

POSCO imposes company-wide health & safety control guidelines as the foundation of its basic work procedures for all workers including both POSCO and our business partners. In addition to their respective safety and health policies, Pohang and Gwangyang Works hold quarterly meetings with their respective Industrial Health & Safety Committees. Chaired by the head of each Works, 7 representatives each from labor and management deliberate safety and health issues to minimize any potential risks.

◎ Safety

There is no finish line in POSCO's ceaseless efforts to ensure the safety of its workers. POSCO remains fully committed to its recurrent safety education classes, its thorough safety control systems and compliance with its safety control guidelines, and monitoring all of the indicators of worksite safety, including the lost-time injury frequency rates^{(LTIFR)*} and injury rates. The readings for these indicators are reported monthly at the company-wide operational meetings attended by all executives and managers, with follow up measures taken where necessary to insure compliance. In addition, Gwangyang Works shares best practices with Australia's Blue Scope Steel, one of the world's leading companies in safety management, and conducts special lectures by safety experts to remind its workers of the importance of safety leadership, standards compliance and positive safety behavior change, in addition to establishing safety activities in the workplaces. Despite our vigilance in safety control within the workplace, we had one fatality case at Gwangyang Works in 2008. The company instantly took follow-up measures to identify and notify the cause and consequence of the events to all employees under the leadership of the relevant department heads and plant manager.

*The number of injuries per one million working hours. The enforcement regulations of the workplace zero-accident movement, and the regulations of the Ministry of Labor No. 2003-16, recognizes injuries occurred during operation requiring work suspension of four days or more as lost-time injuries.

◎ Health

Employee Health Program | POSCO provides free annual health check-ups and "Health Signal" beaconing program for all its employees. The "Transitional Period Health Check-up" is provided for all employees aged over 40 years. The Health Risk Appraisal program helps employees improve their habits from controlling smoking and drinking to physical exercise. For those diagnosed with medical conditions, we keep track of their progress and operate a "Deliberation Committee on Employees with Medical Conditions."

Safety Control Programs

◎ e-Safety System

Through company-wide sharing of the cause and follow-up measures taken in the event of an accident, the system facilitates implementation of activities which ensure safety, especially with regard to facilities exposed to the risk of accidents, while ensuring against the potential omission or delay in inspections prescribed by law.

◎ Autonomous Safety Management Licensing System

An autonomous program enabling each department to independently control safety under the supervision of experts group in compliance with the Process Safety Management (PSM) program under Korea's Industrial Safety and Health Act.

◎ Tool Box Meeting

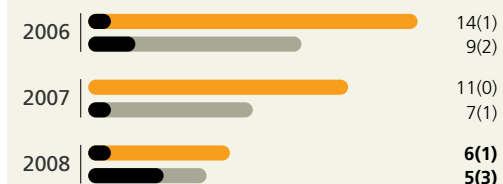
An institution to discuss anticipated risks and safety measures for repair work involving two or more people.

◎ Safety Coordinator

A system under the e-Safety System to coordinate all safety control processes from individual safety training courses to safety checking.

Injury Cases

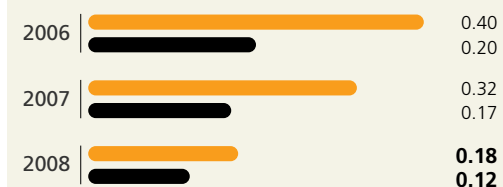
● POSCO Staff ● Outsourcing Service Partner Staff ● (fatalities)



* We corrected the figures for outsourcing service partner staff in the 2007 Sustainability Report from 6 cases to 7 cases.
 * The calculation formula is stipulated in the enforcement regulations of the workplace zero-accident movement. Fatality or injuries occurred during operation requiring work suspension of four days or more.

Lost-time Injury Frequency Rate(LTIFR)

● POSCO Staff ● Outsourcing Service Partner Staff

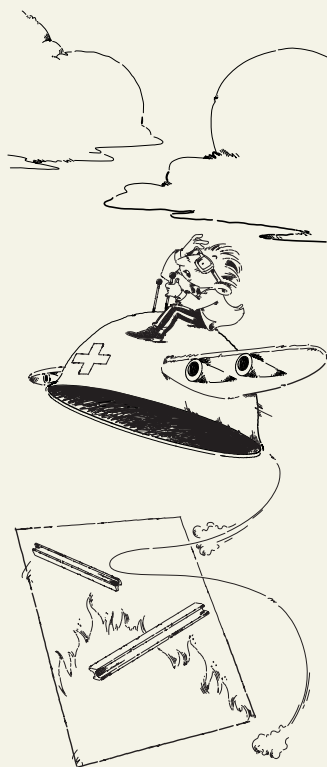


* We corrected the figures for outsourcing service partner staff in the 2007 Sustainability Report as follows: 0.18 → 0.20 for 2006 and 0.14 → 0.17 for 2007.
 * Lost-time Injury Frequency Rate = (number of lost-time injury cases/yearly working hours) X 1 million hours
 * Outsourcing service partners' lost-time injury frequency rates are calculated based on the standard working hours.

POSCO Safety Training Center



Experience is the best knowledge to avoid and counteract potential risks. POSCO operates a simulation program through its Safety Training Center. The Center is equipped with 11 simulation rooms and exhibition rooms in a 1672.7m²-building, providing opportunities to experience risk scenarios under actual working conditions. Coupled with such follow-up measures as first aid to the injured, it is an effective way to enhance safety awareness among workers as they look for solutions to problems by themselves. The Center also fosters the development of competent employees as safety instructors. The Center has trained 4,000 workers since its opening in 2005.



Health Management System | POSCO operates a comprehensive health management system to keep track of the health check-up results and provide customized health care programs. The check-up results are utilized for our provision of counseling services with industrial medical specialists and customized prescriptions for diet and physical exercise according to their conditions. Based on the prescriptions, the Health Support Team provides follow-up, health information and training. Employees can also use counselor services and fitness centers within our premises. Also available are such cutting-edge equipment as Polymorphism Analyzers, apparatus for decompression treatment and disc rehabilitators at our physical therapy centers.

Promoting Healthy Lifestyles | POSCO actively encourages its employees to improve their life habits. Under the motto of “Health-UP,” five health promotion programs encourage POSCO employees to “quit smoking, practice temperance in drinking and eating, exercise and smile.” The crusade against tobacco, in particular, is another major initiative of POSCO. CEO has conveyed his personal messages to each and every one of his fellow workers to quit smoking. The crusade was expanded in 2008 with the participation of our outsourcing service partners. In addition, our “leave your car home on Wednesday” campaign is killing two birds with one stone as it helps reduce carbon emissions, while improving employees’ health by encouraging bicycling and walking to work.

Industrial Hygiene Control | A clean and pleasant work environment is critical to optimizing the health conditions of our workers. Therefore, we continually monitor harmful factors in the workplace and provide high quality hygienic protection devices through our constant cooperation with the suppliers of these devices on the improvement of their convenience and functions. As a special measure for those worksites with higher health risk exposures, we implement a “hearing protection program” and “health protection in confined space program,” while adhering to the guidelines of the Material Safety Data Sheet(MSDS) in the usage of chemical materials. These efforts were highly recognized as we earned high scores in the annual “work environment quality management” program conducted by the Ministry of Labor(MOL). We have also been granted permission for “self-assessment of the work environment” by the MOL.

Health Education | POSCO runs e-learning courses on “industrial health” to raise employees’ health awareness. The course is open to anyone from POSCO, its affiliates or subsidiaries, providing a variety of programs including health promotion, habit improvement, health check-up, and work environment management and health problem prevention programs.

Human Resources Development

◎ Retaining Talent

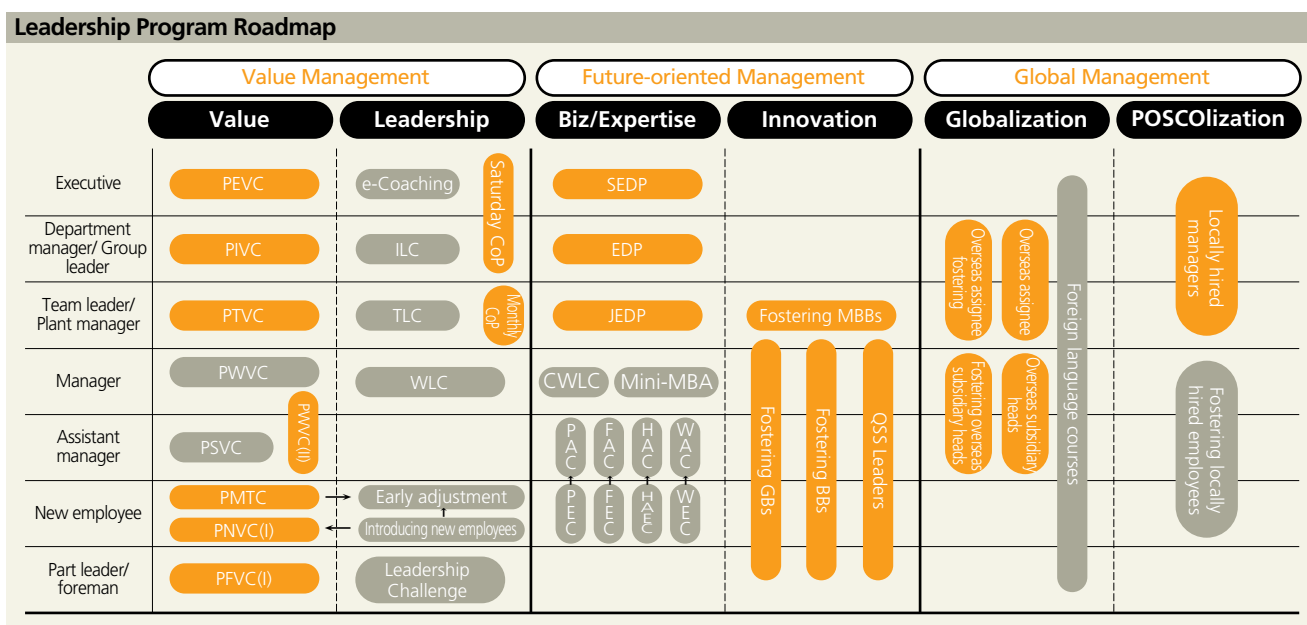
Recruiting System | In order to ensure equal opportunities for all, POSCO abolished education or age limits in its recruiting system. The “POSCO Patterned and Structured Interview” is an effective instrument to sort and recruit talented persons. We assess the competencies and potentials of applicants in analyzing, planning, communicating skills, and leadership through an assortment of interview courses based on the “Assessment Center.”

Recruiting Activities | In 2008, POSCO conducted various sessions promoting the company to talented potential applicants, while requesting universities to recommend prospective candidates from their student bodies. Our scholarship programs for industrial scholars majoring in steel technologies are also good measures to retain a talented workforce, early on. Supporting steel technology-related courses in the university, we ensure that the academic programs remain connected with the actual requirements of the worksites. We also operate overseas recruitment programs in the U.S., Europe, China and Japan.

POSCO Workforce (Unit: Persons)			
Category	2006	2007	2008
No. of Employees	17,523	17,307	16,707
Pohang Works	7,103	6,774	6,249
Gwangyang Works	6,345	6,272	6,075
Headquarters · Technology			
Research Lab · Offices · Others	4,075	4,261	4,383
Technical service workers	16,050	15,821	15,281
Office workers	1,473	1,486	1,426
Annual contract-based employees	39	58	57
Monthly-paid part-time employees	5	5	2
Hiring	468	387	455
Voluntary retirement	1,952	576	1,003
Retirement due to age limit	274	346	509

◎ Human Resources Development(HRD) System

POSCO's HRD programs are differently applied to new employees, assistant managers, managers, team leaders, plant managers, department managers and executives. The programs set forth 5 different role model states for each group such as “Self Leader,” “Work Leader,” “Team Leader,” “Innovative Leader” and “Business Leader.”



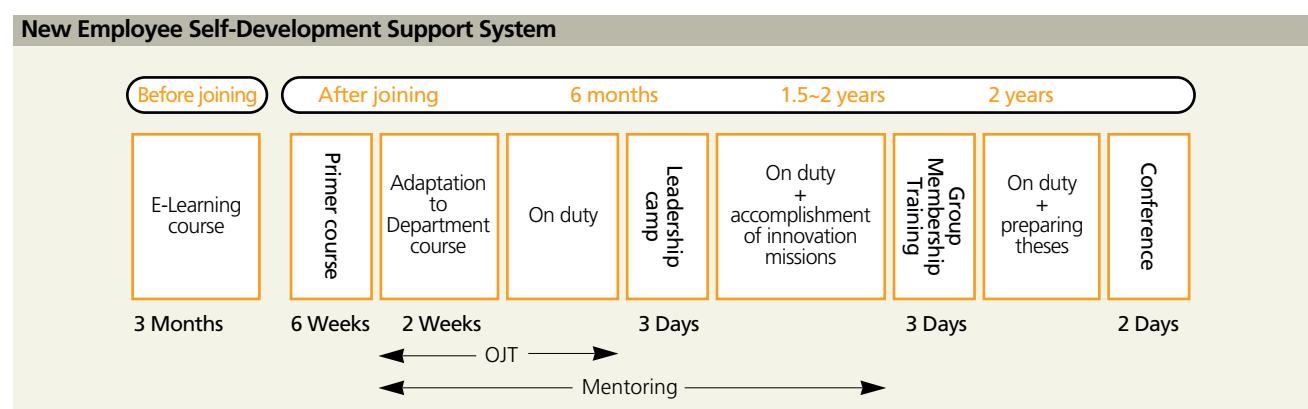
- PEVC: POSCO Executive Shared Value Course
- PIVC: POSCO Innovative Leader Shared Value Course
- PTVC: POSCO Team Leader Shared Value Course
- PWVC: POSCO Work Leader Shared Value Course
- PSVC: POSCO Self Leader Shared Value Course
- PNVC: POSCO New Employee Shared Value Course
- ILC: Innovative Leader Course
- TLC: Team Leader Course

- WLC: Work Leader Course
- PLCO: POSCO Leadership for Changing Organization
- PMTC: POSCO Membership Training Course
- GPEP: Global POSCO Entry Program
- SEDP: Senior Executive Development Program
- EDP: Executive Development Program
- JEDP: Junior Executive Development Program
- CWLC: Core Work Leader Course

- P: Planning
- F: Finance
- HR: Human Resource
- M: Marketing
- EC: Essential Course
- AC: Advanced Course

Early Adjustment of New Employees | In order to assist our new employees in adapting to their work requirements early on and to grow as a responsible and competent specialist, POSCO provides a systematic training program from their date of hire up to 2 years of service through the “New Employee Self-Development Support

Program.” Pooling top performers from competent workers, we nurture them as global POSCO leaders through various support programs including study abroad, regional specialist courses, company-wide contests and dispatch to overseas strategic points.



Leadership Training for Managers and Supervisors | POSCO operates a systematic training program to help all the managers improve their leadership skills as the next-generation leaders. In addition to the separate courses for the newly assigned managers and supervisors, we offer refresher courses for those with 2 to 4 years seniority as managers. Initiated in 2005, the pan-POSCO Saturday CoP program provides executives and department managers with opportunities to maximize their knowledge and leadership competencies.

shift management training program’ by integrating the strengths of various mindset programs and POSCO’s core values, to encourage the voluntary participation of its employees in the QSS initiative.

2. PSSM: POSCO Six Sigma Model, POSCO’s own management innovation model that integrates the conventional Six Sigma, QSS and its work process.
3. QSS: Quick Six Sigma is a work process improvement tool that POSCO developed to facilitate the application of Six Sigma program.

Retiree Training | POSCO operates a green life service(GLS) program to assist employees approaching their retirement age in preparing for new careers. The program starts with setting career goals 1.6 years prior to retirement. From 2 months before D-day, self-assurance programs, workshops and IT training courses help the retirees-to-be to specify strategies. By the end of the program, the trainees acquire practical knowledge for business start-up or reemployment, and finalize their plans.

Cultivating Global Competencies | In tandem with its global expansion initiatives, POSCO intensified its training programs for employees assigned to overseas subsidiaries. With the goal of supporting overseas assignees in their cultivation of required skills and their early adaptation to the local living conditions, the program extends from before their actual dispatch, through to their return, providing differentiated programs for each phase of their assignment. We also conduct education for the native staff of our overseas subsidiaries to help them adapt to the core values of POSCO and enhance their competencies through various programs, content, period and location of education, customized to the local situation and needs. In addition, we assist local subsidiaries in their formation of an education infrastructure, providing education materials and consulting services.

☉ Education Support System

Improving Innovation Education Programs | Starting with process innovation(Pi) in 1999, POSCO has actively engaged in innovation processes including the innovation leadership programs under Six Sigma in 2005, and developed POSCO Six Sigma Model(PSSM)² in 2006. With a goal of fostering innovative leaders who implement successful management innovation, the program fosters MBBs, BBs and GBs. To promote QSS, we designate worksite employees as QSS³ leaders and QSS-Masters, as specialized consultants for onsite innovations. Since 2008, the company has operated ‘The

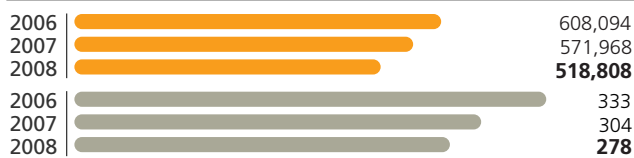
Self-directed learning: e-Learning, Lifelong Learning Program

| POSCO introduced an e-Learning system as early as 2000 as part of its promotion of “Self-Directed Learning” practices. In 2008, 349 courses on the POSCO Way, sharing, leadership, work functions, global and culture subjects were conducted translating to around 150,000 trainees. Personalized courses were provided to maximize

accomplishments while offering greater convenience for the learners. As a result, we were graded "A" in the internet-based remote training agency assessments conducted by the Ministry of Labor and awarded the Ministerial prize for 3 consecutive years. The lifelong learning program was adopted in 2005. Providing online CoP programs to promote the lifelong learning of our employees, we operate programs in the three areas of general training, value sharing and job competency. Since 2007, the POSCO Human Resources Development Center has focused on monthly courses, Saturday programs and leadership training for managers and supervisors. The company's managers and supervisors relay core values and other general management information to fellow workers through the lifelong learning programs, consequently reducing the per capita education hours.

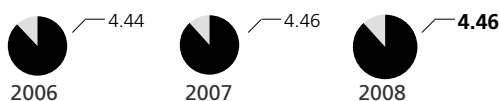
Education Indicators

● No. of trainees ● Training hours per capita(Hr)



Satisfaction of learners*

(Unit: Point)



*The learners satisfaction on the content, instruction method and instructor's skills of the off-the-job programs and e-learning courses provided by the POSCO Human Resources Development Center

2008 Training Hours per Capita by Position

(Unit: Hours)

Position	Training Hours per Capita
Department Manager / Group Manager	89
Team Leader / Plant Manager	144
Part Leader	285
Foremen	308
Staff	285

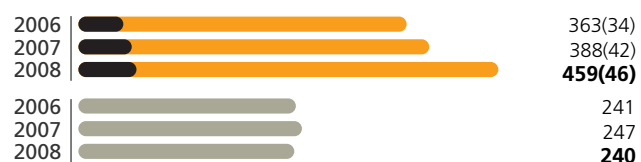
Guarantees of Human Rights

POSCO values competent human resources and respect for human rights as its basic operating principles. POSCO abides by the Standards of Child and Compulsory Labor and Discrimination

Convention(No.111) of ILO in all its business activities. The freedom of association is guaranteed at all workplaces and regular education programs are conducted on all POSCO employees to prevent human rights violations. We also conduct separate training courses for security staff at the Works on human rights protection. Moreover, we employ the physically-challenged in numbers far exceeding the legal requirements, helping them realize their potential. In response to Affirmative Action, we are staffing up our female workers.

Disabled and Female Workers

● Female Workers ● (Female Managers) ● Disabled



Compensation and Welfare

POSCO implements a performance and merit-based HRM system through an annually negotiated salary system for assistant managers and the above level, with early promotion for top performers. To ensure success sharing with our employees, we run a profit-sharing system. In order to motivate our employees to become more actively involved in their duties and promote productivity, we have operated a Labor Welfare Fund since April 1991. This fund is used to provide our employees with a cafeteria benefit plan, celebration/grievance payments, condolence payments, and scholarships for employees' children, medical subsidies, housing loans, living expense loans and loans for ESOP purchases. The new Employee Stock Ownership Plan(ESOP) was temporarily operated from 2002 to 2008 to enhance company ownership by our employees and return the benefits of enhanced corporate value to our employee investors. As of the end of 2008, Employee Stock Ownership Association (ESOA) holds 4.01% of the company.

Contributions to Labor Welfare Fund

(Unit: KRW billion)

● (Amount) ● Accumulated Amount ● Total Contributions



Win-Win Cooperation

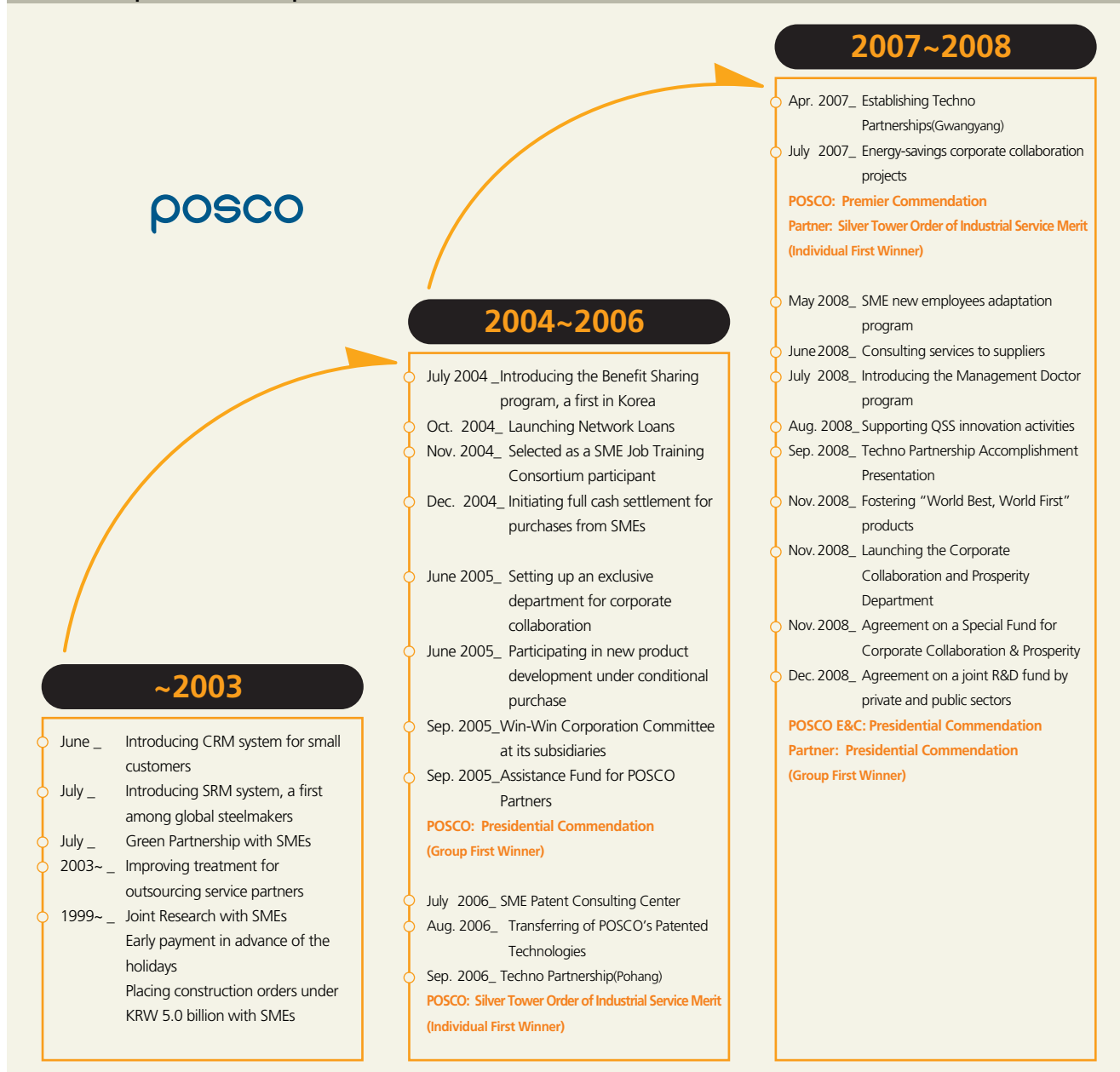


Overview

With the advancement of the business environment, market competition has evolved from that between individual companies into a competition between business ecosystems. Consequently, collaboration between large corporations and SMEs becomes more important for sustainable growth. Thus, POSCO has re-organized its formerly fragmented win-win cooperation activities into a company-wide approach. For instance, it established an exclusive team to

support SMEs as early as June 2005. In November 2008, the team was promoted to the Corporate Collaboration and Prosperity Department. Since February 2009, the win-win cooperation groups are under the supervision of the chairman. These initiatives are widely recognized for their contribution to narrowing the divide between large corporations and SMEs. In particular, the commendation of POSCO E&C by the President in 2008 is a testimony to the value of the group-wide establishment of these win-win cooperation activities.

Win-Win Cooperation Roadmap



Win-Win Cooperation in Technology Development

◎ Techno Partnership

In September 2006, POSCO, POSTECH, RIST and Pohang Techno Park created a "Techno Partnership Support Team" with 37 SMEs based in Pohang participating as signatories. The program was expanded into the Gwangyang Works in April 2007, and the Team has provided technology consulting services to a total of 56 companies as of the end of 2008. The beneficiary SMEs highly appreciate the program in that they were provided with quality, customized technology consulting, and free access to test and research equipment through the program. Marking the second anniversary in September 2008, a "Techno Partnership Accomplishment Presentation" was held to promote the benefits of the program and attracting the attention of prospective participants.

Techno Partnership Support Team

Participants	Consulting Service	Test Drive	Participant Panels
2,062 persons	1,112 times	350 cases	Pohang: POSCO, RIST, Techno Park, Metal Material Industry Agency Gwangyang: POSCO, Jeonnam Techno Park, Suncheon National University

◎ New Product Development under Conditional Purchase & Joint R&D Fund

Under the program, the Small and Medium Business Administration (SMBA) subsidizes SMEs up to KRW 500 million to develop products that large corporations need with purchase guarantees. POSCO concluded this agreement with the SMBA in June 2005. Since then, 13 products were developed in 2006, 24 in 2007, and 11 in 2008. In addition, POSCO agreed with SMBA to create a joint R&D fund of KRW10 billion in December 2008. These programs give SMEs the opportunity to boost their technological capacities with a stable revenue stream, while POSCO benefits from a steady supply of equipment and enhanced productivity.

◎ Joint Research with SMEs

POSCO conducts a joint R&D program with SMEs to support the SMEs to improve technology competencies through stable revenue streams. Initiated in 1999, the program includes quality improvement and localization of equipment, materials and measurement devices, and processing and steel utility technologies. To date, 104 companies have taken part in 77 projects, where POSCO contributed KRW 13.3 billion of the total KRW 19.8 billion in expenses.

◎ Boosting Transfer of POSCO's Patented Technologies

SME Patent Consulting Center | POSCO has opened an SME patent consulting center to facilitate SMEs' utilization of POSCO's technologies and to encourage their creative activities. The center provides technology transfer consulting, patent information and patent-related training programs. Inquiries or questions can be made to our regional centers at Pohang and Gwangyang, via phone, mail, e-mail or personal visit. In 2008, the center undertook 28 cases of consulting, research and training programs.

Supporting SME's with POSCO Patents and Intellectual Rights

| POSCO forgoes patent fees, utility model rights and design rights in the case of products that are manufactured and delivered to POSCO. Applications and inquiries can be made via e-mail to the SME Patent Consulting Center or steel-N.com. As of 2008, 17 royalties have been waived for 11 SMEs, and we are currently maintaining 199 patented technology transfer contracts with 153 SMEs.

Full Support of Application Expenses for Joint Patents |

POSCO shoulders the entire burden of patenting costs from application and registration, to holding the patent rights for joint patents with SMEs. We applied for 9 joint patents with 7 SMEs in 2007, and 8 patents with 7 SMEs in 2008.

Win-Win Cooperation in Procurement

◎ Benefit Sharing

Introduced in July 2004, POSCO's Benefit Sharing system promotes joint improvement activities with its suppliers, allowing both sides to share in the ensuing benefits. Suppliers can reinforce their capabilities and cut costs, while POSCO realizes quality upgrades and cost savings in the long run. In addition to other incentives including long-term contracts, benefits are shared up to 50% of the returns or savings, for a period of up to 3 years. As of 2008, a total of 419 suppliers joined the program and have improved 722 cases, realizing KRW 157.2 billion in financial benefits. Of this, a proven KRW 19.5 billion was returned to 214 suppliers. Other multi-faceted support that POSCO offers to its SME partners includes Six Sigma, QSS and various other innovation tools and knowledge.

◎ Customized Consulting Services

Business Consulting | POSCO provides suppliers who wish to improve their performance, with business consulting services customized to their needs in production, quality, technology,

environment and management, for 3 month terms. Consultants are in-house experts holding MBBs. This program not only helps individual suppliers to enhance their competitiveness but also upgrades POSCO's supply chain. In 2008, 12 SMEs received this service and in 2009 we plan service for 24 companies.

QSS Consulting | QSS consulting service is designed to spread and establish POSCO's onsite innovation initiatives to its suppliers, improving SMEs' production site conditions. POSCO's QSS consultants have helped suppliers reduce wastage by drawing up working protocols for major processes, enhancing the efficiency of the inventory management and reorganizing space utilization as well as 5S and "My Machine" activities. In 2008, we ran a pilot operation for 6 SMEs and plan 16 more in 2009.

Management Doctor Program | This program taps into the expertise and knowledge of former executives of large corporations to help SMEs improve their competitiveness. A triangle partnership between the large corporation, SMEs and the Consulting Group of the Federation of Korean Industries supports SMEs in improving their management. The program complements the business consulting and QSS consulting services, offering services in management strategy-building, HRM and marketing. In 2008, 3 SMEs successfully completed the 6-month course.







☉ Support for SME Orders

POSCO keeps searching for items that can be purchased from SMEs and pursuing localization of equipment in order to expand its order volumes to SMEs. Leveraging its strong brand image, POSCO also supports well-performing SME suppliers with a competitive, cost effective platform to explore overseas markets. Our technology and purchase partnerships with New Nippon Steel, TKS and Shanghai Baosteel provide SMEs with leveraged opportunities to introduce themselves to international buyers.

SME Orders		(Unit: KRW billion)
2006		2,954.7
2007		3,714.9
2008		4,330.7

☉ Fostering SMEs with Global Competency

POSCO Certified Partners(PCP) | Introduced in 2005, POSCO's Certified Partners(PCP) program fosters the development of PCP suppliers as globally competent suppliers in technology and quality. The selection criteria includes excellent performance in the SRM evaluations by our sourcing group for 2 consecutive years, and more than a KRW 1.0 billion supply track record with POSCO. Once selected as a PCP, SMEs are eligible to participate in a pan-POSCO privilege program, including promotions on POSCO's e-Procurement portal and POSCO newspaper, preferred biddings, preferred contracting and immunity from all types of deposits. They are also invited to take advantage of our distribution networks, connecting them with overseas steelmakers and suppliers, and to join the Saturday CoP meetings. PCP suppliers are actively involved in all of POSCO's win-win cooperation initiatives, including the benefit sharing program, facilitating excellent performance in corporate growth.

Yearly PCP Suppliers		
	● No. of PCP suppliers	● No. of PCP items
2006		18
2007		25
2008		26
2006		23
2007		36
2008		40

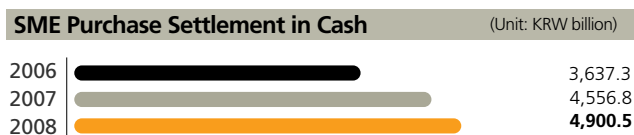
PCPs' Transactions with International Steelmakers				(Unit: KRW billion)
Category	2006	2007	2008	
Total amount	104.1	129.4	202.0	
No. of suppliers	21 companies	18 companies	19 companies	

Fostering World Best/World First Items | Through its partnership with excellent suppliers, POSCO mentors them as one of the world best item producers, to build supply chain competencies of a best in class stature. A cross functional team(CFT) is set up to provide organized support for the candidate items. The candidate SMEs will be supported with all applicable win-win cooperation programs, including technical support, business doctoring program and QSS consulting, as well as enjoying an exclusive supply contract spanning up to 3 years. As of 2008, its first year in service, 17 items from 14 companies are benefiting from this program.

Win-Win Cooperation in Financial Aspect

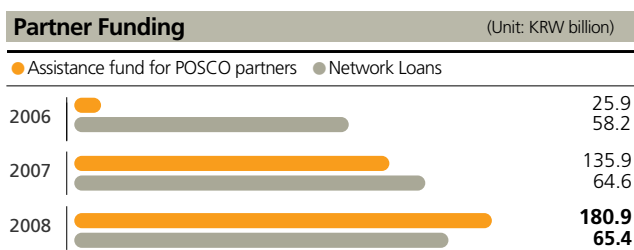
◎ Full Cash Settlement for Purchases from SMEs

In a bid to assist SMEs in stabilizing their businesses, POSCO adopted a full cash settlement policy in 2004 for purchases made from SMEs. In addition, in advance of the holidays when capital needs surge, we schedule payments twice a week (within 3 days from delivery) starting from 1 week prior to the holiday and continuing every day up to the holiday. In order to ensure sufficient cash settlement timeline for the secondary subcontractors, we offer incentives in performance assessment to our suppliers who pay their subcontractors cash, in full.



◎ Assistance Fund for POSCO Partners & Network Loans

In September 2005, we opened a time deposit account with the Industrial Bank of Korea and Daegu Bank to fund SME loans. Outsourcing service partners, customers and suppliers of POSCO can benefit from preferential interest rates 1~2% lower than market rates. Introduced in October 2004, the network loan program is an SME loan based on their transaction records with POSCO, administered by the banks with which they have a purchase settlement account.



◎ Win-Win Cooperation Special Fund

In order to help SMEs with funding issues in the aftermath of the global financial crisis, POSCO entered into an agreement with Shinhan Bank and Woori Bank in November 2008 for a KRW 200.0 billion special fund to start extending special loans from December 2008. POSCO opened a low-interest rate deposit account with the aforementioned banks so that they can extend loans at preferred interest rates to needy SMEs within the limit of KRW 2.0 billion per company, secured by POSCO's capital deposits.

Win-Win Cooperation in Education/Training

◎ SME Vocational Training Consortium

Tapping into our excellent instructors, facilities and equipment, we offer education and training courses to SME employees in competency enhancement and technological skills. To date, we have assisted 263 partners in maintenance, operational support and processing. In 2008, a total of 21,984 SME employees finished 117 courses—8,273 persons in 68 off-the-job courses and 13,711 in 49 e-Learning courses.

◎ Supporting the Innovation Activities of Outsourcing Service Partners

POSCO spent a total of KRW 8.48 billion to support the innovation activities of its outsourcing service partners: KRW 480 million in QSS support and KRW 8.0 billion in special incentives. In addition, we supported 90 QSS-Masters and consultants in QSS training courses and innovation activities, fostering 763 innovation leaders for our partners.

◎ General Education Courses

In order to enhance the quality of life for SME employees and their families, we organize lectures on various subjects twice a month in Pohang and Gwangyang and once per month in Seoul. In 2008, 457 persons attended 28 lectures.

Win-Win Cooperation in Green Growth Initiative

◎ Green Partnerships with SMEs

POSCO initiated green partnerships with its SME partners in July 2003 to support its partners' efforts to build environmental management systems. Through the program, we supported 26 outsourcing service partners with high environmental risks to acquire ISO 14001 certification and publish environmental reports. In cooperation with RIST, we analyzed their production processes and environmental facilities and provided consulting services as well as support for a clean technology system including environmentally-friendly R&D and clean technology development.




◎ Win-Win Cooperation in Energy Savings

In July 2007, POSCO signed an agreement on a win-win cooperation partnership in energy savings, to support SME's energy saving and management techniques in joint partnership with the government. Providing analysis devices and experts, we transferred our energy saving and management knowledge to 10 SMEs and held technology seminars and workshops to share our accomplishments. The government, for its part, financed the technician expenses and event expenses.

◎ Promoting Green Purchases

POSCO outlined its green purchase guidelines in 2005, classifying green purchase types into 6 categories. In 2006, we expanded the green purchase practices to a group-wide initiative. As a leading participant in the “voluntary convention committee of businesses promoting green purchase practices,” POSCO works with its suppliers to build an eco supply chain. It operates a group-wide

green purchase network and monitors the progress of green purchase practices, actively identifying new 3R(reduce, reuse, recycle) items.

Green Purchase Amount		(Unit: KRW billion)
2006		124.4
2007		169.2
2008		202.5

Green Purchase Performances					(Unit: KRW billion)
Category	Type	Items	2007 Purchase Amount	2008 Purchase Amount	
Certified Green Purchases	GP 1 Environmental Mark Items	lubricating oil, PCB	4.5	1.6	
	GP 2 Good Recycled(GR) Mark Items	monitors, invertors and sensors	0.1	0.1	
	GP 3 Energy Saving Items	motors and invertors	13.3	22.4	
POSCO's voluntary Green Purchases	GP 4 Reduced Harmful Material Items	activated carbon, chemicals, resins	32.7	39.6	
	GP 5 Less Waste Producing Items (repackaging, purchase under waste recovery standards and refill contracts, etc.)	Roll, water treatment chemicals, metallic tube, heat exchanger, knives, refractory	106.4	126.9	
	GP 6 Others(resistant to flame, foreign environmental labeled items)	conveyer belt, Flux Powder	12.1	11.9	
Total		2,407 items	169.1	202.5	

Win-Win Cooperation System

◎ Win-Win Cooperation Organization

For a single group-wide approach to consistent and practical support of its SME partners, POSCO elevated the Win-Win Cooperation Team to the Corporate Collaboration and Prosperity Department in November 2008. The new Department plans company-wide win-win cooperation activities and monitors their progress.

◎ Win-win Cooperation Committee & SME Consulting Centers

POSCO promotes its win-win cooperation activities through group-wide initiatives managed by Win-Win Cooperation Committee. POSCO's subsidiaries participate in the quarterly meetings to discuss and identify new activities, planning, monitoring and discover best practices. In a bid to prevent unfair competition practices, we started operating an “SME Consulting Center” on our corporate website from July 2005, in addition to our hotline and fax. All reported cases are notified to the companies at issue, insuring equity and transparency in all our transactions with our SMEs. We also request corrective action and monitor settlement delays to our SME's subcontractors.

Maximizing Customer Satisfaction

With the growing contribution of high value-added products to our revenue base, our customer service needs will be increasingly demanding. POSCO's customer relationship management(CRM) system includes an integrated customer information database, which enables us to understand our customers' needs and provide customized services. Our “customer care service” enables us to pay regular visits to our customers and listen to their requests. The voices of the customers(VOC) are instantly attended to by the workers. In addition, we conduct an annual customer satisfaction survey. An outsourced agency conducts and scores POSCO's performances in 8 categories including settlement conditions, order processing and product quality on a scale of 1-7. In the 2008 survey, 215 domestic respondents gave a 6.7 point raise and the 193 international respondents gave a 6.6 point raise in performance scores compared to the 2007 results. We also provide information on all of our products such as inspection certificates to our customers via our e-Transaction network. Abiding by all governing international conventions and rules on sales and marketing, we have never been subject to sanctions for any violations to date.

Customer Satisfaction						(Unit: point)
	2004	2005	2006	2007	2008	
Domestic customers	78.0	82.1	79.0	82.3	89.0	
International customers	67.2	67.8	66.7	68.9	75.5	



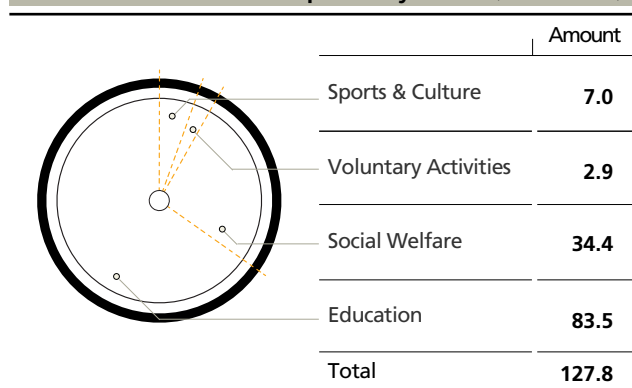
Social Contributions

Committed to co-prosperity along with our communities, POSCO is actively engaged in social contribution programs in the 4 categories of human resources development, volunteer activities, supporting the under-privileged and global social contributions. In particular, the active volunteerism of our employees has enabled POSCO's management policy of "sharing" to take root as a new corporate culture.

2008 Social Contributions Initiatives

Human Resources Development	Supporting POSTECH to grow as an R&D-specialized university Building an Asian network by fostering competent people in global market
Local Community Services	Strengthening ties with local communities with POSCO's substantial volunteer programs Continuing to identify new social contribution themes, catering to the needs of local communities
Supporting the Under-privileged	Promoting employment of the disabled by enhancing the competencies of "POSWITH," the first government certified workplace for the handicapped in the form of a subsidiary Supporting multi-national families with foreign immigrants through marriage
Global Social Contributions	Developing social contribution programs catering to the needs of strategic overseas locations Continuing promotion of social contribution activities in our overseas business premises in partnership with global NGOs

2008 Social Contribution Expenses by Sector (Unit: KRW billion)



Human Resources Development

◎ POSCO TJ Park Foundation

Human resource is one of the most valuable resources in Korea, a country with scarce natural resources. POSCO TJ Park Foundation, the former POSCO Scholarship Foundation, implements scholarship programs and human resources development projects across the Asia in step with the company's global expansion. The program will provide Asian talent with opportunities to better understand POSCO and Korea.

POSCO TJ Park Foundation Programs

Name	Details	Remarks
POSCO Asia Fellowship	<ul style="list-style-type: none"> Promoting mutual understanding and exchanges with Asian countries Major projects <ul style="list-style-type: none"> Scholarships to Asian students studying in Korea (KRW 1.34 billion to 67 students) Fostering Asian regional specialists (KRW 780 million to 48 students) Scholarship programs in prominent Asian universities (KRW 450 million to 510 students) Supporting research on Asian culture and society (KRW 700 million to 22 students) Supporting quarterly publication "Asia" (KRW 300 million) 	<ul style="list-style-type: none"> 70 persons annually 60 persons annually 500 persons annually includes the Asia Forum
	<ul style="list-style-type: none"> Commemoration of the founder's accomplishments and promotion of his entrepreneurship Award Categories (total Award amount: KRW 200 million): Science, Education and Volunteerism (2008) <ul style="list-style-type: none"> Science Winner: Hyun Taek-Hwan, professor of Dept. of Chemical and Biological Engineering at Seoul Nat'l University Education Winner: Yang Hee-Gyu, principal of an alternative school Gandhi School Volunteer: Rev. Dobup, representative of Indramang 	<ul style="list-style-type: none"> Introduced in 2006 First awards in 2007 Awards every March
	<ul style="list-style-type: none"> Excellent students in Pohang and Gwangyang and students talented in Math Supporting 300 students annually (255 in currently supported) * 100 students selected from top 4% of first-graders Support: KRW 1.5 million in scholarships for 3 years * KRW 5 million scholarship for entering prominent universities 	<ul style="list-style-type: none"> Began in 2006 Plans to select second-graders from 2010
	<ul style="list-style-type: none"> Assistance for university students from children's charities Supporting 100 students annually - 60 in 2006, 76 in 2007 and 34 in 2008 Support: full coverage of university tuition fees 	<ul style="list-style-type: none"> Began in 2006 Suspended as of 2009
POSCO Care Giving Program	<ul style="list-style-type: none"> Providing housing welfare to the elderly living alone and the disabled in Pohang, Gwangyang and Seongnam Employed 55 caregivers (20 in Pohang, 15 in Gwangyang and 20 in Seongnam) Partnership: Work Together Foundation and YWCA 	<ul style="list-style-type: none"> Began in 2006 Suspended as of 2009
POSCO Steel Art Award	<ul style="list-style-type: none"> Competition of steel artworks, especially sculptures 	<ul style="list-style-type: none"> Annual Award
POSCO NGO Fellowship	<ul style="list-style-type: none"> The 1st group of 10 students in training courses at 5 universities in North America 	<ul style="list-style-type: none"> * The 2nd group recruitment announced on December 26, 2006

◎ POSTECH

Celebrating its 23rd anniversary this year, POSTECH is Korea's first research-oriented university. It is also the only Korean institute that has Pohang Light Source. Its 60 prominent, affiliated R&D institutes including Korea's largest university, the affiliated BT R&D Center and National Center for Nanomaterials & Technology, represent the premier think tanks for Korea's basic science and engineering disciplines. POSTECH was named as an "excellent university in educational innovation promotion" by the Ministry of Education and Human Resources for 7 consecutive years from 1996. It was also ranked as Asia's 1st and the world's 11th leading institution in the Citation/Faculty category of "THES-QS World University Rankings 2007" by the Times.

◎ POSCO Educational Foundation

The POSCO Educational Foundation runs 12 institutions in Pohang and Gwangyang, ranging from kindergartens to high schools. Since its establishment in 1971, the Foundation has spearheaded efforts to maximize the effects of education by recruiting the best teachers, implementing diverse, specialized education models and providing quality education guidance. As a result, 5 elementary and middle schools under the Foundation received awards at the 14th National English/Mathematics Competition organized by the Sungkyunkwan University, sponsored by the Dong-A Ilbo (a daily newspaper). Pohang Jecheol Jigok Elementary School set the record as it took home its 14th consecutive award. Meanwhile, Gwangyang Jecheol Elementary School has won the best elementary group award for 3 years in a row at the 2006 International Youth Mathematics Competition in Tianjin, China. At Pohang Jecheol Technical High School, all 210 graduates of the "Class of 2008" obtained licenses in an average of 6 fields per capita. One of the graduates, Yu Byeong-yeon, who specialized in materials technology, came into the limelight for obtaining 23 licenses, the most for a vocational school student in Korea.

◎ Local Youth Field-experience Program

A variety of programs are available to children living in the vicinity of our Pohang and Gwangyang Works. Elementary students from 5 schools in Cheongrim, Indeok, Daehae, Songdo and Songrim near Pohang Works are provided with cultural trip experiences to Seoul. Field trips for elementary students help them understand steel as a part of our daily lives. POSCO researchers and engineers volunteer their time to hold "Junior Engineering Classes" for regional elementary students on science principles and experiments. Since 1993, POSCO has invited local students in Pohang and Gwangyang to its "Junior Steel Camp" every summer vacation. The camp awakens participants to the value of steel and instills solidarity and an

environmental protection mindset in the participants through its group activities. These programs also contribute to closing the educational gap between the regions.

Volunteer Service Activities

◎ Infrastructure to Support Volunteer Services

As a responsible corporate citizen, POSCO fully supports its employees' social contribution activities. POSCO employees become a member of the POSCO Volunteer Group as soon as they join the company with various opportunities to participate in social contribution programs. We offer "Volunteer in Theme" and "Sharing Saturday" programs to motivate our employees to volunteer. The company's intranet-based social contribution system provides information on volunteer groups at the department level and volunteer track records and needy places for volunteer activities. In addition, the company provides educational programs on social contribution activities, contributing to the balanced development of society and realization of individual potential.

Introduced in October 2004, the volunteer service mileage program motivates employees to actively participate in volunteer work. For those who achieve a given amount of volunteer hours, they are recognized with certifications and badges and their volunteer groups are subsidized with activity expenses. By the end of 2008, a total of 6,744 employees and their families acquired 100 hour certificates and 110 achieved 1,000 hour certificates. The animated social volunteer e-learning program that was introduced in September 2005 has trained 12,011 employees so far. The courses can be accessed by all via the homepage of the Korea Council of Volunteering. We also produced and distributed educational CDs.

In 2008, 91.9% of POSCO employees volunteered for social activities. The average per capita volunteer hours stood at 24.1 hours, which translates to more than 2 hours of volunteer activities per employee per month. Looking forward, POSCO will continue its programs to cultivate a volunteer mindset and to enhance the quality of life for its employees.

◎ Volunteer in Theme Activities

The volunteer in theme activities program is designed to deliver satisfaction and happiness to our employees and their families, through their volunteer work. By participating in the seasonal volunteer activities, the families can reunite and spend time together.

Monthly Programs of 2008 Volunteer in Theme Activities

	Theme	Programs
Jan.	Protecting wildlife	Forming birds' nests and feeding birds on Daemo Mt.
Feb.	Visiting less-privileged	Delivering Ddeokkuk of Love and treating the elderly living alone with free meals
Mar.	Safety check in the thawing season	Removing foreign plants and planting wild flowers on the banks of Seongnae stream
Apr.	Making a path up a mountain	Planting royal azaleas along the path to Namhansanseong
May	Feasts in honor of the aged	Parties and picnics for the elderly citizens of charities and villages in sisterhood-ties
June	Spending time with the disabled	Marathon of Hope with the disabled
July	Enhancing patriotism	Planting and watering the althaeas in the vicinity of the Civilian Access Control Line
Aug.	Summer health & hygiene check	Sterilizing charity facilities, drying the beddings and disinfection of villages in sisterhood-ties
Sep.	Protecting cultural assets	Tidying up the regional cultural sites in the vicinity of Bonghwa Mt.
Oct.	Giving helping hands in the farming season	Experiencing the micro organic farming methods at Yeoncheon and harvesting acorns and red peppers
	Sharing with the less-privileged	Delivering briquettes for heating to the neighborhoods of Sanggyeo-dong
Nov.	Preparing for winter	Preparing Kimchi for Kkotdongne villagers
Dec.	Sharing the joy of Christmas	Decorating Christmas tree and throwing parties at charities

Sharing Saturday

The "Sharing Saturday" program connects department-level volunteer groups to needy places and supports continuing volunteer activities. Designating a "voluntary day" since 2004, our employees participate in volunteer activities once every month and the company sponsors their lunches and supplies.

Volunteer Service Mileage Certification(2008. Dec. E) (Unit: Persons)

Category	2006	2007	2008
100 hours	1,014	2,505	5,319
300 hours	138	327	915
500 hours	66	158	400
1,000 hours	22	49	110

POSWITH- the first government certified workplace for the handicapped in the form of a subsidiary

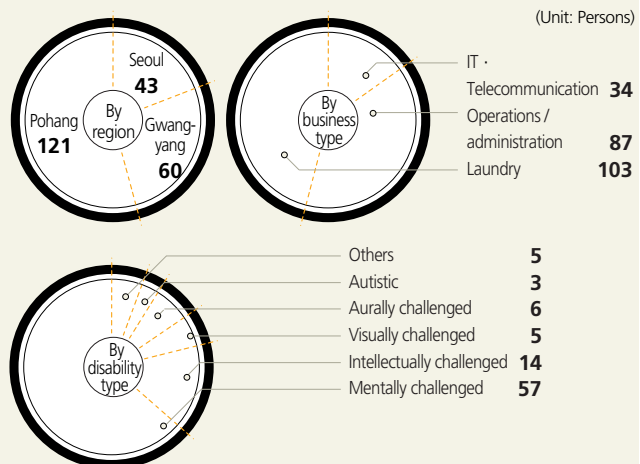


In order to provide more opportunities to the disabled, enabling them to realize their full potential, POSCO established the first government certified workplace for the handicapped in the form of a subsidiary, POSWITH. Starting in 2007, well before the related law went into effect, the company underwent 9-months of preparation including thorough case studies at home and abroad, which scrutinized the various business areas and job functions which were most suitable for the disabled in cooperation with the Korea Employment Promotion Agency for the Disabled(KEPAD), placing the POSWITH program into operation on January 1, 2008.

As a specialized company that creates job opportunities to the disabled, POSWITH aims to expand employment of the disabled through profitable operations. To that end, the company will keep searching for new business areas suitable to the needs and skills of the disabled and broaden its scope of service targets from the current POSCO, to its subsidiaries, outsourcing service partners and other companies, increasing sales and enhancing its competitiveness. It has set its goal at increasing the current 40% disabled employment ratio to 50% within the year and to 60% by 2012. The current Korean legal requirements for disabled employment ratio stand at 30%. Of the 224 working for POSWITH, 90 employees or 40% are either mentally, intellectually, visually, aurally, verbally or physically challenged.

poswith

- **Name - POSWITH:** The letter "W" represents two persons holding hands together, conveying the corporate philosophy of "Harmony and Service" among POSCO, customers, and the disabled.
- **Business Area:** Operations/administration, laundry, IT & telecommunications services for POSCO employees
- **Employees:** 90 of the 224 full-time regular workers are disabled (40% of entire employees, as of February 5, 2009)

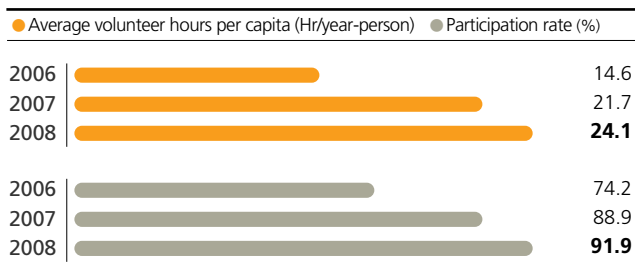


◎ POSCO Volunteer Group

All POSCO employees are members of the POSCO Volunteer Group. Since its foundation in 2003, the group has woven the spirit of sharing and participation into POSCO's corporate culture.

POSCO employees voluntarily donate their lecture tuitions and copy money to the social contribution fund. The donors can designate beneficiaries and the company offers deductions in return. Since 2005, the fund has been used to help the underprivileged. In 2008, KRW 65.75 million was donated to help North Korean refugees find jobs and supplying educational materials to elementary schools in developing countries.

2008 Participations(All employees)



Global Social Contributions

◎ POSCO University Student Volunteer Group- Beyond

With the goal of cultivating and awakening our future leaders to the value of social contribution and sustainability, POSCO launched a volunteer group for university students, named "Beyond" in 2007. The second "Beyond" group was organized in 2008 through contests of self-introductory UCCs as an expression of their enterprising spirit and social contribution mindset. The 100 selected students began their activities in July 2008 with a 400km "Tour de Korea" to spread the sharing spirit. In January 2009, they participated in the Habitat for Humanity program in Thailand. Also participating in these activities were pan-POSCO social contribution department employees from POSCO E&C, POS-AC and POSREC from Korea and POSCO-TBPC, POSCO's coil processing center in Thailand.

◎ Global Community Engagement

POSCO's social contribution initiatives know no boundaries. POSCO is actively involved in improving the quality of life for the local communities overseas where it operates its business, in particular, in India, China and Vietnam. Our social contribution initiatives in these areas will not only help us achieve co-prosperity between the local community and POSCO, but also arouse the solidarity and pride in our overseas local employees.

2008 POSCO Donations

Area	Donation Programs
Nation-wide	<ul style="list-style-type: none"> Fighting famine - disaster relief program Habitat for Humanity - the 2nd Group of POSCO University Student Volunteers Citizens for Decent Housing - modular housing for charities World Vision - Famine 24 Camp(including the construction of schools in Vietnam) UN Environment Programme National Committee for the Republic of Korea - Environmental Sharing Competition Korea Business Council for the Arts - sharing the beauty of culture with children from regional low-income families Dail Community - BCP program(mobile clinic and eyesight recovery operation) Korean Committee for UNICEF - building infrastructure for clean water in Vietnam Raphael Clinic - free medical treatment for foreign workers Korea Council of Volunteering - customized volunteer in theme activities Korean Association of Research and Charity for Craniofacial Deformity - operations for children with cleft lip and palate Private Prisons of Korea - supporting released convicts to regain independency Korea Peace Institute - supporting North Korean refugees to get jobs
	<ul style="list-style-type: none"> Pohang - delivering staples to elderly living alone and teenaged breadwinners
	<ul style="list-style-type: none"> Kyungbuk Association of Persons with Physical Disabilities, YWCA - donating welfare vehicles Nambu Self-support - supporting house repair work Good Neighbors - sponsoring afterschool programs Others - volunteer training, Happy Phone, supporting overseas studies for social workers
Jeonnam (Gwangyang Works Area)	<ul style="list-style-type: none"> Yeosu - supporting the construction of welfare center in Myodo-dong Korea Digital University - providing personal computers for educational programs for multinational families

◎ Pan-POSCO Social Contributions

POSCO provides consulting services to its affiliates on their global social contribution activities. Sharing our knowledge of social contributions with our group affiliates and proposing special programs, customized to their respective needs and characteristics, we are spreading our social contribution initiatives, group-wide. In addition, we have integrated all of the volunteer groups from each affiliate and launched a group-wide, unified organization to maximize the efficiency of our social contribution activities. In 2008, POSCO chipped in along with its subsidiaries to fund and donate KRW 10.0 billion to the Community Chest of Korea. The fund was spent on assisting the under-privileged in getting jobs, supporting children from charities to gain independence, providing free medical treatments for foreign workers and building schools in Vietnam.

INTERVIEW

“ POSCO is the second Korean word I learned ”



This is not the first time that 47-year old Bunmi worked with Koreans. He used to work in Busan, southern city of Korea, for 3 months as a temporary worker. Consequently, “Busan” was the only Korean that Bunmi learned from that experience. However, one more word was recently added to his Korean vocabulary, POSCO. It is the word he picked up after he met the “Beyond” people.

“Integrity, passion and sincerity” were the words that POSCO left in his mind, said Bunmi. He was deeply impressed by the Beyond group volunteers for taking the lead in the dirty work of construction and letting their clothes dirty. He was touched by the sincere and passionate attitudes of the volunteers. He couldn’t thank them enough for building a new house for him. Saying he will expand his house by adding kitchen and more rooms, he invited the Korean friends to visit his new house again in the near future.

Bunmi, a Thai resident

“ Not a single second was a waste ”



A first experience is often full of strange encounters. That was what Choi, Ja-Yeon went through on the very first day on the program. After ten days of sharing food, working and sweating together, she now feels at home with her volunteer colleagues.

Although it was a hard experience to work in a windless, 32-degree weather, she found it well worthwhile when she looked at the completed houses. Especially vivid in her mind was her meeting with Wat Parkhnam Elementary School students. “It is said that youth’s environment carries a deep impact throughout the entire life of the child. I hope these children receive more opportunities, learning from good teachers.” She knew the value of having home. “No matter how stressed you may be, a couple of minutes at home will recharge you and enable you to go on. Therefore, we are quietly moving the world without a sound as we build these sweet homes.”

Choi, Ja-Yeon, Administration Support Team of POSREC

“ Warm-hearted people make the world more beautiful! ”



Mr. Cho, Jin-Guk was the oldest amongst the operation staff of the Habitat for Humanity program. With previous volunteer experience as a member of the Marine Corp Veterans Association, he has practices his belief that softness overcomes hardness and to be gentle in appearance, but sturdy in spirit. This is his second participation in the program. He was also in the last year’s program in India. He took this opportunity to challenge new world and broaden his view. His youth and challenging spirit defied his inexperience in construction works. This second experience left him with an unusual impression. “In India, we couldn’t complete the houses. However, this time, we were able to build 7 houses from bare ground. It was a speechless experience to look at that scenery. The 7 houses attested to our belief that by sharing with warm-hearted care, we can make the world more beautiful!”

Choi, Jin-Guk, a member of Beyond

“ I will never forget this team ”



Ms. Pang Gariya works for POSCO coil processing center in Thailand(TBPC). Despite her long service in the company, this was her first time in the program. In the exhaustingly hot weather, she looked happy working with her Korean colleagues. The language barrier couldn’t stop her from sharing her emotions and hardships. This program will leave a longlasting memory in her mind.

“It was my first volunteer work. I have been involved in fundraising programs in the past, but I would be happy to accept another chance to participate in a similar program in the future.”

Pang Gariya, from POSCO coil processing center in Thailand

Local Communities



Communicating with Local Communities

All the achievements that POSCO has made to date can be attributed to the unwavering support of its local communities. In return, POSCO has devoted itself to a variety of community programs from providing economic assistance to local governments to gain financial independency, to tending to the cultural needs and desires of local residents. From A to Z of our business planning and implementation, we protect the rights of local residents and strive to minimize our impact on the local communities. For the development of local communities, we supported Pohang's drive toward becoming a city of science with our establishment of a world-class educational and R&D infrastructure, including POSTECH, RIST, BT R&D Center and the National Center for Nanomaterials & Technology. As for Gwangyang City, we are backing the city's economic development through our investments in the region such as building a magnesium sheet plant in July 2007 and a plate factory and ferronickel plant from 2007 to 2010.

In addition, we provide assistance to local, low-income families and promote the development of regional arts and culture, while educating our future generations. We run Community Cooperation Teams at our Pohang and Gwangyang Works that serve as communication channels with local residents, and conduct annual surveys on local needs and desires.

Social Contributions Utilizing Resources

POSCO has grown along with its local communities. Since 1968, Pohang and Gwangyang cities have grown into major economic centers along with the growth of POSCO. Since the steelworks operation commenced in the regions, the population has expanded 7 fold in Pohang and has more than doubled in Gwangyang. The municipal budget has also substantially expanded.

Growing along with Communities

Before Steelwork operation *			2008
Population (10,000 persons)	Pohang	7.0	51.2
	Gwangyang	7.8	14.2
Municipal budget(KRW billion)	Pohang	0.32	1,032.8
	Gwangyang	5.90	424.1

* Pohang(1968), Gwangyang(1982)

☉ Cultural Support

At our main business premises in Pohang and Gwangyang, we built "Pohang Hyoja Art Hall" in 1980 and "Gwangyang Baekwoon Art Hall" in 1992. As the home of local culture and arts,

Community Cooperation Coordinator Interview



Moon Mal-Ae, Assistant manager

Dear Readers, I am Moon, Mal-Ae and have been working for POSCO in its community cooperation department in Pohang for 3 years now. I am proud of my work contributing to the mutual prosperity of the company and community. Fully aware that POSCO cannot thrive on its own without the support of local communities, we are working hard for the development of these communities. To date, we have constructed such infrastructure projects as a sunrise park, Techno Park and an art hall. We have been hosting Pohang Fireworks and Light Festival for 5 years now, contributing to the economic development of the local community. We also extend helping hands to the needy through our One-village One-department sisterhood-tie program and house repairing services, as well as economic assistance through our purchase of local agricultural produces.

Departing from just one-sided donations, POSCO is expanding the scope of its social contributions to include a wider variety of services tapping into the skills and experience of its employees. For instance, a group of our employees visited village in sisterhood ties to fix the electricity and prevent the risk of fire outbreak. It was significant in that our employees utilized their skills to help neighbors. We also reused the scrap steel from our steel works to set up guardrails and dry-racks for local farmers. We felt it was all worthwhile when we looked at the appreciative smiles on the faces of the farmers.



these halls serve the area's residents and POSCO employees with a variety of cultural performances. In addition, POSCO created professional football clubs, the Pohang Steelers⁽¹⁹⁸²⁾ and Jeonnam Dragons⁽¹⁹⁹⁴⁾ and built stadiums exclusively for the team's football matches with capacities of 20,000 and 15,000 spectators, respectively, in Pohang and Gwangyang. We take pride in that these clubs and stadiums are home to more than 50 prominent Korean football players such as Hong Myeong-bo and others.

At the POSCO Center in Seoul, we hold music concerts every month in the lobby "Atrium." The annual concert schedules are available on our website and posted in the hallway of POSCO Center. Applying via our home page, anyone can get tickets for free. Celebrating its 100th concert in June 2008, the program has been well established as a representative Mecenat program of POSCO, attracting more than 10,000 patrons in 2008. POSCO Art Museum is another cultural foundation for the city's residents, holding 12 exhibitions of paintings, Korean traditional craftworks, sculptures, photographs and prints.

POSCO has been holding classical music concerts on university campuses, which are more accessible to local residents and students, since May 2004. In 2008, 8,000 people enjoyed the music at Sungkyunkwan University, Ehwa Women's University, Korea University, Seoul Women's University, Myungji University, Joongang University, Kookmin University and the Korea Air Force Academy. Under the name of "POSCO Campus Symphony Festival", the program invited Korea's famous conductor Keum, Nan-Sae and the Eurasian Philharmonic this year.

☉ Contributing to Local Economies

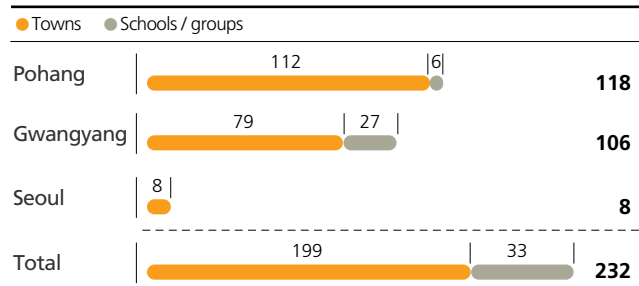
POSCO is also committed to building the infrastructure in Pohang and Gwangyang. While contributing to the local economies

with consistent job creation through stable operations, we return our profits to society by building infrastructure. To date, we have sponsored the construction of Hwanho Sunrise Park, Pohang Culture & Art Center, Pohang Techno Park, soccer stadiums, Gwangyang Community Center and Jeonnam Techno Park. These facilities serve the development of their local economies by attracting tourists and cultural events. We also built an environment tower within our Pohang Works, light scenery in our Hyeongsan Power Plant and scenic lighting on a walking path along the Hyeongsan River and Odoro, transforming our steel works neighborhoods into a vast tourist attraction. Since 2004, we have hosted Pohang Fireworks and Lights Festival, which has become the representative summer fest of Pohang city.

☉ Promoting Balanced Development

POSCO endeavors to ensure that all its stakeholders receive equal benefits from its local development through the company's balanced development initiative. At our business premises in Pohang, Gwangyang and Seoul, we operate exclusive departments to support our department-level social work by consulting and providing information.

2008 Sisterhood Ties



POSCO's Community Engagement Programs

Program	Participants	Beneficiaries	Activities & Effects
POSCO Sharing Houses	Wives of POSCO employees and local residents	Undernourished elderly, disabled and low-income families	Providing free meals
Extracurricular Study Room	POSCO employees	Teenagers from low-income families	Preventing juvenile delinquencies through study help and consulting services as well as life support, while heightening POSCO employee's love of their hometown
Home Repair Program	POSCO employees	Low-income families(2 households per month)	Improving the quality of life for the local residents, while reinforcing solidarity among POSCO employees
Supporting Assistive Devices to the Disabled	POSCO	Charities for the disabled in Gwangyang	Enhancing mobility conveniences for the disabled through lift cars and walking aids
Sisterhood Ties	POSCO departments	Local towns and villages	Each department established sisterhoods with one village Facilitating the communications between the community and the company, tending to the local projects
Medical Services & Blood Donations	POSCO employees	Local residents from areas with underdeveloped medical infrastructure and anyone who needs transfusions	Closing the regional gap in medical welfare services with monthly visits and treatments Donating blood donation certificates to the needy



Achievements of Subsidiaries

66	POSCO Subsidiaries
68	POSCO-China
69	Zhangjiagang POSCO Stainless Steel
70	Qingdao Pohang Stainless Steel
71	POSCO-Vietnam
73	POSCO-India
75	POSCO Specialty Steel
78	POSCO C&C
81	POSCO Power

POSCO Subsidiaries



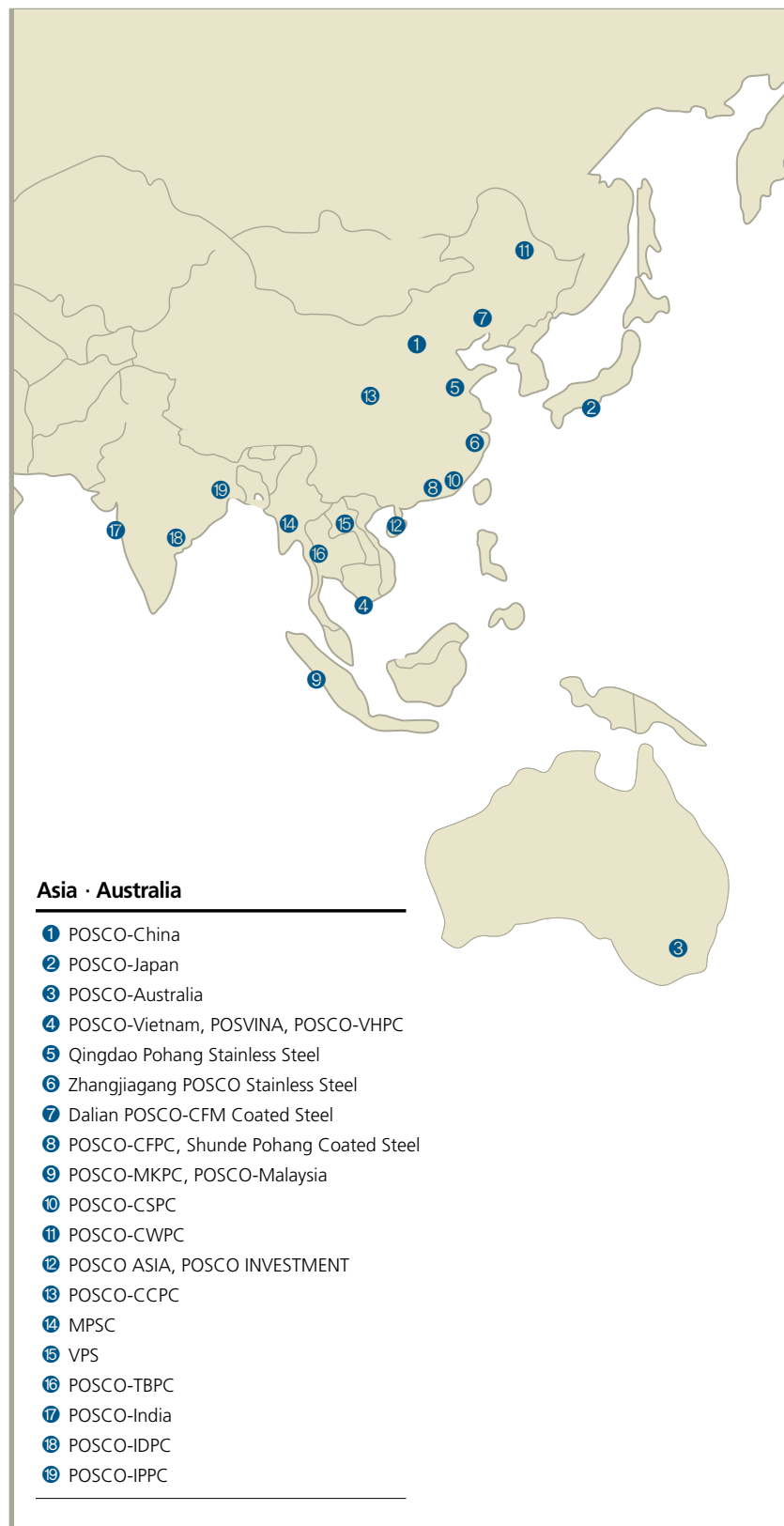
Achievements of Subsidiaries

POSCO operates 20 subsidiaries in Korea and 31 overseas in the entire life cycle of steel making, construction, energy and IT. In particular, POSCO Power, the next-generation energy business arm of POSCO, is an efficient tool for the company's proactive response to the emerging energy-related international regulations to combat climate change. In January 2008, we founded a joint venture, technological partnership with New Nippon Steel, called PNR, to further expedite the resource recycling of our steelmaking by-products. In addition, we started the first government certified workplace for the handicapped in the form of a subsidiary, POSWITH, earlier in 2009. In order to encourage our subsidiaries to practice business ethics, we have designed a CP program and related training courses. Our overseas subsidiaries respect and strictly abide by each country's local regulations and culture. Throughout our worldwide subsidiary operations, we are dedicated to the development of our local communities.

2008 Performances of Key Subsidiaries

Domestic Subsidiaries | In 2008, the combined sales of POSCO's domestic subsidiaries collectively grew by KRW 3 trillion to reach KRW 12.8 trillion, however net income decreased by KRW 100.0 billion to KRW 280.0 billion due to deteriorating market conditions in the aftermath of the global financial crisis. The domestic subsidiaries have expanded their business focus to a global expansion into power plant and chemical processing projects, while preparing for the fuel cell business as a new growth driver. The recent acquisition of Daewoo Engineering will spur the company's advance into large-scale petrochemical EPC projects. In 2009, we will turn risks into opportunities through cost-reductions and our continuing investment in R&D.

Overseas Subsidiaries | POSCO has been expanding its overseas investments mainly in its strategic product sales platform, investing in 104 companies, as of the end of 2008, representing a KRW 1.6 billion investment in the 31 overseas subsidiaries in which we hold management rights. In 2008, we augmented our downstream process through overseas M&As and expansion investments. However, despite our large-scale raw material investments abroad, the global financial crisis compromised overall sales by US\$ 0.2 billion, coming in at US\$ 6.6 billion, with an operating income of US\$ 0.31 billion. For 2009, we have established a contingency plan based on a close cooperation between our headquarters and overseas subsidiaries.





Europe · Africa

- ① POSCO-PWPC
- ② POSCO-ESDC



America

- ① POSCO America
- ② POSCO-Mexico, Human-Tech
- ③ POSCO Canada
- ④ KOBRASCO

POSCO-China

Founded in November 2003, POSCO-China is a holding company of POSCO's Chinese subsidiaries, which include Zhangjiagang POSCO Stainless Steel, Qingdao Pohang Stainless Steel, Dalian POSCO-CFM Coated Steel and Guangdong Pohang Coated Steel. POSCO-China provides business support to these companies through financial management, performance assessment, education and risk management. POSCO-China provides high-quality steels, raw materials and MRO products to customers at home and abroad, while actively pursuing investment opportunities and technology exchanges in the Chinese steel market.

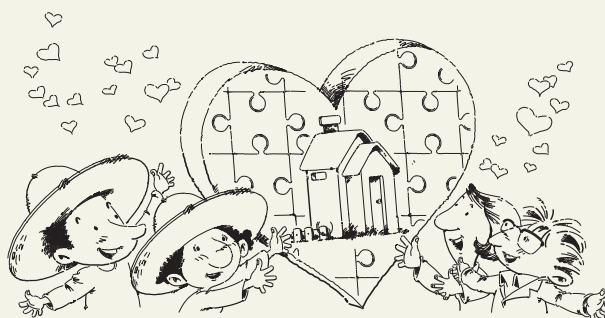
◎ Employees

With an aim to foster a globally competent, localized workforce, POSCO-China strives to retain and develop local talent. Upon their joining, new employees undergo classroom-based leadership courses including the Global POSCO Way, 7 Habits and teambuilding as well as other programs to reinforce employee capabilities. In particular, the most talented employees are invited to attend our Global Challenge Program, a distance training program at POSCO headquarters. The company also encourages active communications amongst its employees so that the company can share its management philosophies and reflect their opinions in its labor and HRM policies. In addition, our Shared Service Programs help our Chinese subsidiary's employees reinforce their capabilities through HRM and QSS activities support, leadership and competence-building programs, as well as specialized services such as financial and legal affairs, when necessary.

◎ Social Contribution

POSCO-China has been engaged in "sharing" management since its advance into the market. The company donated 3.8 million Yuan for the May 12th Earthquake refugees and sent warm clothing to the refugees from the heavy snow in the southern part of China. Through our "POSCO Asia Fellowship" scholarship program, the company has provided scholarships to 641 excellent students of Peking University, Tsing Hua University, Northeastern University and Chinese Academy of Social Sciences, since 2003. In addition, its sponsorships of the Korean-Chinese University Student Forum and Korean culture festival by Chinese universities and the performance of The National Opera Company of Korea in celebration of the Beijing Olympic Games, have all contributed to the cultural exchange between the two nations.

Indicators	2008
Sales(USD million)	80
Net income(USD million)	-21
No. of employees	125
Locally-hired workers	92
Female workers	43
Social contribution spending(1,000 USD)	570
Taxes(10,000 Yuan)	12,466



Zhangjiagang POSCO Stainless Steel

Economic Performance

Zhangjiagang POSCO Stainless Steel(STS) is a local subsidiary that produces and distributes hot rolled and cold rolled stainless steel plates in East China. Founded in 1997, it is the 3rd largest stainless steel producer that has an upstream process facility with an annual capacity of 600,000 tons of hot rolled coils, which was established in 2006. This investment was widely recognized as a timely response to the exploding stainless steel demands in the Chinese market, in spite of the authority's strict regulation on steel investments. Moreover, POSCO's cutting-edge, environmentally-friendly, energy-efficient equipment meets China's industrial policy in line with its new framework for economic growth. The acquisition of Qingdao Iron & Steel's 20% shareholding in 2008 has further enhanced its synergies with POSCO.

Social Performance

Employees

Out of the total 1,860 employees of Zhangjiagang POSCO STS, 1,827 are native workers and the remaining 33 are Korean employees transferred from POSCO. The company places a high priority on interactive communications between top management and the rank-and-file through various meetings and seminars. An assortment of education programs are also in place to assist our employees in building their capabilities along with the regular safety training courses and health check-ups for the safety and health of its employees. The company's welfare program also includes in-house medical services.

Social Contribution

Since its inception, the company has been actively engaged in community initiatives, which include a ZPSS scholarship program for local schools, regular donations of educational and fire extinguishing equipment, volunteer activities, local event sponsorships and blood donations. In recognition of its socially responsible business operations, the company received the highest honors for complying with local laws and regulations, paying taxes, as well as for its outstanding performances in environmental management and social contributions. In 2008, the ground-breaking ceremony for the Zhangjiagang Pohang School was the culmination of POSCO's constant support for the local education infrastructure. Operating 27 classes from kindergarten to high school, the new school will serve as a good opportunity for the children of workers at foreign invested companies to receive quality education, while improving the educational infrastructure of the city.

Taxes

As a responsible corporate citizen, the company has been a diligent tax payer, faithfully paying all national and provincial taxes since its inception in 1999.

Unit	2006	2007	2008
Taxes(million RMB Yuan)	1,154	2,377	931

Environmental Performance

In strict compliance with the demanding benchmarks set by POSCO headquarters for environmental audits, Zhangjiagang POSCO STS strictly controls its emissions of pollutants below the legal limits and recycles all by-products to the greatest extent possible. As a result, its plant was designated as a green factory by the Chinese government. As part of its consistent environmental initiatives, the company has invested 15% of its total capital investment in environmental protection facilities and established more than 45% of its worksites as green areas.

Key Indicators			
Indicator	2006	2007	2008
Production Volume(1,000 tons)	463	780	658
Sales Volume(1,000 tons)	448	736	616
Sales(USD million)	1,388	2,864	1,996
Net income(USD million)	113	81	-122
No. of employees	1,823	1,919	1,860
Locally-hired workers	1,765	1,884	1,827
Female workers	267	284	269
Average training hours			
per person	33	46	70
No. of accidents(incidents)	8	5	7
No. of fatalities(incidents)	0	0	0
Water usage(1,000 tons)	2,224	3,564	3,442
Water discharge(1,000m ³)	629	1,430	1,263
Social contribution			
spending(USD 1,000)	2,513	10,390	571

Qingdao Pohang Stainless Steel

Established in 2002, Qingdao Pohang Stainless Steel Co., Ltd. is a joint venture of POSCO and Qingdao Iron & Steel with an annual output of 180,000 tons of less than 3mm thick cold rolled stainless steel. The acquisition of the remaining 20% share of the company by Zhangjiagang Pohang STS in May 2008 increased the collective ownership of POSCO and its subsidiary, to 100% of the company.

Economic Performance

In 2008, the company produced and supplied 160,000 tons of stainless steel to the Chinese market. In spite of its short history of operation, the company has already secured local industry-leadership in the 400 series products in China, which accounted for 50% of the total 340,000 tons produced by the company during the period of 2007 and 2008. In addition, the stainless steel processing center that was established in 2006 serves as the distribution outpost for both locally produced products and POSCO products. In 2009, the company will sustain its growth and position as the best cold rolled stainless steel mill in China through its optimal production and distribution system, competitive quality and costs, creative working environment and innovative drive.

Social Performance

Out of its total 484 employees, 471 are locally-hired workers. As of the end of 2008, 21 out of its total 28 managers were natives, which we plan to further increase in the future. As such, the top priority of our personnel policy lies in fostering a talented, localized workforce. In line with that policy, we provide excellent performers with opportunities to study in Korea, do research and training at POSCO headquarters and visit POSCO steelworks, as well as other incentives. To facilitate communication between top management and the staff, the company holds a number of regular meetings and seminars and set up a public assembly in 2006, to promote labor-management cooperation. As a result, the company was awarded an "All-China Harmonious Labor Relations Corporation Award" in 2008, by both the All-China Federation of Industry and Commerce and All-China Federation of Trade Unions(ACFTU). Also, the company conducts regular safety training courses, working environment evaluations and health check-ups for the safety and health of its employees. At the same time, as a responsible corporate citizen, the company is actively engaged in local community activities. In addition, the company established its code of conduct in 2005 and

has provided ethics training courses since then. In 2008, the company conducted a separate session on the POSCO Global Way and received business ethics pledges from its 11 outsourcing service partners.

Environmental Performance

Qingdao Pohang STS conducts environmental audits in line with the strengthened environmental regulations of the Chinese government. The company also prepared and put into operation its own guidelines for compliance and the self-handling of environmental disputes. As a result, the company was designated by the Qingdao city authority as an excellent environmental management company in August 2008.

Key Indicators			
Indicator	2006	2007	2008
Production Volume(1,000 tons)	171.9	182.6	152.3
Sales(1,000 tons)	175.2	178.7	152.5
Sales(USD million)	455.6	526.6	405.0
Net income(USD million)	28.3	15.1	△20.6
No. of employees	424	425	484
Locally-hired workers	414	413	13
Female workers	25	26	39
No. of accidents(incidents)	2	1	2
No. of fatalities(incidents)	0	0	0
Lost-time injury			
frequency rate	2.29	1.1	1.77
Water usage(m ³)	240,659	252,738	235,386
Water discharge(m ³)	146,184	173,274	150,118
Final effluent COD(ppm)	27.55	21.29	21.25
Solid waste generated			
(1,000 tons)	1.84	2.03	1.97
Energy consumption			
(fuel NG)(million cal)	5.03 × 10 ⁷	5.23 × 10 ⁷	4.16 × 10⁷
Social contribution			
spending(USD 1,000)	17.7	18.2	10.1
Tax paid(10,000 Yuan)	34,594	13,387	23,171

POSCO-Vietnam

At the request of the Vietnamese government, with which we have maintained years of a mutually trusted partnership, POSCO began reviewing an integrated still mill in the country in 2006. Although we selected the Van Phong region for the construction site, the provincial government of Khanh Hoa requested in 2008 that we consider relocation of the site, citing the potential influence of the project on its long-term development project to establish an international container harbor and the environmental issues of the region, as its primary reasons. Fully understanding the authority's concern, we are undertaking a feasibility study and project amendment review in consideration of the government's expressed interests and the project's longer term view.

Strategically located in Phu My 2nd industrial complex in Vung Tau Province, Vietnam, POSCO-Vietnam is a local subsidiary of POSCO, where a 1.2 million-ton cold rolling mill and 50,000 ton-class berth are currently under construction, with a target completion date of September 2009.

Project Progress

◎ Investment Permit and Plan

Acquiring approval of its USD 1,212 million investment from the local authorities, the construction began in 2007. The first phase construction includes a cold rolling plant with an annual capacity of 700,000 tons of cold rolled and 500,000 tons of full hard steel, slated for completion by September 2009. The second phase involves a 3 million-ton hot rolling plant by 2012. For stable procurement and product export, the company is also building two 10,000 ton-class berths by March 2009 and one 50,000 ton-class berth by 2012.

◎ Laying the Groundwork

Spanning 130 hectares in total size, the groundwork was completed in October 2008 for the plant site that is on lease until June 2055 under contract with IDICO, a Vietnamese industrial complex developer. An exclusive road to the complex is under construction by the local government to be completed in 2010. The exclusive harbor site spanning 27.7 hectares in size has been completed, with the site under lease through November, 2054.

◎ Construction Progress

Since its groundbreaking in 2007, the cold rolling plant's pilings, concrete structure and steel framework were completed in 2008. Electricity work was initiated on June 2, 2008, on schedule,

with 90.6% completed as of the end of 2008. In order to meet the pilot operation schedule to start receiving electricity set by the local government, the company urgently formed a task force team only 4 months before the D-day. Through close collaboration with the Vietnamese government, we resolved all of the roadblocks to the process including compensation for the steel tower site landlords, and started to successfully receive electricity service on January 12, 2009. The POSCO-Vietnam harbor construction project has been 85.2% completed as of the end of 2008. The construction was scheduled to be completed by the end of March 2009 and cranes will be installed by April for importing hot-rolling materials for the pilot operation of the cold rolling plant.

Economic Performance

◎ Management Policies

POSCO-Vietnam set its goal for 2009 at successfully completing its cold rolling plant and harbor, setting the stage for making profits from its second year of operation. To that end, the company will focus on a perfect pilot operation, early attainment of its operational targets, maximizing profitability and building an innovative and cooperative corporate culture.

◎ Sales Strategies

We will focus on ensuring stable distribution channels by securing the highly import-dependent domestic market and exploring export markets early on. Leveraging our competitive edges in quality, delivery date, logistics and other services, the company aims to grow as a high-end cold rolled product supplier to not only Vietnam but other Southeast Asian markets as well. Upon its slated completion in September 2009, it expects to sell 75,000 tons per annum with the sales volume expected to significantly increase from 2010.

Social Performance

◎ Employees

As of the end of December 2008, 378 of its total 402 workers were locally hired employees. For harmonious relations, the company operates an employee representative body that reflects Vietnam's characteristic labor culture. Our commitment to employee welfare has helped instill a sense of pride in our native workers. In the future, the company will continue its endeavors to become a true friend of Vietnam.

☉ Taxes

As it is still under construction, no corporate tax has been imposed on POSCO-Vietnam. Still, the company paid USD 2,158,000 in foreign contractor withholding tax, USD 913,000 in income tax on its employee wages and USD 917,000 in value-added tax.

☉ Social Contribution

Under the motto of “mutual growth with local communities,” POSCO-Vietnam is active in a variety of social contribution programs. The company selects 110 excellent local students and provides them scholarships and is building libraries and providing medical services in cooperation with the step foundation under the UN WTO. In collaboration with the Korean consulate, we also sponsored a bazaar for our local communities. In an effort to forge a close partnership with the provincial government, the company regularly invites their officials to POSCO headquarters, offering hands-on exposure to an advanced economy and presenting POSCO-Vietnam’s future vision. In addition, it also actively supports various local events and organizes monthly meetings with the provincial government for future cooperation schemes.



Environmental Performance

☉ Environmental Activities

Under its vision of “enhancing corporate value through environmental management for co-prosperity with nature in our local communities,” POSCO-Vietnam is working on preemptive environmental policies. Its specific plan includes the timely acquisition of approvals on environmental issues, securing environmental leadership within the industry, and strengthening environmental management that respects and protects mankind and the ecosystem. From 2010, the company will adopt POSCO’s world-leading environmental management model to realize an environmentally friendly leadership in Vietnam, as well as taking the lead in the steel industry.

Indicator	2006	2007	2008
No. of employees	12	56	402
Locally-hired workers	7	40	378
Female workers	1	9	37
Social contribution			
expenses(1,000 USD)	210	154	141
Taxes(1,000 USD)	28	2,109	3,988



POSCO-India

Established in Paradip, Orissa in 2005, POSCO-India has invested USD 12.0 billion to build an integrated steel mill and develop a 0.6 billion ton iron ore mine and related infrastructure. As of the end of 2008, the company is working with the local government on the basic phase of the project to secure the required land site and raw materials for the mill.

Anticipating the growth potential of the Indian steel market, where per capita steel consumption is relatively low compared to the pace of local economic development, POSCO made a timely advance into the market and is well positioned for sustainable growth with the building of a globally-competitive steel mill in the region.

Project Progress

◎ Steelworks Construction

Following the approval of the steel mill's land site purchase in 2005, the company completed most of its administrative permissions and approval processes for its construction of the steelworks and an exclusive harbor in 2007. In August 2008, it obtained the final approval of forest clearance from its land site from the local Supreme Court. At the moment, afforestation and a lease contract on other state-owned land are underway. The company is also collaborating with local communities and governmental bodies on the resettlement package, including housing, medical and educational infrastructure. Through constant dialogue with local residents, the company will soon finalize its policy to the satisfaction of the residents and begin the formation of a resettlement district for the residents and fencing around the land site.

◎ Iron Ore Mining

The company applied to the Orissa State government, for prospecting licenses^(PL) to develop iron ore mines in 3 regions, in 2005. Applications for mining leases^(ML) were also filed for 2 locations. The local government's recommendation to the central government for granting PL for one location was rejected in July 2007, requesting additional paperwork. Afterwards, the Orissa government recommended POSCO-India as the eligible company for the license to the central government in December 2008. Currently, the final approval of the PL for the Kandahar region is under review. An approval of the PL will be followed by boundary surveys around the drilling sites, PL Deed issuance and approval for drilling before we embark on exploration. With the central government's PL approval expected soon, POSCO-India is gearing up for full-scale exploration, partnering with an Australian mining exploration consulting firm.

◎ Building Infrastructure

In 2006, the company was granted the rights to use railways by the central government. It also acquired a 10% share in

Haridaspur-Paradip Rail Co., Ltd., securing priority rights to use a new railway line that directly connects inland to the prospective steelworks site in Paradip. Furthermore, the provincial government authorized the use of water and power for steelworks construction and designated the land site as a Special Economic Zone^(approval in principle), which makes it eligible for various tax benefits with regards to corporate tax, tariffs and consumption tax for a maximum 15 years. Also under construction is an access road to the steelworks construction site.

◎ Resident Resettlement(Steelworks Construction Area)

In February 2008, POSCO-India revealed the guidelines for its resettlement project and completed a transit camp for 56 households to move in. In addition, land purchase and detailed design stages have been completed for the training center for young residents and its own employees. The guidelines are designed to ensure the best rational compensation to all impacted residents in accordance with their exposure to the construction project. The details of the guidelines are available at <http://posco-india.com/website/press-room/news/posco--india-announces-r-&r-benefits.htm>.

Following the resettlement and rehabilitation policy set by the Orissa government in May 2006, the company completed its socio-economic survey on the steelworks site in collaboration with the state government and specialized agencies in March 2008. Based on the results, a "POSCO-India Resettlement & Rehabilitation Package" was prepared. When the package is finalized by the Resettlement Committee, we will proceed with the resettlement of residents.

To ensure a better livelihood for the local residents, POSCO-India is working closely with NGOs and other experts on ways to increase income levels through more efficient farming and livestock raising methods.

◎ Social Contribution Activities

Even before the operation of steelworks in the region, the company has proactively engaged in diverse social contribution programs through medical, education and regional development projects. It provided free operations for cleft palate and harelip patients, sponsored a polio medical camp and provided mobile medical services to treat more than 5,000 patients in total. It also installed streetlights around the town's communal facilities, donated goods to flood victims and provided medical equipment to local hospitals.

Following its sponsorship of the "Jimmy Carter Work Project" in 2006, about 100 POSCO-University Student Volunteers built 10 houses for homeless residents in a suburb of Delhi in January 2008. To help local residents gain economic independence, we conducted a 3-month vocational training course in 2008 for 122 young local residents, 85 of whom landed jobs. With an additional 109 residents

in the 3-month course at the moment, POSCO-India plans to further expand job training opportunities for residents living around the plant site.

In partnership with the POSCO TJ Park Foundation, the company offered TJ Park scholarships to 212 excellent students of Delhi University, Nehru University, Utkal University, Biju Patnaik University and Kalinga Institute of Industrial Technology(KIIT) from 2006 to date. The beneficiary students include 28 from the plant site and 25 from the mine neighborhood.

⦿ Business Ethics

POSCO-India announced its code of conduct in 2006 and has striven to enhance employees' ethics awareness since then. In 2008, the company provided its employees with behavioral guidelines to practice the code of conduct in their daily duty fulfillment. In a pledging ceremony, all of its employees signed the pledge. The company's ethical mindset promotion program includes video education utilizing Indian movies as materials and free discussions on ethical practices.

⦿ Employees

As of March 2009, of the total 35 employees working for POSCO-India, 27 are natives. The company holds regular seminars, where they can discuss the progress of key projects, other major operational issues, visions, welfare and training. In August 2008, all employees participated in 4 sessions of workshops to rebuild the company's vision and mission and to announce and share the new vision. For the enhancement of local employee competencies, skill-up programs and others introducing them to POSCO's corporate culture and Korean culture have been implemented. Also, it holds regular classes on local culture for employees dispatched from Korea.



POSCO Specialty Steel

Established in 1997, POSCO Specialty Steel produces mid-products for a variety of cutting-edge industries such as the automobile, machinery, aircraft, nuclear power, shipbuilding and electronics industries. With an annual capacity of 900,000 tons of crude steel, its Changwon plant rolls out stainless steel, tool steels, carbon alloy steel, and special alloy steel products. Moreover, its successful investment in new facilities from 2004 to 2008 has further enhanced the cost and quality competitiveness of its main products as well as the addition of high value-added products such as steel ingots and forged products.

Economic Performance

In the first year of operation, the company posted a strong sales record of KRW 389.9 billion. Ever since, it has sustained growth and achieved a 4.3 fold gain in sales, surpassing KRW 100.0 billion in operating profits in 2008. Despite the adverse market conditions due to decreasing production and sales in the aftermath of the global financial crisis, the company was able to realize record high sales of KRW1,680.0 billion and operating profits of KRW 120.9 billion, backed by inventory control and constant cost-saving activities. As the economic recession is anticipated to extend well into 2009, the company has implemented a “contingency program,” channeling all of its available resources to reinforcing sales and production. It also plans to tide the operation over until the market deterioration subsides, by focusing on high value-added product production and sales.

Social Performance

◎ Social Contributions

Under its management philosophy of co-prosperity with its local communities, POSCO SS and its employees practice “sharing” management. In 2004, a volunteer group was launched for company-wide volunteer activities. Setting every third Saturday as a “Sharing Saturday,” the company encourages volunteerism by its employees in various areas. In 2008, the changing employee awareness of volunteer work resulted in a 13 hour growth in per capita volunteer hours compared to the previous year. While promoting company-wide volunteerism, the company is also building



a volunteerism ERP system for the efficient management of its social contribution activities. Its proactive social contribution activities were also recognized by the Changwon city as it received an appreciation certificate from the city for its contribution to local development.

◎ Business Ethics

In 2003, the company established a code of conduct serving as the behavioral guidelines for its employees. In 2006, it adopted a compliance program(CP), further enhancing the ethics awareness of its employees. In 2007, the company utilized the ethical practice indicator evaluation survey method that it developed, to foster practical measures for the promotion of business ethics, and conducted an ethics education program for all executives and department managers. The company also operates a council with its outsourcing service partners for the promotion of business ethics.

It is also continually improving its business ethics platform through a self-inspection checklist for the prevention of ethical risks, operation of an audit fellow system, publication of the monthly Ethics News and opening of a dedicated webpage for business ethics.

◎ Fair Transactions

POSCO SS works on establishing fair transaction practices in order to secure “fair and free competition among businesses.” In 2003, it adopted the compliance program(CP), setting forth behavioral guidelines for its employees. To facilitate the practice of CP, the company distributed CP handbooks, publishes a monthly news letter on fair transactions and holds bi-monthly CP councils. For enhanced awareness of CP, briefs on updated fair transaction practice trends are provided in the executive meetings every month. In addition to the annual exclusive online courses for fair transactions, the company attends specialized education programs by the Fair Trade Commission(FTC) on a regular basis. In 2008, the company opened a webpage dedicated to fair transactions as a platform for its CP activities.

◎ Employees

POSCO SS's management and labor collaborate for mutual prosperity and sustainable growth of the company through sound industrial relations. Based on this trusted relationship, the Labor-Management Council has been entrusted to handle the entire wage adjustment procedure for the company. The company takes pride in its stable industrial ties that have been free of labor disputes for 12 consecutive years since inception. In addition, it has improved its existing performance-based payment scheme to determine payment levels through labor-management agreement. For improved employee engagement, its CEO is holding meetings with staff from each class of position. Cafeterias have been installed in each plant building to improve the quality and nutrition of lunch.

◎ Safety & Health

In response to the CEO's firm determination to protect the employees' safety and health, POSCO SS strives to insure safe and healthy working conditions through an Industrial Safety and Health Committee that controls and reviews general safety and health activities. A comprehensive evaluation of its own worksite and safety inspection of its partner firms takes place every six months. In particular, the company launched an IT-based safety and health system in March 2008, computerizing all processes and data with regards to improving potential risks, risk assessment and field improvement case studies.

Environmental Performance

POSCO SS updates its environmental goals every 3 years and action plans every year and maintains an internal index for compliance with environmental targets. The company exchanges information and resources with RIST and POSCO to stay up-to-date with the latest technologies and information in the environmental/

energy industries and implement diverse R&D activities to develop and commercialize green product technologies.

In 2008, the company invested ₩ 17.2 billion to build slag treatment facilities and transformed by-products into resources by improving the ratio of valuable metal recovery from slag and diversifying the form of slag aggregates. In 2007, the company signed a voluntary agreement on greenhouse gas reduction with Changwon city. In November 2008, it completed the ISO14001 periodic audit. As a result of its consistent commitment to environmental initiatives, the company was awarded the highest honor at the Environmental Management Corporate Awards by Changwon city.

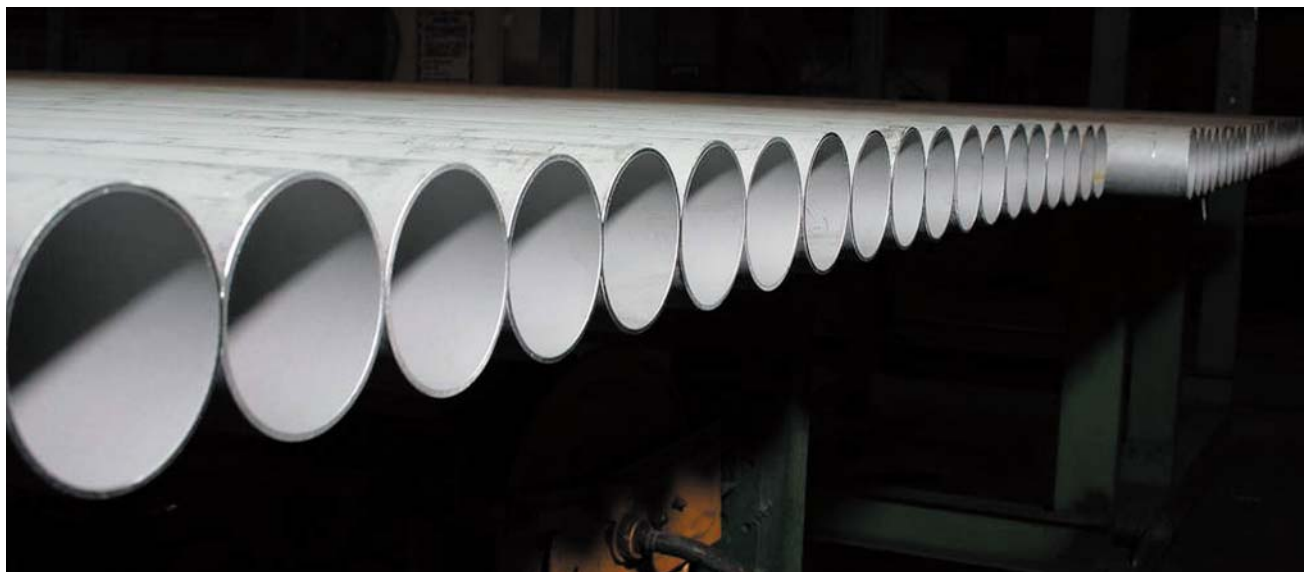


Key Environmental Activities	
Key Environmental Ris	Countermeasure
Electricity consumption (average 490~500 kWh/t-s)	Energy conservation programs <ul style="list-style-type: none"> ● Fuel conversion for the batch annealing furnace : Replaced the previous by-product-fueled facilities with LNG-fueled equipment, improving energy efficiency and reducing air pollutants
Air pollutants (dust, sulfur oxides, CO ₂ , etc.)	<ul style="list-style-type: none"> ● Install TMS in steelmaking emission control system(s) for real-time dust density monitoring ● Adopt LNG, which generates less dust and sulfur oxides, as a heat source for new heat treatment facilities ● Sign a voluntary pact to cut POP emissions with the Ministry of Environment in 2006
Water pollutants(COD, T-N)	<ul style="list-style-type: none"> ● Pursue energy conservation by signing a voluntary agreement to cut greenhouse gas emissions with Changwon City in 2007
Solid wastes such as dust, slag and waste refractory	<ul style="list-style-type: none"> ● Reduced water pollutant emissions and preserved water resources by minimizing the effluent amount by installing discharge water recycling equipment at wastewater treatment facility ● Constant measurement of F-concentration in wastewater and control it within the company benchmarks with the operation of F-concentration passive sampler ● Enhance management technology with HMI upgrade for monitoring and managing steel waste water treatment facility
*Dust(annual 18,000 tons/year) Slag(annual 120,000 tons/year) Sludge(23,000 tons/year)	Improve handling of by products and increase recycling <ul style="list-style-type: none"> ● Steel slag: Recycle slag for aggregate replacement by acquiring environmental mark for slag aggregate ● STS slag: remove environmentally harmful factors by recovering valuable metals from STS slag and reducing fugitive dusts arising from the process by installing slag treatment facilities ● Wastewater treatment sludge and steel dust: Saving costs by transforming by-products into resources through recovery of valuable metals such as Ni and Fe from by-products ● Reuse entire volume of waste refractory: Waste refractory recycled as refractory material

Key Indicators

Indicator	2006	2007	2008
Production Volume(1,000 tons)	831	861	779
Sales(1,000 tons)	834	861	777
Revenue(KRW billion)	1,147.7	1,553.6	1,679.7
No. of employees	1,225	1,219	1,205
No. of female employees	30	32	33
Average training hours per person	109.6	116.0	125.1
Employee satisfaction(%)	69.2	68.8	66.0
Dust(tons)	32	15	10
SOx(tons)	13	24	16
Water usage(1,000m ³)	1,609	2,118	1,912
Waste water discharge(m ³)	617,855	826,552	794,001
Final effluent COD(ppm)	12.14	11	15.53
Final effluent T-N(ppm)	9.68	5.25	5.15
Solid waste generated(1,000 tons)	177.4	218.7	215.1
Solid waste recycled(1,000 tons)	148.7	168.9	175.6
Solid waste recycling rate(%)	83.8	77.2	81.6
Energy consumption(1 mil. Cal)	2,294,240	2,311,740	2,362,232
CO ₂ emission(ton)	333,338	538,380	522,379
Customer satisfaction(%)	81.9	80.4	75.1
Paid Tax*(KRW 1 mil)	- 34,354	- 30,583	-13,487
Per capita volunteer hours	5.8	7.1	20.3

* Rise in refund of value added taxes due to increase in export volume has resulted in a tax credit



POSCO C&C

Having started business in 1988 under the name of Pohang Coated & Color Steel Co., LTD. the company was renamed to POSCO C&C in April 2008 and was listed on the Korean Stock Exchange in 2002. Its main products are galvanized steel sheets, aluminized steel sheets, aluminum-zinc alloy coated steel sheets and color coated steel sheets.

Economic Performance

Despite the fluctuating market conditions, surging raw material prices and the global financial crisis in 2008, POSCO C&C realized a record high business performance, backed by its accumulated technologies and advanced business competitiveness as well as its active development and sales of new products. In particular, its export volume grew 22% from the previous year thanks to its aggressive penetration into new overseas markets in Europe and Latin America. Expanded sales of strategic products, especially the company's "only-one" product PVC-SOL, ALCOST and color steel for home appliance applications, maximized profitability. Its global business strategies were also successful as it entered into an agreement on the contracting-out of the Dairen POSCO-CFM Coated Steel. The company is also proceeding with its project to rationalize the company's coating and coloring lines to expand its Chinese market share.



Social Performance

◎ Employees

As of the end of 2008, POSCO C&C had 334 employees. In reflection of its advanced labor practice, the company is restructuring and renovating its decision-making processes. The "One-Family Council," the company's employee representative body, works on active communications between the company and employees, and serves to insure stable labor-management relations based on mutual trust. The company also runs a Labor Welfare Fund for the stable life and welfare benefits of the employees, providing housing subsidies, life stabilization loans, medical subsidies, scholarships for children

and family affair allowances. Diverse education programs are implemented to facilitate employees' capability-building, recording 223 training hours per capita in 2008.

◎ Safety & Health

Dedicated to a safe and healthy work environment, POSCO C&C operates a systematic safety & health management system and promotes industrial accident-free campaigns. The Environment & Safety Management Team holds monthly safety & health education classes for on-site workers and the company strives for air tight management of safety at all worksites through the consistent improvement of the work environment, institution of safety control codes and constant monitoring and repair of safety management facilities. As a result, the coating plant achieved two periods of accident-free days(600 days) and the color plant attained seven periods of accident-free days(2,100 days) and both were commended by the authority for their accomplishments.

◎ Social Contribution

Under the slogan of "Let's come together," the company devises annual action plans for each unit and all POSCO C&C employees are engaged in volunteer activities. All employees are members of the volunteer group. Designating every third Saturday as volunteer day, they donate their time to serve marginalized, disabled and elderly citizens.



◎ Rugby Team

As part of the company's initiative for the promotion of public health and amateur sports club activities, the company launched a rugby team in 1991. Since then, the team has maintained excellent records of winning many rugby tournaments and the 13th Asian Games. In September 2007, the team won the Presidential National Rugby Championship.

◎ Innovation Drive

Starting with a process innovation(Pi) in August 2000, POSCO C&C has been engaged in constant innovation drives. For instance, it adopted the Six Sigma program in 2005 and promoted QSS activities in 2007. In particular, the company set up a dedicated organization

for QSS activities in July 2008 and selected talented workers as off-job improvement leaders and put them in charge of on-site innovation. As a result, the company was able to realize a splendid accomplishment in worksite process improvement and working atmosphere. Operating CoPs since 2008, the company encourages its employees to enhance their competencies and detect and improve flaws in their daily duty fulfillments. CoPs serve as a good facilitator of idea creation and discussion for “Work Diet” activities not only in the manufacturing process but also in the back-office areas. In early 2009, the company aims to achieve 90% of 5S certificates at all its plants and later on the same year, to foster on-site workers who are good at facilities, through “My-Machine” campaign. By adopting a “Visual Planning” program in the management of all the business processes, the company will continue performance enhancing organization management and performance-oriented innovation drives.

◎ Business Ethics/ Fair Transactions

POSCO C&C is devoted to maximizing corporate value

through its constant management innovation, creative management and mutual growth with its stakeholders, through an ethical corporate culture. To this end, the company practices business ethics in all its business activities, conducting relevant education for 247 of its employees in 2008. While reinforcing its internal control activities for reliability and transparency, the company joined the pan-POSCO drive to adopt the IFRS, establishing a transparent accounting system that meets the standards of international capital markets.

Having adopted the CP in 2006, POSCO C&C has been practicing compliance on specific performance factors and has selected compliance managers who manage the company's Compliance Council, instruct fair competition compliance leaders, conduct self-inspections at the department level and provide counseling services. Furthermore, the company announced its commitment to win-win cooperation for the enhancement of SME competitiveness and entered into a Fair Competition Agreement, furthering corporate collaboration between large companies and SMEs. As a result, the company was rated with an “A” grade in the CP evaluation by the Fair Trade Commission.



Environmental Performance

POSCO C&C is dedicated to a proactive response to internal and external environmental policies and regulations through the enhancement of employees' environmental awareness and CO₂ reduction planning. It is committed to realizing an environmentally friendly factory environment through constant environmental

improvement activities. Its strategic environmental initiatives include improving the operational ratio of waste heat recovery equipment, reducing industrial water usage through the recycling of wastewater effluents and decreasing and recycling wastes. As a result, the company has become the industrial benchmark for its optimal equipment operation and was designated as a self-driven environmental management company by Pohang city.

Key Indicators				
Indicator		2006	2007	2008
No. of employees		328	321	334
No. of female employees		6	6	10
Per capita training hours		185	214	223
No. of accidents(incidents)		0	1	0
	Fatalities(incidents)	0	0	0
Lost-time injury frequency rate		0	0	0
Dust	Coating(tons)	0	2.6	2.2
	Color(tons)	8.8	3.3	8.2
Water usage	Coating(m ³)	328,340	320,631	271,728
	Color(m ³)	196,894	205,486	223,789
Waste water discharge	Coating(m ³)	232,805	295,851	226,778
	Color(m ³)	127,645	122,798	109,003
Final effluent COD	Coating(ppm)	12.69	13.82	7.3
	Color(ppm)	9.3	6.9	4.0
Final effluent T-N	Coating(ppm)	6.3	2.1	7.3
	Color(ppm)	3.3	2.5	3.0
Chemical substances generated	Coating(kg)	0	0	0
	Color(kg)	0	0	0
Solid waste generated	Coating(tons)	637.18	858.99	977.95
	Color(tons)	1,808	1,878	2,017
Waste recycling(ratio)	Coating(tons(%))	0	0	0
	Color(tons(%))	1,273(70)	1,406(75)	1,549(77)
Energy consumption	Coating(Mcal)	127,987,200	169,302,000	164,067,100
	Color(Mcal)	83,662,845	111,424,936	117,105,760
CO ₂ Emissions	Coating(tons)	18,550	20,133	20,659
	Color(tons)	9,629	8,807	33,153
Paid tax(KRW million)		200	2,119	12,705

POSCO Power

POSCO Power is an electricity subsidiary of POSCO, who, in 2006, became the full owner by acquiring the 50% stake held by Macquarie, its consortium partner in the original 2005 acquisition of the company. In line with POSCO's management philosophy of "creating another success story," the company has set its vision at "growing into a global energy company by strengthening its stance as Korea's best IPP Company." With its own management philosophy of "innovation and challenge," the company aims to become the most efficient power plant and global leader by establishing an advanced global corporate culture and maximizing its corporate competitiveness.

Economic Performance

As Korea's electric supply has failed to keep pace with the country's rapid economic development since the 1960s, the government decided to authorize private power plants. Established on February 21, 1972 as Korea's first private power plant, POSCO Power started its commercial operation with a 324,800kW power capacity, representing 25% of the nationwide power generation capacity at the time, with a 99.9% operating reliability. When demand for electricity abruptly surged again in the 1990s, the company expanded its capacity again upon the request of the government, phase-by-phase, beginning in 1995. Today, the company is Korea's largest independent power producer with a total capacity of 1.8 million kW. Strategically located near the highest electricity demand location, the Seoul Metropolitan area, POSCO Power is serving the national economic development.

Following its acquisition of the fuel cell(MCFC) project from POSCO in February 2007, POSCO Power has been closely collaborating with FCE, a U.S.-based global leader in the next-generation energy sector. In addition to the completion of a fuel cell BOP production line with the world's largest capacity of 50MW annually in September 2008, the company is expediting its R&D activities to develop a 180 kW-class SOFC fuel cell combined cycle power plant by 2012. The company also entered into an MOU with RIST, POSCON, POSCO E&C and POS-M for a business partnership in this fuel cell project. As such, the company is striving to harness its pan-POSCO synergies.

Although it uses clean energy, LNG, POSCO Power applies stricter self control standards than the law requires, to minimize its generation or emission of environmental pollutants. Equipped with environmental facilities to minimize air pollutant and greenhouse gas emissions, the company also signed an ESCO business agreement with KEPCO to enhance the efficiency of its LNG combined cycle plant No. 3 and 4 units. When the improvement is completed in

2009, the company expects to reduce carbon emissions by about 3,600 tons per year. As a result, POSCO Power received the highest grade in the regular evaluation of process safety management conducted by the Ministry of Labor and KOSHA, obtaining the right to conduct in-house voluntary inspections for 3 years.

All the electricity that POSCO Power generates is sold to KEPCO under the power purchase agreement(PPA), which provides a stable business platform and profit structure for the company. Under the vision of a "global energy company," the company currently plans expansion to create a 2.4 million kW power generation plant. The ground was broken in December 2008, and the 1st stage of expanding 1.2 million kW by 2011 is currently underway. The company plans to complete the 2nd stage of expansion by 2014.

As another new business, the company is building a 300,000 kW-class combined cycle power generation plant using by-product gas at POSCO's Gwangyang Works. In a bid to set the platform for global expansion, it is also considering advancement into the global IPP project in developing countries. When the construction of these facilities at Incheon and Gwangyang and the global IPP project successfully stabilize, POSCO Power will be well-positioned as a primary, strategic subsidiary of POSCO with global competency. POSCO Power produced 3,409 GWh of electricity in 2008, similar to the production of 2007. Still its sales grew by 31% to reach KRW 744.0 billion, with a 34% growth in net income to KRW 46.9 billion. This remarkable business performance can be attributed to the Company's on-site management innovation drives and cost-reduction initiatives.



★ Bird view of 2.4 million kW expansion ★ Bird view of Pohang fuel cell plant at Incheon

Social Performance

👤 Employees

POSCO Power strives for open management, where its employees cross invisible barriers through candid communications and the employees' opinions are reflected in top management's decision-making processes. The labor-management council that it holds regularly or on occasion, serves to achieve active collaboration

and mutually beneficial cooperation between labor and management. The CEO presents the company's business results and plans to all employees every year. In addition, seminars are held every six months on the corporate vision, business environment, goals and current issues. To further strengthen interactive communications between labor and management, the company holds regular meetings and gatherings. In particular, a two-day workshop held twice a year offers an opportunity for employees to seek ways to further promote a stronger partnership with the management and engage in a constructive dialogue on overall workplace issues, such as difficulties faced by all employees.

◎ Business Ethics

Since the establishment of its code of conduct in 2007, POSCO Power has set up a dedicated team responsible for business ethics to oversee its code of conduct, governance principles and its pledge of compliance, in order to instill ethical mindsets in all its employees. In 2008, the company adopted the CP to promote integrity throughout the company. By imbedding the business ethics practice into its corporate culture, the company aims to become a respected company in society.

◎ Social Contribution



★ Volunteering at the old people's home ★ Free meals for local residents

POSCO Power is actively involved in a variety of volunteer activities centered around the western part of Incheon. The required funds are raised from small, monthly contributions by its employees and matching grants by the company. In addition to the major company-driven activities such as supporting educational equipment and scholarships to its neighborhood schools, supporting the afterschool program and delivering lunches to the elderly living alone, 6 small volunteer groups of employees extend helping hands to old people's homes and rehabilitation centers during the weekends. In full recognition of the active involvement of its employees, the company has earned a number of CSR awards, including the Prime Minister Commendation in 2003, Incheon City Mayoral Award in 2005, Incheon Chamber of Commerce Prize in 2006 and Presidential Award in 2007.

Category	"Build a Brighter World" Fund	Fund for Supporting the Power Plant Neighborhood
Funding sources	<ul style="list-style-type: none"> Employee contribution + company's matching grant(100%) 2008: KRW 33 million 	<ul style="list-style-type: none"> KRW 0.1/kWh per unit power generated 2008: KRW 147 million
Activities	<ul style="list-style-type: none"> Six small volunteer groups Lunch delivery, preparing Kimchi(Seo-gu Elderly Welfare Center) 	<ul style="list-style-type: none"> Supporting the operational expenses of afterschool program/ cultural experiences
Volunteer hours (hour/ person)	<ul style="list-style-type: none"> 2008: 12 hour/ person 2009 goal: 18 hour/ person 	
Future plans	<ul style="list-style-type: none"> Expanding small group volunteerism Encouraging in-house clubs' social contribution activities 	

Environment/Health/Safety(EHS)

Under management's policy of "taking on creative challenges towards becoming a great company," all employees at POSCO Power strive to build a pleasant and healthy working environment by building their core competencies in EHS. The company's environmental management is based on the environmental management system(EMS) that it adopted in 2001. Moreover, it received a KOSHA 18001 certification in 2004 and the highest rating of "P" in process safety management in 2005. At the same time, the company consistently focuses on keeping its employees safe through the prevention of injuries and illness at work and also encourages its suppliers to improve their safety standards to meet its requirements. In particular, the year 2008 was the first year of allotting annual pollutant generation quotas at each business premise under the "Special Act on Seoul Metropolitan Air Quality Improvement." In 2008, the company made a good start as it generated only 2,522 tons of NOx, 74% against its allotted 3,394 tons. Not content to rest on this laurel, the company set its goal at achieving 50% of its 2008 allotment by 2012.






Major EHS Activities







Item	Activities
Air pollutant control	<ul style="list-style-type: none"> ● Applying strict NOx control standards that are tougher than current laws <ul style="list-style-type: none"> - Install automatic measurement devices at all power plant outlets ● Maintaining its emissions well under the allotment by the Special Act on Seoul Metropolitan Air Quality Improvement <ul style="list-style-type: none"> - generated only 74% of allotment in 2008
Workplace safety	<ul style="list-style-type: none"> ● Operating system to prevent workplace accidents <ul style="list-style-type: none"> - Preventing occupational accidents through Safety Work Permission System - Attach Tank NFPA Code within oil storage facility - Preventing major accidents through operation of Lock Out Tag Out system - Reminding environmental safety awareness through in-house broadcasting(broadcasting daily stretching, environmental safety accident prevention - 6 times / day) ● Monthly reward program for excellent contributor to workplace safety ● Special environmental safety inspection(thawing season, rainy season and winters)
Employee health	<ul style="list-style-type: none"> ● Health program for employees <ul style="list-style-type: none"> - Onsite visit by occupational health nurse twice a month(employee health consultation & follow-ups) - Posting health information and conducting health education - Hold health related seminars - Furnish automatic blood pressure monitor and body fat analyzer

Key Indicators

Indicator	2006	2007	2008	Indicator	2006	2007	2008
Production(GWh)	2,394	3,880	3,409	Dust(tons)	0.5	0.2	0.1
Sales(GWh)	2,338	3,789	3,328	SOx(tons)	6.9	2.7	3.6
Revenue(KRW billion)	413.3	567.4	744.0	NOx(tons)	1,632.0	2,765.0	2,522.0
Paid Tax(KRW 1 mil)	30,625	29,624	19,365	Water usage(1,000m³)	827	1,014	909
No. of employees	222	239	270	Waste water discharge(1,000m³)	209	324	332
No. of female employees	9	11	16	Final effluent COD(ppm)	1.35	3.3	2.7
No. of accidents(incidents)	0	0	0	Final effluent T-N(ppm)	1.86	3.2	5.1
No. of fatalities(incidents)	0	0	0	Solid waste generated(1,000 tons)	426.5	381.1	366.1
Lost-time injury frequency rate	0	0	0	Energy consumption(Gcal)	5,316,750	8,594,680	7,669,589
Social contribution spending(KRW 1,000)	158,000	276,950	305,000	CO ₂ emission(tons)	1,259,515	2,026,915	1,622,665





GRI Content Index






































 Full
  Partial
  Not Available
  Not Applicable

Profile Disclosure	Description	Reference	Extent of Reporting	Reason
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organization	4-5		
1.2	Description of key impacts, risks, and opportunities.	4-11, 13		
Organizational Profile				
2.1	Name of the organization.	Front Cover		
2.2	Primary brands, products, and / or services.	25, 28		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	2, 66-67		
2.4	Location of organization's headquarters.	Back Cover		
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	66-67		
2.6	Nature of ownership and legal form.	14		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers / beneficiaries).	28		
2.8	Scale of the reporting organization.	14		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	14		
2.10	Awards received in the reporting period.	21		
Report Parameters				
3.1	Reporting period (e.g., fiscal / calendar year) for information provided.	2		
3.2	Date of most recent previous report (if any).	2		
3.3	Reporting cycle (annual, biennial, etc.)	2		
3.4	Contact point for questions regarding the report or its contents.	92		
3.5	Process for defining report content.	9		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	2		
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope). I	2		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and / or between organizations.	2		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	details per indicator		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers / acquisitions, change of base years / periods, nature of business, measurement methods).	details per indicator		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	2		
3.12	Table identifying the location of the Standard Disclosures in the report.	84-85		
3.13	Policy and current practice with regard to seeking external assurance for the report.	88-89		
Governance, Commitments, and Engagement				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	14		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	15		
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members.	14-15		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	14		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	15		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	15		

Profile Disclosure	Description	Reference	Extent of Reporting	Reason
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	14	○	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	4-5, 12, 20	○	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	14	○	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	15	○	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	16-19	○	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	21	○	
4.13	Memberships in associations (such as industry associations) and / or national / international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	21	○	
4.14	List of stakeholder groups engaged by the organization.	6	○	
4.15	Basis for identification and selection of stakeholders with whom to engage.	6	○	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	7-9	○	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	7-9	○	
Disclosure on Management Approach(DMAs)				
DMA EC	Disclosure on Management Approach EC	23	○	
DMA EN	Disclosure on Management Approach EN	33	○	
DMA LA	Disclosure on Management Approach LA	46	○	
DMA HR	Disclosure on Management Approach HR	46	○	
DMA SO	Disclosure on Management Approach SO	46	○	
DMA PR	Disclosure on Management Approach PR	16-18, 53-57	○	
Economic				
EC 1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	29	○	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	35-38	○	
EC3	Coverage of the organization's defined benefit plan obligations.	30	○	
EC4	Significant financial assistance received from government.	29	○	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	30	○	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	53-57, 63	○	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	63-64, 68-74	○	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	58-62	○	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	29-31	○	
Environmental				
EN1	Materials used by weight or volume.	29	○	
EN2	Percentage of materials used that are recycled input materials.	42	○	
EN3	Direct energy consumption by primary energy source.	34	○	
EN4	Indirect energy consumption by primary source.	34	○	

GRI Content Index

 Full
  Partial
  Not Available
  Not Applicable

Profile Disclosure	Description	Reference	Extent of Reporting	Reason
EN5	Energy saved due to conservation and efficiency improvements.	37		
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	36-38		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	37-38		
EN8	Total water withdrawal by source.	41		
EN9	Water sources significantly affected by withdrawal of water.	41		
EN10	Percentage and total volume of water recycled and reused.	34, 41		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	–		Not Applicable
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	42		
EN13	Habitats protected or restored.	42		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	42		
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	–		Not Applicable
EN16	Total direct and indirect greenhouse gas emissions by weight.	35		
EN17	Other relevant indirect greenhouse gas emissions by weight.	35		
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	35-36		
EN19	Emissions of ozone-depleting substances by weight.	35-39		
EN20	NOx, SOx, and other significant air emissions by type and weight.	40-41		
EN21	Total water discharge by quality and destination.	41		
EN22	Total weight of waste by type and disposal method.	42		
EN23	Total number and volume of significant spills.	40		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	–		Not Applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	40		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	34-44		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	–		Not Applicable
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	40		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	–		Not Available
EN30	Total environmental protection expenditures and investments by type.	43		
Social: Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region.	50		
LA2	Total number and rate of employee turnover by age group, gender, and region.	50		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	52		
LA4	Percentage of employees covered by collective bargaining agreements.	6, 47, 50		
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	47		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	47-50		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	48		
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	48-49		
LA9	Health and safety topics covered in formal agreements with trade unions.	48-49		
LA10	Average hours of training per year per employee by employee category.	52		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	50-52		

Profile Disclosure	Description	Reference	Extent of Reporting	Reason
LA12	Percentage of employees receiving regular performance and career development reviews.	52	○	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	15, 52	○	
LA14	Ratio of basic salary of men to women by employee category.	30	○	
Social: Human Rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	52	○	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	16	○	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	52	○	
HR4	Total number of incidents of discrimination and actions taken.	-	◇	Not Applicable
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	52	○	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	52	○	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	52	○	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	52	○	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	-	◎	Not Available
Social: Society				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	63, 73	○	
SO2	Percentage and total number of business units analyzed for risks related to corruption.	18-19	○	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	16	○	
SO4	Actions taken in response to incidents of corruption.	19	○	
SO5	Public policy positions and participation in public policy development and lobbying.	24	○	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	31	○	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	18	○	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	29	○	
Social: Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	57	○	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	57	○	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	57	○	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	57	○	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	57	○	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	57	○	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	57	○	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	57	○	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	57	○	

Assurance Report

Independent Assurance Report on the POSCO Sustainability Report 2008

To the Executive Committee of POSCO, Pohang, Republic of Korea.

We have performed assurance procedures to provide assurance on the following aspects of the Sustainability Report 2008 of POSCO.

Subject matter

Data and information disclosed with the Sustainability Report 2008 of POSCO for the business year ended December 31, 2008 on the following aspects:

- The economic performance data reconciled with POSCO's Annual Report 2008 as disclosed in the tables on page 28;
- The energy, CO₂ and POSEPI data in the tables on pages 35 to 44;
- The safety & health data in the tables on page 48;
- The win-win cooperation information on pages 53 to 57;
- The business ethics information on page 16;
- The social contribution information on pages 58 to 61;
- The employee training data on page 52; and
- The management and reporting processes with respect to the preparation of economic performance data reconciled with POSCO's Annual Report 2008, energy, CO₂ and POSEPI data, safety & health, win-win cooperation, business ethics, social contribution and employee training data.

Criteria

We have evaluated the subject matter against the following criteria:

- POSCO's internal sustainability reporting guidelines and definitions applied; and
- The defined procedures by which the economic performance data reconciled with POSCO's Annual Report 2008, energy, CO₂ and POSEPI data, safety & health, win-win cooperation, business ethics, social contribution and employee training data are gathered, collated and aggregated internally.

Responsibility and Methodology

The accuracy and completeness of sustainability indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with POSCO's internal guidelines, definitions and procedures on the reporting of its sustainability performance.

The Executive Committee of POSCO is responsible for both the subject matter and the criteria. Our responsibility is to provide a conclusion on the subject matter based on our assurance procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000.

Main Assurance Procedures

Our assurance procedures included the following work:

- **Evaluation of the application of group guidelines**
Reviewing the application of POSCO's internal sustainability reporting guidelines;

- **Site visits**

Visiting the works of POSCO in Pohang and Gwangyang, the head office in Pohang and the Seoul office. The selection was based on quantitative and qualitative criteria; Interviewing personnel responsible for internal reporting and data collection at the sites we visited and at the Group level;

- **Assessment of the key figures**

Performing tests on a sample basis of evidence supporting selected data (economic performance, energy, CO₂ and POSEPI, safety & health, win-win cooperation, business ethics, social contribution and employee training) concerning completeness, accuracy, adequacy and consistency;

- **Review of the documentation and analysis of relevant policies and basic principles**

Reviewing the relevant documentation on a sample basis, including group sustainability policies, management and reporting structures and documentation;

- **Assessment of the processes and data consolidation**

Reviewing the appropriateness of the management and reporting processes for sustainability reporting; and Assessing the consolidation process of data at the group level.

Conclusions

In our opinion

- The internal sustainability reporting guidelines are being applied properly; and
- The internal reporting system to collect and aggregate economic performance data reconciled with POSCO's Annual Report 2008, energy, CO₂ and POSEPI data, safety & health, win-win cooperation, business ethics, social contribution and employee training data is functioning as designed and provides an appropriate basis for its disclosure.

Based on our work described and the criteria detailed in this Assurance Report, nothing has come to our attention that causes us to believe that management assertions on the subject matter defined above are materially misstated, in all material respects.

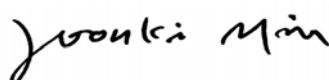
Recommendations

From our work, we have provided the following recommendations to the management, which have been agreed:

- Ensure that the sustainability governance will be further clarified and strengthened in 2009, in particular with respect to control activities.
- Further develop internal manual for sustainability information and data in 2009 considering the reporting principles of consistency, accuracy and completeness.
- Furthermore we support POSCO's decision to continue its efforts to revise POSEPI and strengthen the according documentation.

Seoul, June 15, 2009

Samil PricewaterhouseCoopers



Joonki Min

Partner, Audit & Assurance



Thomas Scheiwiller

Partner, PwC Global Sustainability Leader

Glossary

ADR (American depository receipts)

A negotiable certificate issued by a U.S. bank representing a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. This product reduces administration and duty costs that would otherwise be levied on each transaction.

BAT (Best Available Technology)

Best available technology (BAT) is a term applied to environmental regulations in calculating the social costs stemming from environmental pollution, installation of toxic substance discharge facilities or emission limits.

CDM (Clean Development Mechanism)

The Clean Development Mechanism (CDM) is an arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. Globally promoted CDM projects include renewable energy development, improvement of thermal efficiency and processes, and afforestation.

CDP (Carbon Disclosure Project)

CDP is an independent non-profit organization that works with institutional investors to disclose the greenhouse gas emissions of major corporations by sending annual Information Requests for disclosure signed by the international investors.

CDQ (Coke Dry Quenching)

CDQ is a facility to recover heat from the red-hot coke produced by coke ovens using nitrogen gas and generating steam from the captured heat. The recovered steam is used for power generation.

COD (Chemical Oxygen Demand)

A measure of water quality. An oxidizing agent is injected to oxidize organic compounds to carbon dioxide. COD is expressed in milligrams per liter (mg/L), or parts per million (ppm), which indicates the mass of oxygen consumed per liter of solution.

GRI (Global Reporting Initiative)

GRI develops and disseminates globally applicable Sustainability Reporting Guidelines. It is comprised of representatives from various sectors including business, research, civic groups and investors. The GRI is a collaborating center of the United Nations Environment Programme and works in cooperation with the United Nations Global Compact. The third version of the GRI guidelines, referred to as G3, was released in October 2006.

LCA (Life Cycle Assessment)

LCA is the investigation and valuation of the environmental impact of a given product or service caused or necessitated by its existence, from raw material purchase and production, to usage and waste.

LCI (Life Cycle Inventory)

A preliminary stage of LCA, compiling the data of a product's inputs and outputs throughout its life cycle.

LDAR (Leak Detection and Repair) Program

LDAR refers to a series of measures taken to reduce the emissions of pollutants from fugitive emission sources, including the monitoring and repairing activities of potential leak points and related systems.

MSDS (Material Safety Data Sheets)

MSDS contain information on the hazards and safety measures for chemical substances. It was devised to satisfy workers' rights to be fairly informed of potential harms and to prevent industrial accidents. Any transportation or distribution of chemical substances must have MSDS data attached.

PM10 (Particulate Matter 10)

Fine dust of a diameter less than 10 μm , composed of particulate matter floating in the air.

POPs (Persistent Organic Pollutants)

Persistent Organic Pollutants (POPs) are chemical substances that persist in the environment, bioaccumulate through the food chain, and pose a risk of causing adverse effects on human health and the environment, such as the disruption of the immune system and damage to the central nervous system. Usually generated in the process of industrial production and waste incineration, major POPs can be found in pesticides such as DDT and aldrin, industrial chemicals such as polychlorinated biphenyls (PCBs), hexachlorobenzene (insecticides), dioxin and furans. The Stockholm Convention on Persistent Organic Pollutants (POPs), which regulates 12 POPs, has been ratified by more than 50 countries and went into effect in May 2004.

PSSM (POSCO Six Sigma Model)

POSCO's 'unique working method' adapted to its characteristic conditions. PSSM aims to create a virtuous cycle of continuous improvement, learning and execution through the active participation of all employees and management. Comprised of identifying problems, carrying out improvement measures, adhering to standards and learning activities, the scheme focuses on improving efficiency through such supplementary activities as issuing directives, reporting, meetings and education.

QSS (Quick Six Sigma)

Activities intended to uncover hidden value by identifying and removing waste factors at work.

Slag

Slag is a by-product of smelting ore to purify metals, minimizing the re-oxidation of the final liquid metal product before casting. Classified as blast furnace slag and steel slag, these by-products can be applied to cement, concrete, road pavement and phosphatic fertilizers.

SS (Suspended Solids)

Suspended solids refer to small solid particles of less than 2mm in size, which remain in suspension in water as a colloid.

TCO (Total Cost of Ownership) Evaluation

TCO is a financial estimate designed to assess direct and indirect costs of a given product throughout its life cycle. The scheme is a popular process for selecting suppliers.

TRT (Top-gas Recovery Turbines)

Gas pressure from blast furnaces that is used to motor turbines and generate power.

POSCO's Previous Reports

Reports on Activities and Performances of POSCO's Sustainability Management

POSCO is committed to a concerted effort for the sustainable development of mankind along with its stakeholders, through transparent disclosure of information and active communications.

Environmental Report



Environmental Report 1994 ~2003

POSCO has published Environmental Reports from 1995 to 2003, describing the activities and performances of its environmental management initiatives, which were put into place since its foundation. Through these reports, environmental information on POSCO's head office, Pohang and Gwangyang Works was provided to our stakeholders, and their feedback has been reflected in our environmental management policies and practices.

Social Contribution Report



Social Contribution Report 2003, 2006

In 2003 and 2006, POSCO published Social Contribution Reports, a compilation of all the social contribution activities conducted since our establishment. The reports contained our efforts for mutual growth with society through our support activities in the areas of education, athletics, culture, social welfare and volunteering.

Sustainability Report



Sustainability Report 2004~2008

Since 2004, POSCO has published a Sustainability Report, which includes content from both the Environmental Report and the Social Contribution Report. The Sustainability Report, which describes the activities and performances of POSCO's efforts in sustainability management over the period of a year, is prepared and published in full conformity with international guidelines and verified by an independent organization for its reliability. athletics, culture, social welfare and volunteering.

Contact Information

Please refer any comments or inquiries regarding POSCO's sustainability report to:

CSM Team, Social Contribution Group,
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Gangnam-gu, Seoul 135-777, Korea
Tel. +82-2-3457-0377 Fax. +82-2-3457-6261
E-mail: sustainability@posco.com

We offer a vast amount of information on POSCO's businesses, social and environmental activities on **our website at www.posco.com**, where visitors can download sustainability reports, annual reports and many other documents.

The following points of contact may be used for requesting specific information regarding:

Corporation/PR	webmaster@posco.com
Business ethics	ethics@posco.com
IR	ir@ posco.com
Career opportunities	hrteam@ posco.com
Sales	marketing@ posco.com
MRO procurement	procurement@ posco.com

Reader Feedback Survey

We welcome your feedback on POSCO's 2008 Sustainability Report. Your views and suggestions will help us to further improve our future editions of the report.

1. What is your overall satisfaction level with this report?

☐Very satisfied ☐Satisfied ☐Neutral ☐Dissatisfied ☐Very dissatisfied

2. What do you think of POSCO's 2008 Sustainability Report?

Report provides sufficient and relevant information.	<input type="checkbox"/> Very satisfied	<input type="checkbox"/> Satisfied	<input type="checkbox"/> Neutral	<input type="checkbox"/> Dissatisfied	<input type="checkbox"/> Very dissatisfied
The contents are credible.	<input type="checkbox"/> Very satisfied	<input type="checkbox"/> Satisfied	<input type="checkbox"/> Neutral	<input type="checkbox"/> Dissatisfied	<input type="checkbox"/> Very dissatisfied
The report is easy to understand.	<input type="checkbox"/> Very satisfied	<input type="checkbox"/> Satisfied	<input type="checkbox"/> Neutral	<input type="checkbox"/> Dissatisfied	<input type="checkbox"/> Very dissatisfied
The report layout aids in understanding the contents.	<input type="checkbox"/> Very satisfied	<input type="checkbox"/> Satisfied	<input type="checkbox"/> Neutral	<input type="checkbox"/> Dissatisfied	<input type="checkbox"/> Very dissatisfied
Report offers good accessibility.	<input type="checkbox"/> Very satisfied	<input type="checkbox"/> Satisfied	<input type="checkbox"/> Neutral	<input type="checkbox"/> Dissatisfied	<input type="checkbox"/> Very dissatisfied

3. What are your areas of interest or what information are you seeking?(Multiple answers possible)

<input type="checkbox"/> POSCO overview	<input type="checkbox"/> Stakeholder engagement	<input type="checkbox"/> Performance data	<input type="checkbox"/> Corporate governance	<input type="checkbox"/> Business ethics
<input type="checkbox"/> Fair competition	<input type="checkbox"/> Risk management	<input type="checkbox"/> Sustainability management	<input type="checkbox"/> Management strategy	<input type="checkbox"/> Economic performance
<input type="checkbox"/> Environmental management system	<input type="checkbox"/> Environmental performance	<input type="checkbox"/> Environmental partnership	<input type="checkbox"/> Addressing climate change	
<input type="checkbox"/> Safety and health	<input type="checkbox"/> Employees	<input type="checkbox"/> Customers/Suppliers	<input type="checkbox"/> Social contribution	<input type="checkbox"/> Local communities
<input type="checkbox"/> Achievements of Subsidiaries	<input type="checkbox"/> Win-win cooperation with SMEs			

4. Please feel free to state any comments or suggestions regarding this report or the sustainability management of POSCO.

5. Which of the following stakeholder groups do you fall in?

<input type="checkbox"/> Customer	<input type="checkbox"/> Shareholder	<input type="checkbox"/> POSCO employee	<input type="checkbox"/> Subsidiary employee
<input type="checkbox"/> Research institute	<input type="checkbox"/> Civic group	<input type="checkbox"/> Media	<input type="checkbox"/> Government agency
<input type="checkbox"/> Local resident			
<input type="checkbox"/> Student	<input type="checkbox"/> None of the above_____		

Please detach and return this survey by post or fax to:
CSM Team, Social Contribution Group, POSCO Center, 892 Daechi 4-dong, Gangnam-gu, Seoul 135-777, Korea
Tel. +82-2-3457-0377 Fax. +82-2-3457-6261
e-mail: sustainability@posco.com

FORWARD-LOOKING STATEMENTS

The POSCO Sustainability Report 2008 contains forward-looking statements to provide a value-added account of our sustainability activities. These forward-looking statements reflect our current views with respect to future events and performances, and are generally identified by the use of forward-looking terminology such as 'anticipate,' 'believe,' 'assume,' 'will,' 'plan,' and other similar expressions. Such statements are included in the discussion of our business strategies and operations, performance goals and targets, and business plans, including research & development and investments, among other things. In addition to the foregoing factors, detailed descriptions of certain risks and uncertainties, which may cause actual results to differ materially from those forecasted, can be found in the section captioned 'Risk Factors' in our annual Form 20-F deposited with the U.S. Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events after the publication of this report.

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