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POSCO Sustainability Report 2009

Posco 3.0

Global Symphony

POSCO SUSTAINABILITY REPORT 2009



This report is printed on Forest Stewardship Council-certified paper, using soy-based ink.



We play the global Symphony 'POSCO 3.0'

In a symphony, various wind and string instruments together make a harmonious sound. At the peak of the orchestra’s performance the most beautiful and pas-sionate harmony is made. We can also experience a symphony of harmony and passion, progress and creation in POSCO’s sustainability management striving to become a global leader. The 2010 Sustainability Report presents the beautiful and grand story of communication that is opening the era of POSCO 3.0 through win-win values that seek coexistence and development.

About this Report

First, this report further expanded stakeholder participation during its production process. We identified stakeholders’ major points of interest through the CSM forum conducted in the form of interviews with sustainability experts. The materiality test tool that POSCO developed in collaboration with POSRI was further refined, and following on last year, a media analysis was conducted overseas as well. The sampling method for the e-mail survey conducted with 1,200 respondents both domestic and abroad was further refined, which enabled a more delicate identification of issues of interest for each stakeholder group.

Second, the reporting structure has been modified from “Economic Performances, Environmental Performances, and Social Performances” to “Open Management, Creative Management, and Environmental management” to bring the perception of sustainability in line with overall performance disclosure. This is an expression that connects the triple bottom line of POSCO’s business principles and sustainabil-ity management. Stakeholders’ activities were expressed as “Open Management” based on trust and communication, and much effort has been put into changing the construction and layout of the report with adequate highlights in order to help stakeholders’ understanding.

Third, a section comprehensively showing sustainability performance under the indexes of “Open Management, Cre-ative Management, and Environmental Management” was added for stakeholders’ convenience. Indexes that were laid out according to the content in previous reports were inte-grated into a separate page so that readers may quickly find the index they are interested in.

Fourth, the previous subsidiaries achievement section that was centered on steel plants was changed to include sus-tainability performances of the POSCO Family. The report, whose scope covered eight subsidiaries last year, has been broadened to include all of POSCO’s subsidiaries in order to explain the efforts of POSCO and its subsidiaries in building a sustainable society. POSCO’s culture of trust and commu-nication runs throughout the 2009 Sustainability Report.

Reporting Framework >> The 2009 Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, and with POSCO’s internal sustainability reporting processes. All financial information, stan-dards and definitions used or made within the report follow Korea’s generally accepted accounting prin-ciples.

Reporting Period >> POSCO publishes sustainability reports every year. This report covers the calendar year from January 1 to December 31, 2009. Please note that the section on corporate governance reflects decisions made at the board meeting held on February 26th of 2010.

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. All subsidiary information stated in the report is based on each company’s individual standards; hence, there may be possible discrepancies from the guidelines set forth by POSCO. The financial informa-tion in the “Economic Performances” section of the “Creative Management” segment is based on POSCO’s non-consolidated financial statements. Consolidated financial statements are available in our 2009 Annual Report.

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

Assurance of the 2009 Sustainability Report >> The Report underwent assurance by an independent and objective assurance institution in order to gain stakeholders’ trust regarding the Report and various systems. Through implementing the international veri-fication standard AA1000AS, we have ensured that comprehensiveness, materiality, and responsiveness are reflected in the Report in addition to the existing principles of consistency, accuracy and completeness.

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Dear Stakeholders,

The year 2009 was the most challenging year POSCO had ever experienced. The global economy shrank rapidly due to the financial crisis in America, and the domestic market continued to dwindle due to sagging exports and decreasing domestic consumption. The hardship was incomparably greater than that experienced during the IMF crisis about a decade ago. As the global recession led to shrinking demand, the steel industry experienced unprecedented cutbacks in production and a drop in sales price as well.

Despite such circumstances, POSCO reduced costs and quickly shifted to an emergency management system to overcome the crisis. We engaged in investing in global growth engines, technology development, developing new markets, expanding investment in future growth businesses as well as promoting win-win cooperation and social contribution in order to secure a foothold for sustainable growth in anticipation of the post-crisis era.

As a result, POSCO was able to achieve KRW 27 trillion in sales and KRW 3.1 trillion in operating profits, which is commendable compared to our competitors.

2009 was a year of preparing a new vision for 2018, POSCO's 50th anniversary. Through POSCO 1.0, which was the early period after establishment and POSCO 2.0, which that was a time of growth, it is now time for another leap toward the future. POSCO 3.0 is the leaping phase that POSCO must accomplish. The goal is to achieve KRW 100 trillion in sales and become a sustainable corporation. POSCO will realize POSCO 3.0 and achieve the goals set in Vision 2018 through evolving the scope of our business, expanding our business territory, and innovating our way of doing business.

First, we will evolve our scope of business. POSCO has grown based on its original business of steelmaking, but we plan to grow into a general materials producer including magnesium, titanium, manganese, silicon, nickel, and chrome. We will also actively promote IT and energy business sectors to contribute to low-carbon, green growth.

Second, we will expand our business territory. We will become a global player through our businesses in India and Indonesia, and put our efforts into achieving visible results in our facilities built in Mexico and Vietnam. Global businesses connecting the areas of Ukraine, Canada and Brazil will be made more concrete. Furthermore, we will expand investments in overseas resources development to secure raw materials that are the key for POSCO's sustainable growth.

Lastly, we will innovate our way of doing business. We will incorporate the DNA of sustainable competitiveness into our system and enter the virtuous circle of boldly facing competition, enjoying a competitive environment, and enhancing competitiveness through competition. While we have concentrated on acquiring tangible capital such as equipment and capital until now, from now on we will focus on securing intangible capital by putting more weight on the relationship between organizations and between members, and nurturing future human assets.

In order to achieve this, we will build a corporate culture of open communication and trust. Trust is POSCO's identity, which is rooted in communication.

In addition, we will establish a POSCO Family management structure that includes subsidiaries, outsourcing partners, and equipment/materials suppliers. Today, competition exists not only between individual corporations, but also between supply chains. We will enhance the competitive edge of our whole supply chain by strengthening win-win cooperation.

The POSCO 3.0 era is not a road to be travelled alone. The POSCO Family that includes all stakeholders - subsidiaries, outsourcing partners, suppliers and customers - must come together as one and move forward. POSCO will strive to further advance as a company that fulfills all its social responsibility through trustful relationships with various stakeholders. Ultimately, we aim to become a company that is admired and respected by the world.

Thank you.

May 2010
 CEO Joon-Yang Chung



FINANCIAL
PERFORMANCE

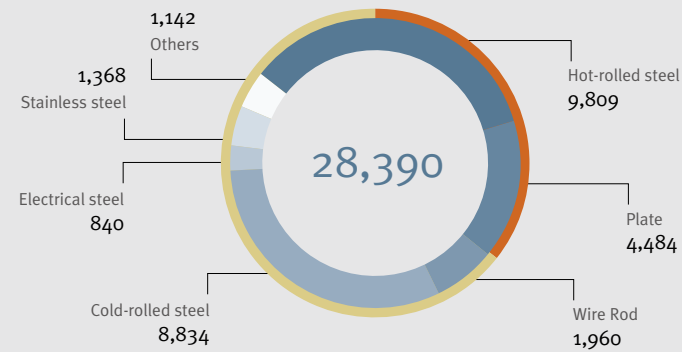
Key Financial Indicators	2007	2008	2009
Sales (KRW billion)	22,207	30,642	26,954
Operating Income (KRW billion)	4,308	6,540	3,147
ROE (%)	15.9	17.0	11.4
EBITDA (KRW billion)	6,029	8,448	5,207
Reduced costs (KRW billion)	829	738	1,359

Total Sales and Sales of Major Products Despite the shrinking steel market and heightening competition in 2009, POSCO has further strengthened its ability to make a profit through using low-cost materials and expanding reuse of steelmaking by-products. We expanded sales of strategic products in existing markets, while building various sales routes, striving to stabilize the Southeast Asian and other markets.

Sales Volume by Product

(Unit: 1,000 tons)

Domestic: 18,390
Export: 10,047



KRW **100**
trillion

POSCO Family's
Sales Target by 2018

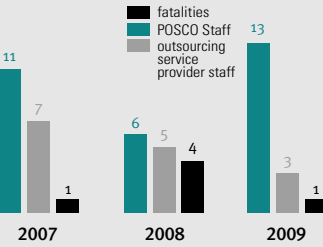
KRW **1,359**
billion

Strengthened internal competitiveness despite difficult business circumstances through largest cost reductions in POSCO's history and crisis management system.



SOCIAL
PERFORMANCE

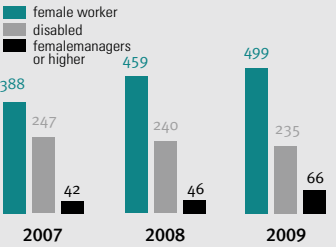
"Injury Free POSCO"



Injury cases 1 case of material injury occurred in 2009, 3 cases less than in 2008.

Material injuries : Accidents of 1 or more fatalities, Accidents where 2 or more have been injured simultaneously, requiring 3 months or more of treatment, Accidents where 10 or more have been injured or fallen ill simultaneously

In 2009, POSCO actively participated in "Job Creation" that was a national issue. POSCO operated a youth internship program which provided internship opportunities for 664 young people.



Employment of disabled and female workers employment increased by 35 persons compared to 2008, and 99 persons compared to 2007.

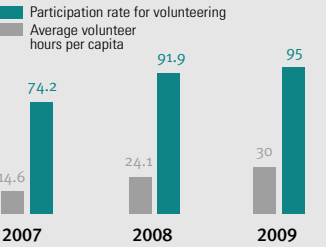
POSCO employs the physically-challenged in numbers exceeding the legal requirements, helping them realize their potential. Our female workers are employed in accordance with the government's Affirmative Action policy.

Symphony of
Nature,
Human and Steel

Established social enterprises POS Eco Housing (Dec. 2009), POS Plate (Jan. 2010), and Songdo SE(Apr. 2010) to support self-sufficiency of the underprivileged .

367

Employment Target of the
Underprivileged in 2010
(238 underprivileged employed as of May 2010)

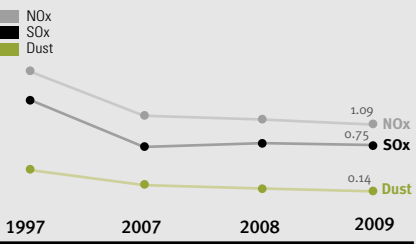


Volunteer activities 95% of all employees and management participated in volunteer activities, and volunteer hours per capita reached 30 hours.

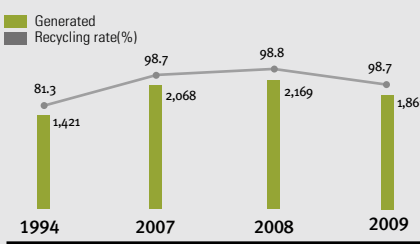
Since 2004, the third week of every month has been designated as company-wide volunteering day for various sharing activities. The monthly average of employees to participate in the volunteering day in 2009 was 5,444 persons.



ENVIRONMENTAL
PERFORMANCE



Emission of Air Pollutants 1 The unit loading factors of air pollutants was reduced by 20% compared to 2006, and the unit loading factor of SOx and NOx at Gwangyang Works was reduced by more than 60%.



Turning by-products to resources The RHF plant constructed at Pohang and Gwangyang Works can produce an annual 280,000 tons of direct reduced iron (140,000 tons each) using steelmaking by-products.

9%
2.18('09) → 1.98('20)

Target for Reducing
CO₂ Intensity (t-CO₂/t-s)

Reduction with currently available technologies 3% +
Reduction with breakthrough future technologies 6%

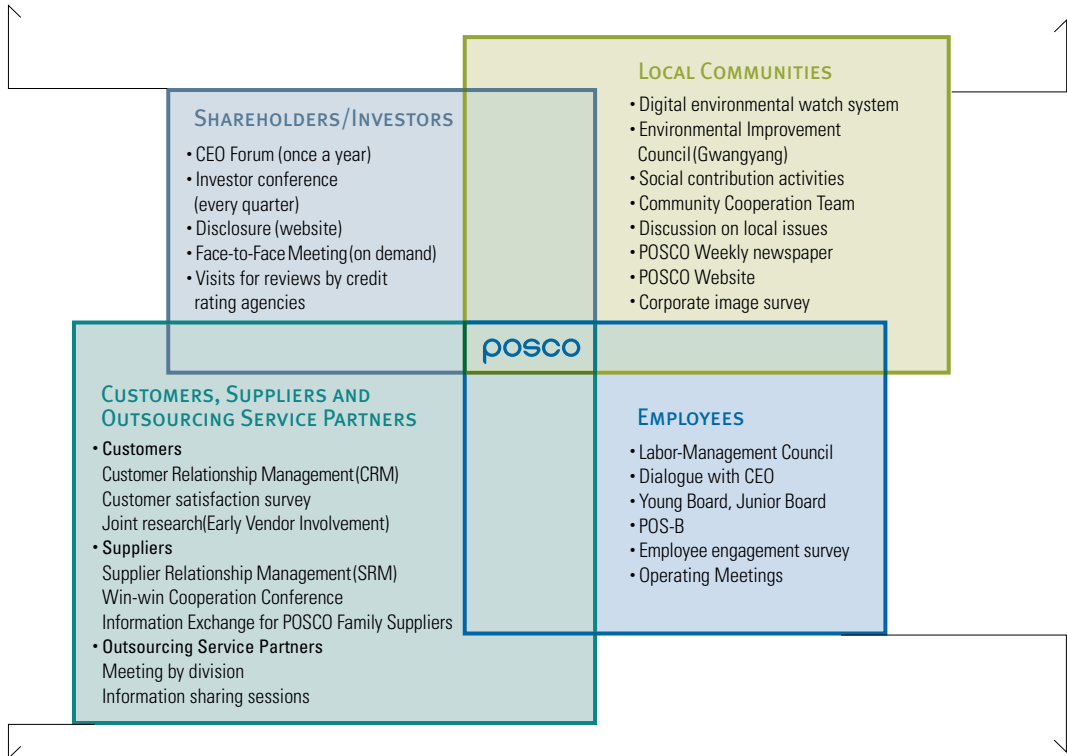
POSCO operates stakeholder communications processes to maintain close partnerships with its stakeholders. We operate relevant departments in Seoul, Pohang and Gwangyang so that all of our stakeholders including shareholders, investors, customers, suppliers, outsourcing partners, employees and communities may jointly achieve sustainable growth with POSCO.

Best Company to Invest in

POSCO strives to provide easy and quick access to its management information for all its stakeholders in a transparent manner. Every January, in addition to the IR group which is responsible for communication with our investors, 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.

Best Company to Inspire Pride

POSCO strives to become a company the community loves and can be proud of. 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 negative impact on the environment, our digital environment watch system 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.



Best Company to Work with

POSCO's CRM reflects the company's effort to provide customized services and to enhance customer value through various technological enablers, new product developments and market expansions. We pay regular on-site visits to address our customer's concerns, 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 the areas of management innovation, human resources exchange, purchasing and sales. In particular, our Win-win cooperation team is the dedicated to supporting SMEs through benefit sharing programs (sharing benefits from cost reduction), Techno Partnerships (technological support tailored to SMEs' needs), financial support, and joint R&D programs. In addition, the Win-Win Cooperation Committee has been installed to discuss ways to provide support on a group level.

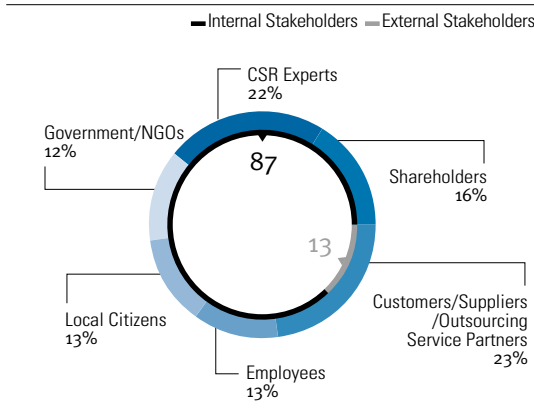
Best Company to Work for

Employees are POSCO's valuable asset and source of its competitiveness. 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 "Dialogue with the CEO" has been held 56 times to date for a closer communication between the CEO and employees, where the CEO has explained his vision, management philosophy and policies in person to form a consensus among all employees. In addition to the "Young Board", which was started to promote communication between management and employees, POSCO has opened the "Junior Board" as well. POS-B is an anonymous bulletin board using the intranet. We also conduct an annual survey on employee engagement levels in collaboration with external consulting experts.

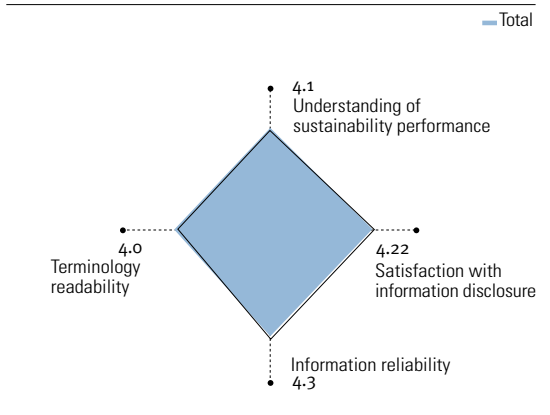
MEDIA ANALYSIS

News Search	First Analysis	Second Analysis
News search using 'POSCO'+ Keywords Sorting articles by sector & stakeholders Data integration	Analysis of exposure and positivity level for each division/stakeholder Analysis of the reason for such exposure and positivity	Analysis of exposure+positivity for each keyword. Analysis for each keyword+stakeholder. Identifying key issues and recording in the report.

SURVEY RECIPIENTS



SUSTAINABILITY REPORT SATISFACTION SURVEY RESULTS



Media Analysis POSCO has conducted media analyses since 2005 in order to identify issues of interest to our stakeholders. We have analyzed domestic and foreign media using keywords, finalized through our collaborative research with POSCO Research Institute (POSRI). These keywords reflect both international standards and POSCO's business characteristics. Media analyses were conducted in the first half of 2009. During this period, 241 articles in Korean daily newspapers, economic daily newspapers and internet news coverage, and 39 articles posted on global news portals were analyzed.

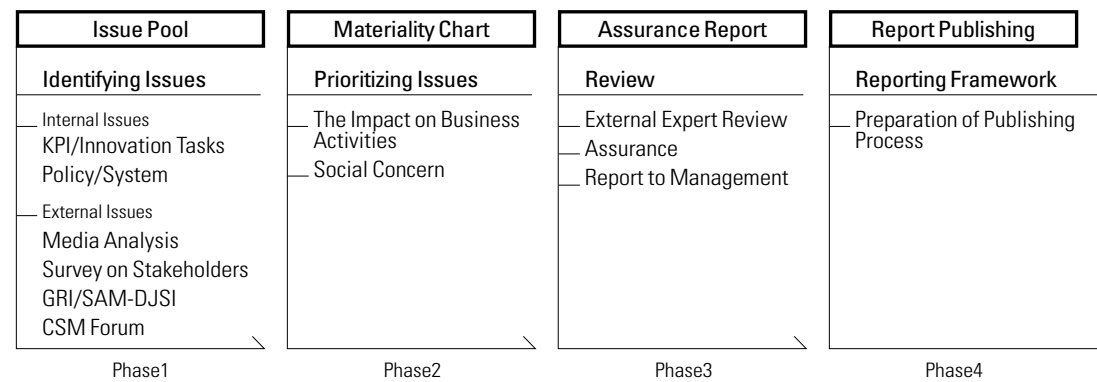
With regards to the issue of sustainability, POSCO's social performances comprised the highest portion of our news coverage at 50%, with general issues accounting for 11%, economic performances 19%, and environmental performances at 20%. The positivity analysis demonstrated an 84% positivity ratio in our 2009 coverage. POSCO's managerial achievements, expectations for the newly appointed CEO Joon-Yang Chung, overseas contracts for a stable supply of resources, social contribution and win-win cooperation activities were covered positively as well. On the other hand, the media coverage on the issue of suspected external pressures in the appointment of the CEO was negatively reported. (see page 9)

E-mail Survey Results POSCO conducted an e-mail survey to identify major issues and identify stakeholders' needs for its 2009 sustainability report. The 1,500 survey recipients range from our internal stakeholders – employees at POSCO 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, experts both in Korea and overseas, and relevant government and institutional bodies. The questionnaires consisted of 25 items asking respondents about their overall satisfaction with our 2008 Sustainability Report, the major issues to be covered in the 2009 report and improvements to be made.

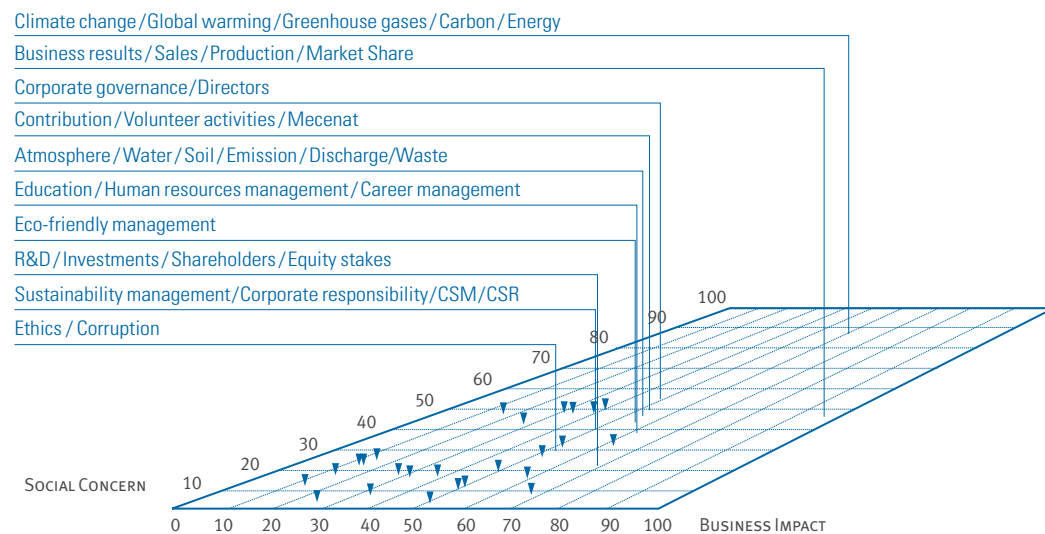
Overall satisfaction with the 2008 report was 84% and reliability on information provided stood at 86%, readability of terminology used in the report at 80%, and understanding sustainability performance at 84%. (see page 9)

In preparing a sustainability report, it is essential to both identify material issues to our stakeholders and those having a significant impact on the company's business activities. As seen in the 2008 report, POSCO has devised its own materiality test framework and has reflected the results in its report. Every year, POSCO continuously updates its publishing framework to reflect improvements and feedback on the previous report. 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. An issue pool was formed from general sustainability management issues such as international regulations and SRI evaluation, issues of interest to stakeholders identified through media analysis and e-mail surveys, and POSCO's business related issues such as management strategies, KPI and innovation initiatives. We selected 33 issues from this issue pool and conducted an analysis of social concerns and impact on our business in accordance with POSCO's materiality test framework.

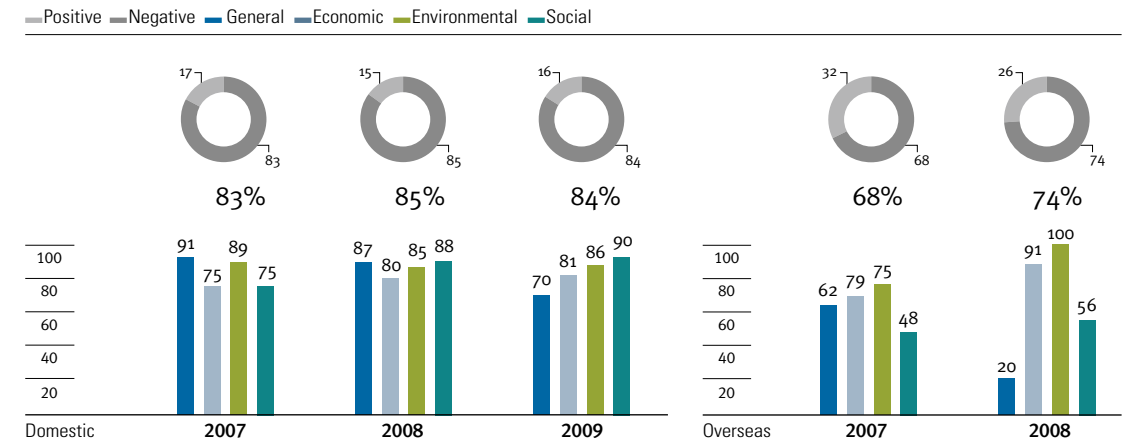
POSCO MATERIALITY TEST PROCESS



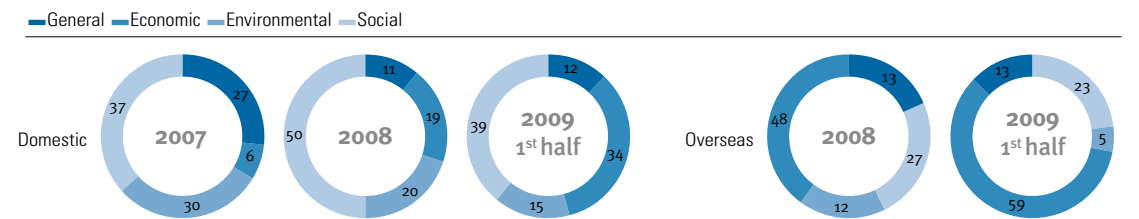
Materiality Test Matrix



YEARLY POSITIVITY LEVEL TRENDS



YEARLY POSITIVITY LEVEL TRENDS



MAJOR ISSUES OF HIGH INTEREST BY STAKEHOLDER GROUP

	Category	Customers/ Suppliers/	CSR experts	Government etc.	Communities	Shareholders	Employees
General	Sustainability management	██████████	██████████	██████████	██████████	██████████	██████████
	SRI	██████████	██████████	██████████	██████████	██████████	██████████
	Stakeholder participation	██████████	██████████	██████████	██████████	██████████	██████████
	Risk management	██████████	██████████	██████████	██████████	██████████	██████████
	International regulations	██████████	██████████	██████████	██████████	██████████	██████████
Economic	New businesses	██████████	██████████	██████████	██████████	██████████	██████████
	Business results	██████████	██████████	██████████	██████████	██████████	██████████
	R&D	██████████	██████████	██████████	██████████	██████████	██████████
	Number of employees	██████████	██████████	██████████	██████████	██████████	██████████
	Subsidiary achievements	██████████	██████████	██████████	██████████	██████████	██████████
	Corporate value	██████████	██████████	██████████	██████████	██████████	██████████
	Wages	██████████	██████████	██████████	██████████	██████████	██████████
Environmental	Raw materials	██████████	██████████	██████████	██████████	██████████	██████████
	Green growth	██████████	██████████	██████████	██████████	██████████	██████████
	Climate change	██████████	██████████	██████████	██████████	██████████	██████████
	Environmental technology	██████████	██████████	██████████	██████████	██████████	██████████
	Eco-friendly management	██████████	██████████	██████████	██████████	██████████	██████████
Social	Human resources management	██████████	██████████	██████████	██████████	██████████	██████████
	Win-win cooperation	██████████	██████████	██████████	██████████	██████████	██████████
	Social contribution	██████████	██████████	██████████	██████████	██████████	██████████
	Labor union/Industrial relations	██████████	██████████	██████████	██████████	██████████	██████████

2009 MAJOR ISSUES

	(Unit %)
Climate change/ Global warming/ Greenhouse gases/ Carbon/Energy	74
Management Performances	73
Governance/ Directors	53
Social contribution/ Volunteer activities/ Mecanat	51
Air/Water/ Earth/Waste	50
Education/Human resources management/ Career management	50
Environmental Management	49
R&D/Investments/ Shareholders/Equity stakes	45
Sustainability management/Corporate responsibility/CSM/CSR	45
ethics/ corruption	44

AUDIT/FINANCE/ERM
DEPARTMENT

Risk management

Sustainability Management >
Risk Management System p.19

CORPORATE ETHICS TEAM

Building ethical corporate culture
at the POSCO Family level

Sustainability Management >
Business Ethics p.16

GLOBAL HR DEPARTMENT

Recruiting, cultivating, and
supporting global talents

Open Management >
Human Resources Development p.28

MANAGEMENT STRATEGY
DEPARTMENT, MANAGEMENT
PLANNING GROUP

Transparent corporate
governance

Creative Management >
Management Strategy p.48



WIN-WIN COOPERATION
DEPARTMENT

Mutual sustainable growth
between large companies and
SMEs

Open Management >
Win-Win Cooperation p.33

CORPORATE SAFETY
DEPARTMENT

Realizing a no-hazard "Safety
dream factory"

Open Management >
Employees p.26

ENVIRONMENT & ENERGY
DEPARTMENT

Actively responding to climate
change and energy issues

Environmental Management p.60

Sustainability Management Governance Systems

Name of Committee	Major Issues (No. of meetings held)
Green Growth Committee (chair: CEO / members: relevant directors from POSCO, CEO of subsidiaries, representatives from Postech, Posri, RIST)	Climate change, Low Carbon steel technology, Renewable energy (twice a year)
Win-win Cooperation Committee (chair: CEO, representative of SMEs / members: CEO of subsidiaries, directors of POSCO, CEO of SMEs)	POSCO Win-win cooperation management (twice a year)
Social Contribution Committee (chair: CSO / members: relevant directors from POSCO, SME representatives)	Sustainability, Social contribution (once a year)
POSCO Safety Committee (chair: COO / members: safety managers of POSCO and subsidiaries)	Health and Safety (once a year)
Environmental & Energy Committee (chair: Head of Environment Energy Dept. / members: relevant POSCO managers from major operations, RIST)	Environmental energy (twice a year)



COMMUNITY
COOPERATION TEAM

Communication with the local
communities

Open Management >
Local Communities p.43

BUREAU OF
GREEN GROWTH

Enhancement of steel product
competitiveness, initiating new
green growth engine

Creative Management >
New Businesses for Green Growth p.52

SOCIAL CONTRIBUTION
GROUP

Social responsibility activities,
communication with stakeholders,
overall sustainability management
operations

Overview >
Communications with Stakeholders p.6
Open Management >
Social Contributions p.38



Consuming a vast amount of resources and energy in its processing, steel making has an inevitably significant economic, social and environmental impact. Keenly aware of this from the outset, POSCO has persistently strived to incorporate environmental and human integrity into its management philosophy. In 2003, we announced our sustainability commitment that integrates economic viability, environmental soundness, and social responsibility into our overall management activities, and set up a CSM (Corporate Sustainability Management) Team for a more systematic and responsible approach to corporate management

POSCO will assess its sustainability management performances to date and integrate them with its new management philosophy to further expand the scope and value of sustainability management. In particular, we will continue to enhance our sustainability competence to be recognized

by our stakeholders as the best company to work for, work with and to invest in, and a company that protects the environment. POSCO will invest all its efforts to be reborn as a "General Materials Group with KRW 100 trillion in sales through 3G (Global, Green & Group) growth" by 2018 - POSCO's 50th anniversary.

POSCO is also expanding a specialized department to lead sustainability management, searching for better ways to enhance inter-department connections. Prior to publishing the 2009 sustainability report, 8 relevant departments gathered in February 2010 to discuss ways to effectively and transparently convey sustainability performances of year 2009 to the stakeholders; they presented various ideas for a company-wide sustainability management and reached a broader scope of consensus.

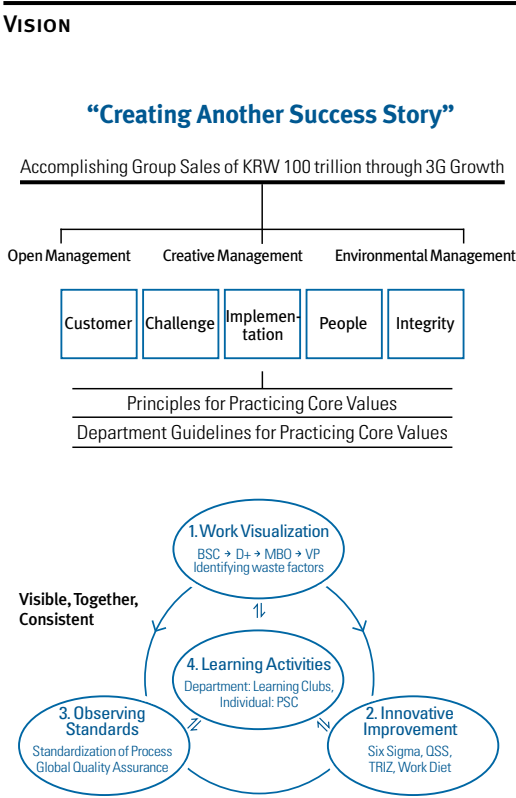
In April 2007, with its 40th anniversary coming up the next year, POSCO established the Global POSCO Way to inherit POSCO’s cultural strengths that have been passed on from the past, and to expand and acquire elements required by leaders in the global era. The “Global POSCO Way” is the spiritual model and code of conduct that all POSCO Family members must follow, and is comprised of visions and core values, and action principles that everyone should practice to realize those core values in everyday life.

The Global POSCO Way presents a method of work and corporate culture befitting a world class corporation. It also plays a pivotal role for POSCO members in rapidly changing management conditions, enhancing the interconnection between various managerial activities.

Vision & Core Value The vision of “Creating Another Success Story” expresses our confidence and determination to write a new chapter of success with bigger challenges, building upon the success story of the founders who created value from nothing. To this end POSCO is vigorously striving to create another success story through expanding its scope of business and operations and innovations in its working method, based on a management philosophy of open management, creative management, and environmental management.

Core values are the guidelines that every POSCO person must uphold in the process of realizing corporate vision. POSCO has established 5 core values that POSCO and its members strive for: Customer, Challenge, Implementation, 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. In step with our global expansion strategy, we have officially announced this spiritual asset, which has nurtured us, to all the POSCO Family of the world so that they may share our values.

Principles for Practicing our Core Values The code of conduct that all departments and individuals abide by embodies the core values that all POSCO Family members observe. In order for POSCO to take another leap to become a global leader, the core values must not remain as notions but be actively practiced in all work processes. Thus, in December 2009, POSCO established the principles for practicing the core values that can be readily implemented at the work-sites. These principles represent the unique method of work shared by all POSCO Family members that unifies work, innovation and learning.



PRINCIPLES FOR PRACTICING CORE VALUES	
Principles	Method
Customer	
1 Listen to customers and think in their shoes	Serving the Customer ¹¹¹ , MR
2 Value the trust relationship with the customer and endeavor for mutual growth with the customer	Trusting relationship with the customer, EVI
Challenge	
3 Don't be afraid of failure and keep challenging ourselves	D+, challenge project, accepting failure
4 Think outside the box and find creative solutions	TRIZ, technology in need
Implementation	
5 Open your work and continue to eliminate waste elements	VP, Six Sigma, QSS, Work Diet
6 Continue process improvement and standardization and observe them	Standardization, learning unit
7 Put weight on the work-site implementaion and enhance performance through cooperation	RAI, Mega Y/Big Y
People	
8 Respect personal character and diversity with an open mind	Open departmental culture, open communication
9 Enhance competence through active self-development and strive for mutual growth with the job	PSC, consilience talent
10 Put safety first at work and ensure it	Practice SAD, ILS
Integrity	
11 Work fairly and transparently, and strive for mutual growth with stakeholders	Behavioral rule, win-win activities
9 Recognize environment as ethical responsibility and take the initiative for developing environmentally friendly technology and low-carbon living	CO ₂ reduction technology, quit smoking, ride bicycles

On the occasion of our 40th anniversary, we have established Vision 2018, which aims to foster energy and construction as our second growth engine, in addition to the steel making business that is our core business area and source of value generation. In active response to rapidly changing business conditions, we will give shape to management objectives set out in 2009 and set out and implement detailed action plans to be reborn as a “General materials group with KRW 100 trillion in sales through 3G (Global, Green & Group) growth” by 2018. To meet this end, we have restructured our business portfolio, regrouping our original steel and materials business as the Core Business; E&C, Energy, ICT and Chemicals as Growth Business; and future businesses as Seed Business. In addition, we plan to reestablish the group management system to back up the revamped business portfolio, enhancing our competitive edge and maximizing performance.

Enhanced Business Portfolio While achieving global growth of our steel business sector, we will enhance our business portfolio by cultivating and identifying the group’s Growth Businesses and Seed Businesses. In addition, we will move from our steel-centered business structure to secure a combined growth basis at the group level to prepare ourselves to be a 100-year business.

First, for our main steel making sector, we plan to invest in the “U” line that connects Eastern Europe, and Asia, where we can secure market and resource leadership, and the “I” line that connects North and South America to secure global production capacity and core markets. In pursuit of the Asian markets where leadership in the local economy and market is shifting, we will speed up investments to establish local production base in the area and implement flexible strategies such as M&A, joint ventures, and Brownfield and Greenfield investments. We will also implement development investments to set up an optimal resources procuring system, enhancing our global competitiveness. Domestically, we will build an optimal production capacity of 400 million tons and a matching sales network to maintain our leadership in the steel business and market domination despite a changing competition environment.

Based on our experience in steel making and core competencies, we will advance as a global general materials provider encompassing basic as well as innovative materials. This strategic goal will be linked to the group’s resources, core competencies and value chains to identify steel-related businesses as well as future new materials businesses, securing our implementation abilities for maximum results.

The E&C, Energy, ICT and chemicals sector will be cultivated as the second growth engine business group to lead POSCO’s growth until 2018. In the E&C sector, POSCO E&C will take the initiative in setting up a PEPCOM system that

encompasses project planning based EPC, and developing/ integrating new technologies to grow as a Top 20 contractor. For the energy sector, POSCO will enhance the Gas & Power business that is already a strong part of POSCO as the basis for growth, carefully study renewable energy business and foster new growth businesses through selection and concentration. In the ICT and chemicals sector, we will optimize our portfolio through consolidation and enforcement of the businesses we have already started. We will strive for mutual growth of our affiliates by expanding cooperation and joint execution of businesses of related sectors within the POSCO Group, as well as “Package deal” type global businesses in the Middle East, Africa and East Asia.

As for seed businesses that will back up our core and growth businesses and lead POSCO for the next hundred years, we are looking at materials business, along with marine, plant and shipbuilding businesses. We will actively identify new business opportunities including new green growth businesses by active development in these business fields and utilizing our core competence. To this end, we are planning M&As in the steel related sectors to cultivate them as part of the seed business group.

Building the Group System POSCO plans to adopt a POSCO Group operations system to back up the quantitative expansion of the Group’s portfolio. The new Group management system conforms to the Group-level strategy structure. Organization structures and activities that bring synergy, integrated resources management systems, and the corporate culture of solidarity that is the foundation of Group management, will organically interact with each other. Based on this interaction, we plan to create more value that will exceed our past achievements realized through stabilization and internal strengthening, and bring about the “POSCO 3.0” era of exponential growth through innovative work methods.

Having mainly relied on achievements and corporate culture of a single company, for the past 40 years, now we plan to shift to an operation system that will optimize performances of the entire Group, share our vision, strategies, and brand, and build a Group culture that values organizational culture and solidarity, completing the One POSCO goal. In addition, we will foster global talents, enhance workforce rotation within the Group to build “POSCO Family’s Dream Workplace” that enables the company and employees to advance together.

By strengthening the Group portfolio and achieving the 2018 management goal of mutual growth of all POSCO Family members, we will begin writing a new chapter of POSCO’s vision: “Creating Another Success Story.”

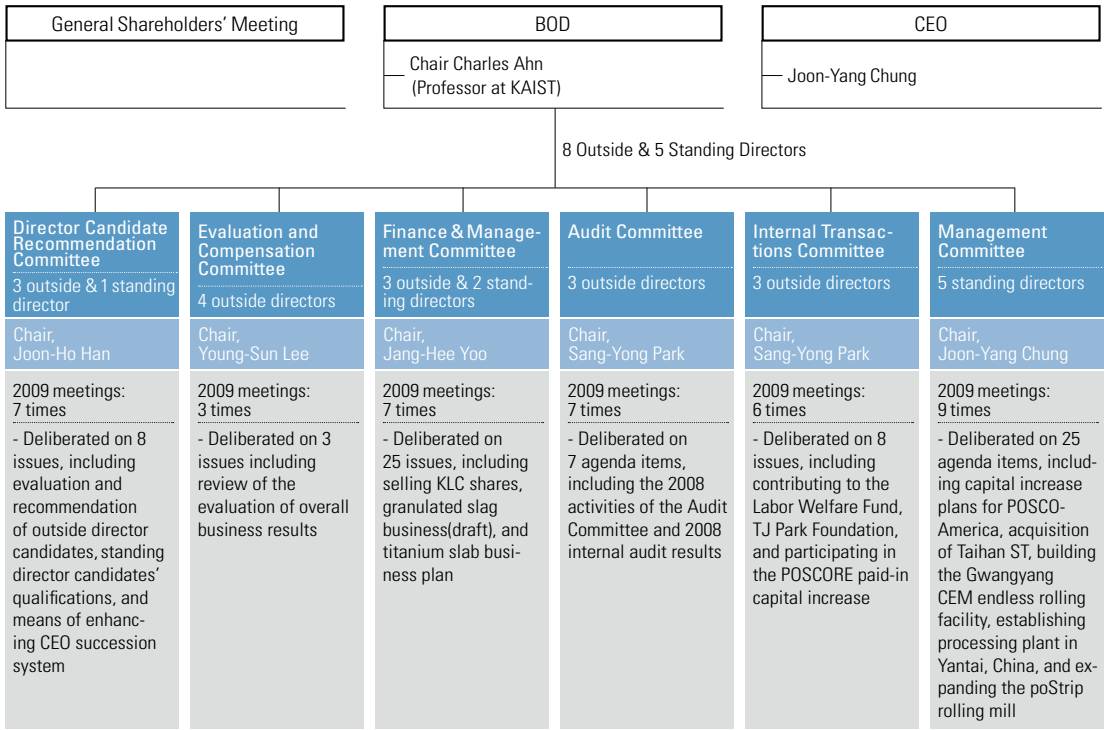
POSCO has been working on its corporate governance to enhance the independence of its board of directors (BOD) and the rights of its shareholders under the “Corporate Governance Charter”, which that sets forth the vision and principles of our governance. Owing to these efforts, we are widely recognized as an outstanding model of transparent governance, and take pride of having been named as having the best corporate governance by the Korea Corporate Governance Service for three consecutive years. POSCO’s BOD is comprised of 5 standing directors and 8 outside directors. POSCO has established a BOD operational structure that centers on outside directors who act as the chair or members of the BOD’s various committees. Outside directors are able to convene exclusive meetings, which institutionally secures the opportunity to make independent statements. Our cumulative and written voting systems significantly enhance the rights of shareholders and our Internal Transactions Committee ensures transparent and fair transactions with those parties who hold a special relationship with POSCO, such as its affiliates. In order to strengthen the independence 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 electing CEOs. In 2009, we have downsized the Board from 15 to 13 (from 9 outside and 6 standing directors to 8 outside and 5 standing directors) for a more efficient operation of the Board.

Ownership Structure As of the end of December 2009, POSCO has a total of 87,186,835 outstanding shares listed on the Korea Exchange (KRX). Of these issued shares, 16,514,756 shares are traded on the New York, London and Tokyo Exchanges as 62,994,368 ADR shares. As of the end of December 2009, the 5 largest shareholders collectively held 18.84% of the company.

Board of Directors POSCO’s Board of Directors is comprised of 5 standing directors and 8 outside directors. Candidates for the standing directors are screened by the Director Candidate Recommendation Committee which recommends the final candidates to the General Shareholders’ Meeting where their appointment is decided. As for outside directors, the Outside Director Selection Consulting Group comprised of 5 reputable specialists from various fields select a three fold of candidates, the Director Candidate Recommendation Committee evaluates the candidates, and the final decision is made at the General Shareholders’ Meeting. At the 42nd regular shareholders’ meeting held on February 26, 2010,

SUBCOMMITTEES ORGANIZATION & ACTIVITIES



POSCO Vice President Mr. Han-Yong Park (former CEO of POSCO ICT), POSCO Vice-president Chang-Gwan Oh, and Vice President Jin-II Kim were newly appointed as standing directors, and no outside directors have been newly selected.

Major agenda items at the 2009 Board of Directors meeting include 2010 business plans, Brown field investment plan in Indonesia, initiating the SNG business, Group restructuring plan, contribution to the Smile Mircrocredit Foundation, and donation for end of year charities.

In 2009, the BOD meeting was held a total of 7 times with a 97.1% attendance rate. The standing directors’ attendance stood at 97.6% and outside directors, at 96.7%. The attendance rates of each outside director are as follows: Yoon-Suk Suh, Yeoung-Ju Park, Won-Soon Park, Sung-Kwan Huh, who served from January to February of 2009 have recorded 100% attendance. Byeong-Gi Kim, Sang-Yong Park, Wook Son, Charles Ahn, Jang-Hee Yoo, Chang-Hee Lee, Joon-Ho Han, who served from March to December 2009 recorded 100% attendance, and Young-Sun Lee and Jeffrey Jones, who served during March and December 2009 as well recorded 80% and 86% attendance respectively.

Subcommittees POSCO BOD has 6 subcommittees and 5 of these, excluding the Management Committee, are chaired by outside directors. The Audit Committee, Evalua-

tion & Compensation Committee and Internal Transactions Committee are comprised solely of outside directors, to ensure independence in their decision-making.

Remuneration of Directors and Executives Remuneration for standing and outside directors is determined within the limits approved by the shareholders at the general shareholders’ meeting. The 2009 general shareholders’ meeting maintained the KRW 6 billion limit from the previous year, of which KRW 5.8 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. According to the performance-based compensation standard set at the BOD, the performance salary of the CEO is based on the qualitative and quantitative appraisals of the corporation’s business results. 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 PROFILES (as of March 2010)

Description	Name	Experience	Subcommittee Activities
Board of Directors	Charles Ahn	- Professor of KAIST, Chair of AhnLab's Chair of the Board - Former President & CEO of AhnLab	- Member of Evaluation and Compensation Committee
	Wook Son	- Former CEO of Nong Shim - Former president of Samsung Human Resources Development Center	- Member of Audit Committee, Internal Transactions Committee
	Sang-Yong Park	- Professor at Yonsei School of Business - Former president of KSRI (currently KCMI)	- Member of Audit Committee, Internal Transactions Committee
Outside Directors	Jang-hee Yoo	- President of East Asian Economic Association - Former vice president for external affairs at Ewha Womans University	- Chair of the Finance and Management Committee, Member of Evaluation and Compensation Committee
	Joon-Ho Han	- CEO & vice-chair of Samchully - Former CEO of KEPCO	- Chair of Director Candidate Recommendation Committee, Member of Finance and Management Committee
	Young-Sun Lee	- President of Hallym University - Former professor at Yonsei University Department of Economics	- Chair of the Evaluation and Compensation Committee, Member of the Director Candidate Recommendation Committee
	Byung-Ki Kim	- Former researcher at SERI - Former head of Planning & Coordination Office at the Ministry of Strategy and Finance	- Member of Finance and Management Committee, Evaluation and Compensation Committee
	Chang-Hee Lee	- Professor at Seoul National University, College of Law - International Director at Tax Law Association	- Member of Director Candidate Recommendation Committee, Audit Committee, Internal Transactions Committee
Standing Directors	Joon-Yang Chung	- Chair & CEO	- Chair of the Management Committee
	Jong-Tae Choi	- President	- Member of the Finance and Management Committee, Management Committee
	Han-Yong Park	- Vice-president Former president of ICT	- Member of Director Candidate Recommendation Committee, Management Committee
	Chang-Gwan Oh	- Vice-president	- Member of Management Committee
	Jin-II Kim	- Vice-president	- Member of the Finance and Management Committee, Management Committee

POSCO’s ethics practice encompasses ongoing 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 “ongoing training,” “strict disciplinary action against violations” and “leading by example.” In particular, in relation to "leading by example," the CEO stresses the benefits of ethical practices more fervently than anyone else. He sends out the CEO message twice a year, through the Code of Conduct pledging ceremony and Code of Conduct Declaration Day. While the company shares the necessity and importance of ethical practices with its employees through ongoing 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 for Employees Campaigns A sound ethical value embedded in the work life of every one of its employees is the premise of an ethical corporate culture. Well aware of this, POSCO has developed and put in place its own ethics education programs on- and off-line. Since 2003, 2-hour ethical leadership training for 4,000 in the leader ranks have been given, and "Visiting ethics classroom", which is an education program tailored to the recipients' circumstances, and the "New trading partner briefing" to encourage trading partners' participation in ethical practices are also currently in operation. And since 2004, all employees receive 20 hours of mandatory e-learning programs annually. Since 2005, we have operated the Ethical Practice Program, an autonomous program with a 1-year cycle focused at the department-level. The program includes free discussions and self-driven studies on ethical practices, identification of ethical risks and prevention activities through

Visual Planning (VP).

Our business ethics monthly webzine “Olbareumi”, which is available to all subsidiaries and outsourcing partners, helps raise an ethical mindset in our employees. We also encourage our employees’ heightened awareness 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, employees make on-line pledges at the beginning of each year to refresh their will to honor the code of conduct.

Instituted in August 2004, the “Whistle Blowing Program” offers up to KRW 50 million for reporting ethical violations. The targets eligible for reporting are: first, employees and management who have committed acts of corruption, compromised dignity, or disgraceful behavior; second, employees’ and management’s 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. POSCO ensures that all communications are protected under anonymity. The accumulated cases received since 2005 were over 540 and an average of 100 cases has been received annually, showing a stable count of consultations each year.

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 interested parties during Korean holidays. Items that fail to be returned are donated to charities. The remaining items that failed to be donated are sold at internal on-line auctions and the proceeds are used for social contribution funds. The total number of gifts returned since 2004 was 550, and the proceeds from internal auctions held seven

times amounted to KRW 6.8 million. Beginning from 2009, congratulatory wreaths received on the occasion of promotions were auctioned as well, and all proceeds amounting to KRW 16 million were used for charitable causes.

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: “Would I be embarrassed if what I am doing was made public?; Are my time and position being used for the company?; Am I making undue demands on my fellow workers and business contacts?; Am I putting my full effort into my work?; and Is this really the best way to accomplish the task?” These questions help our employees make the right choices at every crossroad where decisions may not be clear-cut. Ethical mottos and quotes are posted in the elevators and lobbies of our office buildings with many passers-by.

Promoting Ethical Practices of Stakeholders POSCO encourages its business partners to practice ethical management through its business ethics seminars for new partners. We encourage all companies starting transactions with POSCO to participate in these seminars as a prerequisite to doing business with POSCO. Approximately 930 companies have participated in the seminars since 2004, and in 2009, more than 100 new business partners attended this program. Moreover, in order to do business with POSCO, a special clause on ethics must be included in the contract. The clause institutes corresponding sanctions in case of unethical actions, such as bribery, that occur in the course of transactions.

Protecting Human Rights through Ethical Practices POSCO upholds its principle of protecting human rights and respecting humanity through ethical practices. The


keyword for ethical practices in connection with protection of human rights and respect for humanity are: consideration, win-win, and trust. These are reflected in the POSCO Code of Conduct. In relation to our stakeholders, our goal is to develop and grow with each of our stakeholders by building a company that customers want to do business with, a company investors want to invest in, and a company people want to work for.

Without stopping at mere ideological declaration, POSCO implement the philosophy through practical systems and internal campaigns in order to have it embedded in daily activities. The Ethics Counseling Center was opened to adopt appropriate measures or take action on cases where human rights were not respected. The corporate newspaper, webzines, pop-up windows etc. are our means of persistent campaigns for ethical practices. We have also published a business ethics handbook that presents practical guidelines based on examples.

At the same time, POSCO is actively involved in preventing sexual harassment. Article 5 of the Rules of Conduct states “Avoid offensive verbal, physical or visual behavior, including sexual harassment.” POSCO has developed an e-learning education course and also operates a Sexual Harassment Helpline.

Business Ethics Handbook

The “Business Ethics Handbook” published in September 2009 presents guidelines in making the right decision for each type of ethical dilemma case that employees may encounter in the course of their job performance. POSCO has distributed this handbook to all employees and management at POSCO, its subsidiaries and outsourcing partners.



CHRONOLOGY OF BUSINESS ETHICS AT POSCO

2003	2004	2005	2006	2007	2008	2009
<p>June 02 Established POSCO Code of Conduct</p> <p>July 23 Opened Ethics Counseling Center</p> <p>Aug. 15 Enacted and enforced the standard guidelines of POSCO Code of Conduct</p> <p>Aug. 25 ~ Sep. 01 Operated Gift Return Center, a first in the industry</p> <p>Aug. 01 Enacted the special clause regarding POSCO Code of Conduct</p>	<p>Aug. 24 Implemented a reward program for whistle blowing</p>	<p>Jan. 03 Pledging ceremony by all POSCO employees to honor the POSCO Code of Conduct</p> <p>June 10 Kicked off the business ethics implementation program applied to the department level</p> <p>Dec. 13 Won the grand prize at the “4th Ethical Management Awards”</p>	<p>Feb. 28 Received the grand prize at “Korea’s Most Admired Companies and CEO Awards -2006”</p> <p>Jul. 27 Published the first issue of online business ethics webzine, “Ethics Digest”</p> <p>Aug. 24 Organized Ethics Committee and held the first meeting</p> <p>Dec. 07 POSCO’s business ethics implementation program received the “6th Transparent Society Award”</p>	<p>Jul. 12 Selected as one of “Asia’s Most Admired Companies” by Business Week</p> <p>Sep. 28 Presentation of POSCO’s case study at the ECOA Annual Conference</p> <p>Oct. 16 Amended part of POSCO’s Code of Conduct to include articles prohibiting sexual harassment</p>	<p>Feb. 14 Received the grand prize at the “Korea Ethical Management Awards</p> <p>Jun. 05 Published social contribution monthly online webzine “Living Together”</p>	<p>Mar. 05 Conducted internal auction for wreaths sent to congratulate employees and executives on their promotion</p> <p>Apr. 21 Received the grand prize from the Federation of Korean Industries (FKI) at the “Respected Corporation and CEO-2009 Award”</p> <p>Aug. 31 Published the “2009 Business Ethics Handbook”</p>

In 2002, POSCO adopted a Compliance Program (CP) to encourage voluntary compliance with fair competition rules and promote a corporate culture of fair competition and liberal competition among corporations. In June 2003 POSCO declared the POCO Code of Conduct to announce the CEO's commitment and policy for voluntary compliance. Since 2005, employees and management pledge at the beginning of each year to honor the code of conduct. The Compliance Manager that has been selected by the board of directors' resolution since 2004 oversees the operation of the Compliance Program and regularly reports to the BOD every year. In addition, the Internal Transactions Committee installed under the BOD have deliberated and reported on 48 agendas between 2004 and 2009 for the enhanced transparency of transactions with subsidiaries. POSCO has established the Fair Competition Support Team in 2004 to oversee fair competition related operations and foster a voluntary compliance atmosphere within the company.

Compliance Committee The Compliance Committee is comprised of the heads of those departments most relevant to fair competition, such as sales, purchasing, and outsourcing. The organization under the Compliance Committee appoints the Compliance Leaders to assist Compliance Committee members and provide consultation related to compliance issues to departments.

Education Program The fair competition education programs and e-learning courses first installed in 2002 have gone through major renovations in 2008 and reopened as new courses. Employees and management that have completed the course in 2009 number 31,490. POSCO also invites specialists from external institutions such as the Fair Competition Commission for practical training. In 2009, 1,066 employees including new employees, promoted employees, staff from related departments such as sales/purchasing, and employees from subsidiaries have taken the courses, which are provided 30 times, ands run in parallel with Compliance Education. In 2004, POSCO launched the Fair Competition Website facilitating on-line self-audits and consultation. The self-audit system has been enhanced by designating 7 key departments such as sales, purchasing, and outsourcing as mandatory self-audit departments. The Fair Competition website's main role is "department-level self-audit and

consulting system," which is an internal monitoring system. Fair competition related departments conduct self-audit by referring to the checklist, and if possible breaches of law are identified, must consult with the company's compliance department. For an even upgrade of the POSCO Group's fair competition activities, POSCO has revamped the Fair Competition website as a subsidiaries' integrated fair competition website since 2009.

2009 Performance In 2009, we conducted an internal audit on our subsidiaries regarding compliance of the Fair Competition Act to foster fair competition at the collective corporate level and strengthen the internal monitoring system. We heightened our employees and management's interest in fair competition through postings at the pop-up windows and publishing/distributing a guidebook that reflects revisions to the Fair Competition Act. POSCO also supports subsidiaries' Compliance Program. As of 2009, 14 subsidiaries operate the Compliance Program, held the "Compliance Committee" meeting twice to enhance operations, and conducted education programs to Compliance Leaders. In addition, active learning club activities helped fair competition personnel in their work competencies, and the "Fair Competition Academy" that is held 4 times annually is contributing to disseminating the culture of voluntary compliance at the pan-POSCO level. As a result of these efforts, POSCO subsidiaries received excellent grades (2 AA Grades, 3 A Grades, 1 BBB Grade) at the 2009 CP evaluation by the FTC. POSCO received the highest grade (A+) in the subcontracting evaluation by the FTC, and is a leader in fostering the culture of win-win cooperation with SMEs.

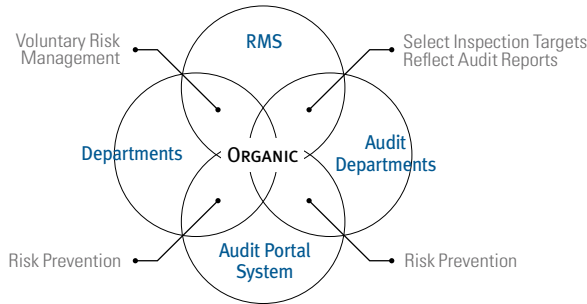
Future Direction In 2010, POSCO will dedicate itself to the dissemination of voluntary compliance with fair competition and strengthening the CP culture on a POSCO Family level. Our goal is to prevent potential legal violations, strengthen inspections, promote the CP network, implement and foster the CP at subsidiaries to promote the CP at the Family level. To this end POSCO devised a "Mid-to-Long-Term CP Roadmap" for effective training in accordance with the position and job function of each employee, as well as strengthened regular monitoring for high risk areas. At the same time, the "Fair Competition Academy" will be held every quarter to improve the consulting capabilities of our compliance officers.

COMPLIANCE PROGRAM IN SUBSIDIARIES

	~2003	2006	2007	2008	2009
	POSCO E&D	POSCO C&C	POS-M***	POSTEEL	POSAC
	POSDATA*	POSCON*/POSREC*	POSMEC***	POSMATE	POSCO Power
	POSCO Specialty Steel	Samjung P&A	-	-	SNNC
No. of Companies (Aggregate)	3	7	9	11	14

(M&A) * POSDATA, POSCON → now POSCO ICT **POSREC → now POSCO ChemTech ***POS-M, POSMEC → now POSCO Plantech

COMPLIANCE PROGRAM IN SUBSIDIARIES



Building the Work-Site Voluntary Prevention System

POSCO started the Risk Management System (RMS) in 2004. The system classifies the company's work processes, identifies and assesses the risk for each of the classified work processes, and manages the risk according to risk level. POSCO is also aware that for systematic operations of the RMS, risk updates in tandem with business environments are necessary. Therefore, we have 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.

Beginning from 2006, we have built the Audit Portal System in phases for each sector based on the RMS. The Audit Portal System not only reduces the workload for auditors who have to check in person the enterprise-wide risk factors, but also minimizes the potential of "blind spots." POSCO is also aware that while the Audit Portal System was built by our unique ideas, risk management begins at the working departments. Therefore we have opened the Portal System to all departments so that risks can be controlled at the working-level, thereby minimizing risk potential.

Since then, POSCO's risk management system has evolved once again. Added workloads hindered the efficient fulfillment of duties and risk-checking at the working level at the same time. To address this problem, POSCO introduced a system that immediately notifies the department manager by e-mail when a risk is identified, so that appropriate measures can be taken before the problem is aggravated. This system supports the departments' autonomous risk prevention efforts by notifying 110 types of risk signs related to purchasing, sales, investments, maintenance, and production departments. The system has proven its effectiveness in risk management, and is strongly supported by our employees.

Risk Prevention through Strengthened Internal Audit POSCO runs the Audit Control System to accumulate auditing know-how and to prevent the recurrence of

the same risk through thorough and systematic follow-up management. In 2009 POSCO strengthened its management assessment auditing, focusing on risk prevention processes and work process improvements, and strengthened disciplinary measures, issuing administrative measures to 180 persons (instructions and improvement) and personnel affairs measures to 110 persons (disciplinary action and warning). In tandem with POSCO's globalization, POSCO will expand management assessment of overseas subsidiaries, eliminate the causes of risk at the roots through precautionary and instructive audits, and prevent the recurrence of risks through strengthened follow-up supervision activities. In particular, an audit guidebook was distributed to departments to be used as education material, and prevent unethical activities and enhance risk management levels. POSCO also conducted 22 case-based education seminars for newly appointed managers and overseas personnel. Departments at high risk due to their job functions arising from frequent contact with stakeholders were required to write up a checklist of unethical behaviors prone to occur and utilized them at Visual Planning (VP) sessions.

Internal Controls for Financial Reporting In December 2003, we established a system to assess internal controls over financial reporting, such as setting up the CEO/CFO's certification procedure for disclosure and internal controls, and operating the Disclosure Committee. POSCO has been conducting self-assessments of internal control activities. Under the Sarbanes-Oxley Act*, we completed a Group-level internal control evaluation system in March 2005 which also covers our subsidiaries. External auditing began in 2006, enhancing the credibility of our financial reporting and disclosures. As for the financial reporting internal control system, we employed an 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.

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.

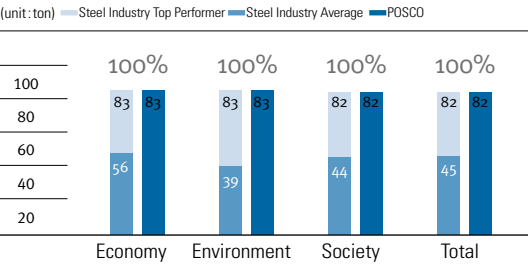
* Sarbanes-Oxley Act: U.S. law on accounting and reform introduced in July 2002 that requires more stringent corporate accounting controls.
** COSO(Committee of Sponsoring Organizations of the Treadway Commission): The U.S. corporate internal control system evaluation group set up in 1985.

External Evaluation of Sustainability Management

POSCO has published the POSCO Sustainability Report since 2003 for a transparent report of our sustainability management activities to its stakeholders. Despite rapidly changing business conditions, we are strongly dedicated to implementing sustainability management activities. As a result, we have received positive evaluations on our overall sustainability management activities and the Sustainability Report, which have enhanced POSCO's reputation.

In September 2009, not only was POSCO included in the SAM-DJSI (Dow Jones Sustainability Index) company list for 5 consecutive years, but was also nominated as the Sector Leader for 3 consecutive years, scoring highest in the steel industry. In addition, POSCO was selected Gold class for the second time since 2008, which is for sector leaders who have scored above 75 points. POSCO is the first to have been appointed in the DJSI for 5 consecutive years in the steel industry, which faces high environmental risks. POSCO has shown especially outstanding performance results in 2009 amidst global economic instability. In 2009, POSCO received the highest score in the industry in 7 evaluation criteria out of 17, receiving 82 points, which is 3 points higher than that of 2008 at 79 points.

SAM-DJSI SCORES



(% Against top performer)

	2005	2006	2007	2008	2009
Economy Criteria	100	100	100	100	100
Environment Criteria	90	92	92	98	100
Society Criteria	96	100	100	100	100

SAM-Down Jones Sustainability Index

The DJSI is an index operated by Dow Jones to provide information regarding the changes in corporate values of leading sustainability-driven companies worldwide. The DJSI is selected from an objective and transparent assessment of 2,500 corporations included in the Dow Jones Global Index. DJSI stocks are selected based on corporate sustainability evaluations by SAM, 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 of 10~15% of the DJSI companies 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.

In January 2010 at the World Economic Forum in Davos, POSCO was selected as one of the Global 100 – a first for a Korean company. POSCO is recognized as a respected company not only in terms of economic performance, but as a corporation that fulfills its environmental and social responsibilities. POSCO has received warm recognition overseas. It was selected as one of Korea's most admired companies by the Wall Street Journal and Fortune Global 500, and selected for 2 consecutive years in the Forbes 200 list.

POSCO has gained positive evaluations domestically as well. The KMA (Korea Management Association) nominated POSCO as the most admired company in Korea for 6 consecutive years, and FKI (Federation of Korean Industries) awarded POSCO the "2009 Most Respected Company and CEO" grand prize. In addition, POSCO was named an outstanding sustainability company by DJSI Korea, and won the 2009 CSR grand prize, receiving good evaluation of its overall sustainability activities. In addition, the 2008 Sustainability Report was selected as an outstanding report by the KMS, KSA (Korea Standards Association) and LACP (League of American Communications Professionals LLC), proving the Report's quality and credibility.

AWARDS

- Feb. 23 — KMA, Most Admired Company in Korea (2nd place) for 6 consecutive years
- Mar. 16 — Fortune Global 500, one of the top industries in the metals sector (5th place)
- Apr. 09 — Forbes, Global 200(153rd place in 2009) for 2 consecutive years
- Apr. 21 — FKI, "Most Respected Corporation and CEO-2009 Award" 2009
- May 22 — Wall Street Journal, "Most admired company" top 3, for 4 consecutive years
- Sep. 29 — KMA, Best Sustainability Report prize at the Global Green Management Excellence Awards
- Oct. 14 — KSA and GRI, grand prize for Sustainability Report
- Oct. 20 — KPC(Korea Productivity Center) DJSI Korea, Best Sustainability Management Company award
- Oct. 28 — LACP, Sustainability Report won gold prize for the 2009 Spotlight Award
- Dec. 16 — Hankyoreh Economic Research Institute, 2009 Best CSR Company CSR, won the grand prix
- Jan. 27 — Davos Forum, selected as one of "Global Top 100 Companies," first in Korea
- Feb. 18 — ERISS and Kyunghyang Daily, 2nd place at 2009 Sustainability Index (2 consecutive years)

THE VALUES THAT POSCO STRIVES FOR
POSCO 3.0 EMBRACES THEM ALL

There is no goal unachieved in POSCO's name.
There is no future unachievable in POSCO's capacity.

POSCO will
together with the POSCO Family, employees and management,
and all stakeholders share our vision and practice
Open Management, Creative Management and Environmental Management,
and create all the values POSCO must strive for.

Rooted in the steelmaking business that is the core business of POSCO,
we will expand our business scope to resources and energy,
establish a new way of doing business
as a global player active in the world market,
concentrate our organizational energy on creating
the success story leading toward POSCO 3.0

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68 POSCO FAMILY

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We strive for deeper
communication with
all stakeholders
in the name of POSCO.

The POSCO Family strives to build a sustainable society and bring happiness, with the most beautiful way to treat people in mind.

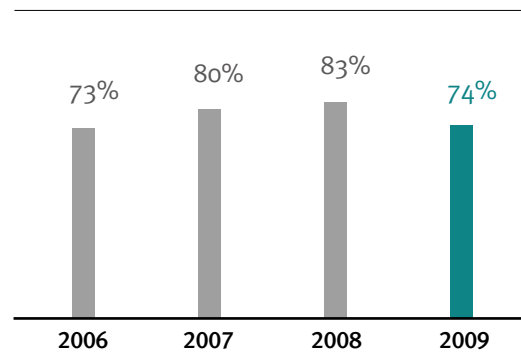
INCLUDED IN THE SAM-DJSI (DOW JONES SUSTAINABILITY INDEX) COMPANY LIST FOR 5 CONSECUTIVE YEARS, NOMINATED AS THE STEEL SECTOR LEADER FOR 3 CONSECUTIVE YEARS.



Employees Employees are POSCO's most valuable asset as well as one of our most important stakeholders. POSCO actively communicates with its employees and listens to their needs. POSCO has established the human resources development system, reasonable compensation system, and employee welfare system so that employees may advance as creative human assets and enhance our competitive edge. POSCO also strives to protect employees' safety and health and human rights.

Communications with Employees

EMPLOYEE ENGAGEMENT TREND (4-year period)



POSCO communicates with its employees through various channels. The Labor-Management Council continues to actively operate, and the Open Communications Office was launched to foster the "POSCO 3.0" culture of trust and communication. Since 2003, POSCO has been conducting employee engagement surveys in collaboration with an external consulting firm to assess the achievements of these efforts and to identify new initiatives. The employee engagement score in 2009 was lower than that of 2008. One of the causes for this could be reduced compensation due to economic recession. Based on these findings, POSCO plans to identify additional areas that need improvement and promote active communication activities. We will put our efforts into enhancing employee engagement through tailored support such as system improvements fit to the characteristics of all ranks and sectors, enhancing team power and meetings.

Institution for Communication with Employees

• Labor-Management Council The Labor-Management Council, founded on November 17, 1997, is a representative body of the employees, comprised of 10 representatives from the employees and 10 from management. It is the vehicle for employees' welfare and sound advancement of the company. The Labor-Management Council discusses matters relating to productivity, compensation distribution, grievance alleviation, and employees' health. The council shares the current management issues and directly participates in the general management matters of the company, attending operating meetings and holding regular and nonscheduled meetings between management and employee representatives.

The Labor-Management Council consists of the General

Council, Steelworks Council, Divisions Council, Department Council and (Plants) Council, and 416 coordinators are active at their respective organizations. POSCO regularly explains current management issues to the Labor-Management Council, gathers employees' grievances, which fosters a sense of solidarity, and builds the foundation for mutual growth of the company and employees. Each year, the Council plays a major role in fostering a labor-management win-win atmosphere through various activities. Especially in 2009, which experienced a global financial crisis, the Council voluntarily froze wages as a way to join the company in overcoming the managerial hardships. It also contributed to enhancing competitiveness and overcoming the crisis through various saving activities such as gathering scrap metal. The Labor-Management Council strives to fulfill its mission as the employees' representative body by gathering employees' opinions through on-site activities and workshops, conveying employees' sentiments to management, and solving their grievances.

On October 16, 2009, 10 employee representatives and 416 coordinators were elected through a direct, secret, anonymous ballot as the fifth Labor-Management Council. The fifth Labor-Management Council has started its official operations for its 3 years' service on November 17, 2009, under the motto of "Win-win, Service, and Participation." The Council will devote itself to earning the trust of employees by listening to their suggestions and grievances, joining efforts with the management for enhanced employee welfare and growth of the company, and fulfill its duties in fostering an atmosphere of communication and trust within the company.

• Open Communications Department On February 1, 2010, POSCO has launched the Open Communications Office to build a culture of trust in the POSCO 3.0 era through well-oiled communications vertically, horizontally, and between inside and outside of the company. The Open Communications Office works to form a consensus among employees on the company's major policies and enhancing communication between leaders and staff. In April 2010, the POSCO Family Open Communications Council was also opened to promote a culture of trust and communication at the POSCO family level, composed of 3 committees by rank and sector.

Communications Channels

• Young Board The Young Board is the window of communication whereby younger generations can voice their opinions to management and for top management to get fresh ideas. 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. In 2009, the scope of the Young Board was expanded to include the POSCO Family. In the year 2009, 4 projects were delivered, including introducing "Speed Management" for prompt decision making and implementation and developing new ideas for future growth.

• Junior Board Unlike the Young Board, the Junior Board, which began operations in 2009, is a vehicle for communicating opinions that is comprised of 8~20 employees below the manager level. The Junior Board's role is to secure an open channel of communication on the sector level unhindered by barriers between departments, and to cultivate creative ideas of young employees to breathe energy into the organization and enliven the organizational culture. In 2009, the Junior Board discovered 12 Quick Win challenges in the first half, and initiated various projects including "Creating N-Generation employees loyal to company," and "Enhancing POSCO's Marketing Activities Based on Relationship Marketing Theory" in the second half. These challenge missions have been related to the shop floor departments for continued improvement activities.

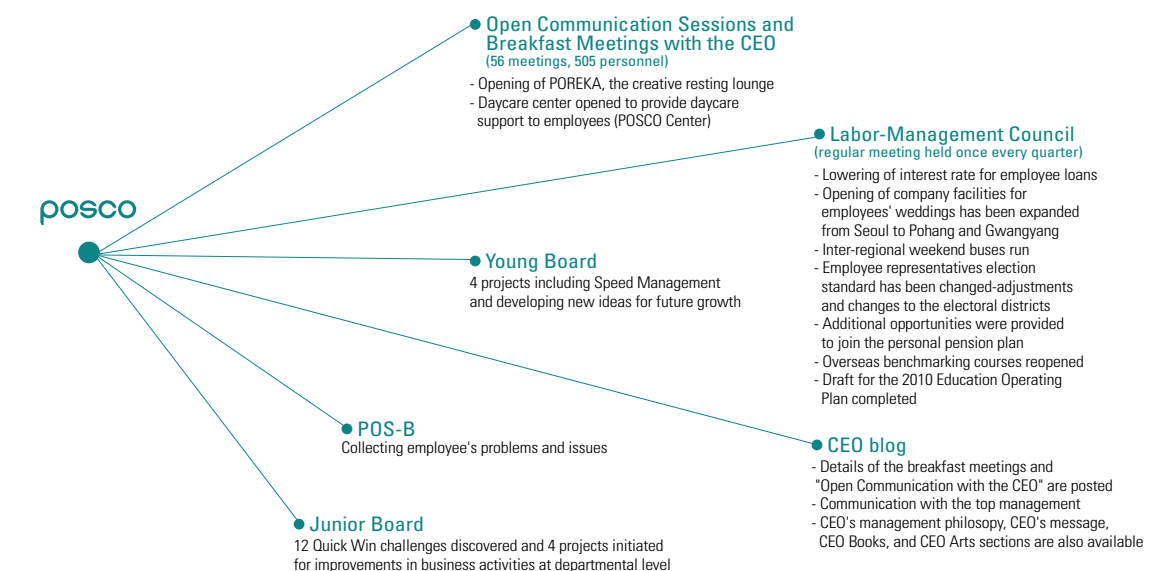
• POS-B POS-B refers to the intranet site that POSCO operates to help its employees stay connected to each other on corporate issues and share opinions and personal con-

cerns. Any postings regarding work issues are checked and answered by the related departments. Accessible to anyone working for POSCO, POS-B serves as a vital horizontal communications channel between the staff and top management.

• Open Communication with the CEO and Breakfast Meetings At the end of each year, POSCO holds the "Open Communication with the CEO" as a special session of IF (Innovation Festival). This is an event of trust and communication where representatives of the ranks of POSCO, POSCO's subsidiaries and outsourcing service providers converse freely with the CEO and voice their thoughts. The session is broadcast live through the internet so that those that can't attend can participate as well. Since 2010, the Open Communication with the CEO is held on a monthly basis to further expand direct communication between the CEO and staff.

With CEO Joon-Yang Chung's entering into office in 2009, the "Breakfast Meeting with the CEO" was instituted. At the meeting the CEO and employees communicate directly, listen to VOC (Voice of Customer) together, and the CEO explains the company's vision, management philosophy and policies, forming a consensus of everyone at POSCO. The meetings, which have been held 56 times with 505 participants, have been very fruitful. In September 2009, POSCO opened POREKA (creative resting lounge) and adopted the PSC (personal score card) to enhance a creative organizational culture and personal competencies. In addition, following employees' suggestion, a daycare center was opened at POSCO Center in 2010 to provide daycare support to the employees. In 2010, the breakfast meeting with the CEO was expanded POSCO Family-wide.

COMMUNICATION CHANNEL



Safety “Safety” is one of POSCO’s most important principles, valuing the life of everyone at POSCO. POSCO people keep themselves and their coworkers safe, even when no one is watching or telling them to do so. POSCO pursues a “Safety Dream Factory” where human mistakes or mechanical errors don’t lead to any injuries.

• **POSCO Corporate Department Safety is Launched**

The integrated safety & health control is expected to bring synergy and a more systematic and organized safety & health management to all POSCO business sites. The POSCO Safety Control Office has gathered various opinions from the subsidiaries and outsourcing partners and established the POSCO safety principle, safety slogans, and 10 safety codes - the core principles that everyone should understand and observe.

• **Advancement of Safety Awareness** In the area of advancement of safety awareness, POSCO adopted the SAO (Safety Act Observation) initiative that promotes dialogue with the employees, complimenting and encouraging them to bring about a fundamental behavioral change. To this end POSCO is focusing on two areas; enhancing competencies by providing education by ranks and training specialists; and expanding the safety base through SAO level assessment and regular SAO contest. Further, when shop floor safety issues are identified, they are linked to the QSS innovation activities for a more systematic safety theme improvement plan.

• **Facility/Equipment Safety** In the area of facility/equipment safety, POSCO is implementing the fail safe system by building a scientific safety control basis utilizing mobile technology such as RFID, CCTVs and smart phones. In addition, with the purpose of securing fundamental safety by cutting off contact with any danger element, we have installed the ILS(Isolation Locking System) – an equipment entry and exit control system when equipment is both operating or stopped.

• **Optimization of Safety System** In the area of optimization of safety system, we have developed and implemented the POSCO Safety Rating System in order to support custom safety assessment and systematic improvement and change. In addition, we have enhanced the e-Safety System that systematically implements safety related activities by each manager/supervisor and department and follow-ups.

POSCO also regularly hold the POSCO Safety Committee that disseminates its safety and health management policies, analyzes safety performances, and shares safety related strategies, new technologies and knowledge. Through the monthly safety personnel workshops and safety video meetings, POSCO pursues continued advancement in safety control.

• **Safety Control Performances**

Owing to these efforts, material injuries* occurring in 2009 numbered 1 case, 3 less cases compared to 2008. However, overall injuries have increased to 16, main occurrences being constriction, collision and crash. Thus, POSCO has expanded the facilities ILS to not only when in operation but also when the facilities are not operating, to prevent any accidents.

*Accidents of 1 or more fatalities, Accidents where 2 or more have been injured simultaneously, requiring 3 months or more of treatment, Accidents where 10 or more have been injured or fallen ill simultaneously (Industrial Safety and Health Law)
** See page 74 for further information on POSCO’s safety schemes, systems and activities

Health

• **Employee Health Management System** Respect for human life is one of POSCO’s core values. POSCO has established and operates an employee health management system to enable all employees to enhance their health and maintain a healthy condition to demonstrate their full capabilities. POSCO’s Health Promotion Center is a government nominated general health examination and special health examination institution. Each year, POSCO conducts health examinations on all employees to maintain and enhance their health condition and automatically accumulates examination results in the health management system. The examination data are monitored and analyzed by each category, and data on employees having or showing early signs of illness are used to prevent worsening of the condition. Based on the examination results, employees consult industrial medicine specialists and receive dietary or exercise prescriptions. In addition, POSCO operates a fitness center to enhance employees’ health and as well as a psychology therapy center in cooperation with an external psychotherapy institution for employees and their families. POSCO is equipped with a body type analyzer, disc decompression equipment, and spinal rehabilitation equipment to help employees maintain a healthy body and prevent musculoskeletal diseases.

• **Health Promotion Campaign** In 2009, POSCO’s health promotion campaign concentrated on employees’ Green Life practices, reflecting the newly appointed CEO Joon-Yang Chung’s determination for low-carbon, green growth. First, the Health-Up Team was newly established (2009.4.13~end of July) to enhance the health and promote healthy life styles of all employees (Seoul POSCO Center, Pohang and Gwangyang Works), planning and initiating a company-wide Green Life campaign including no-smoking and healthy diet. In particular, the KPI(Key Performance Index) is being operated to manage and enhance employee health, with the goal of increasing the rate of healthy employees by achieving 100% in quitting smoking, reducing

Employees 24
Win-Win Cooperation 33
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Local Communities 43

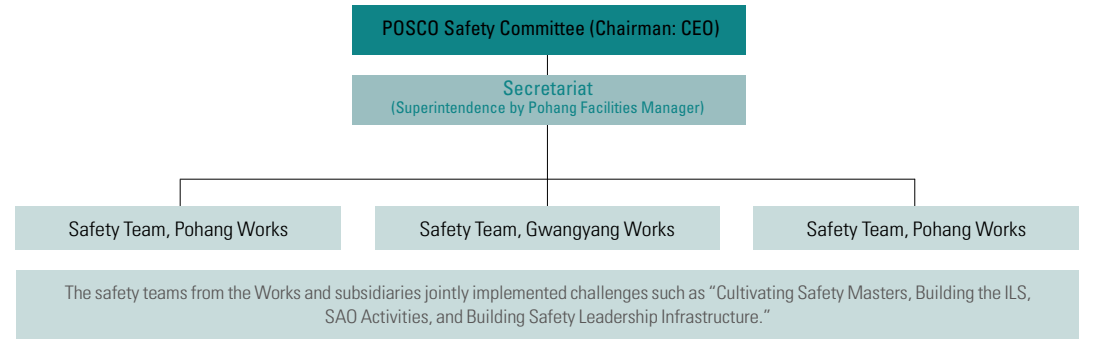
obesity, and preventing high blood pressure, liver diseases and dyslipidemia. In addition, a campaign to promote riding bicycles was conducted with the purpose of protecting the environment, energy saving and promoting health. POSCO also worked to improve employees’ dietary habits. Low calorie, low sodium corners were installed and vegetables were provided instead of meat, which produces large amounts of CO₂ to foster a healthy eating habit. POSCO also developed stretching exercises and runs a “stretching time” at 3:30 every afternoon.

• **Working Environment Management** In order to maintain optimal health of those employees that work at the shop floors, a continued prediction, measurement and assessment is needed for elements that might lead to health problems and unpleasantness in each process. POSCO’s Health Promotion Team has been nominated an official “Autonomous working environment assessment organization” by the Ministry of Labor. Each year, the Health Promotion Team participates in the “Working environment assessment

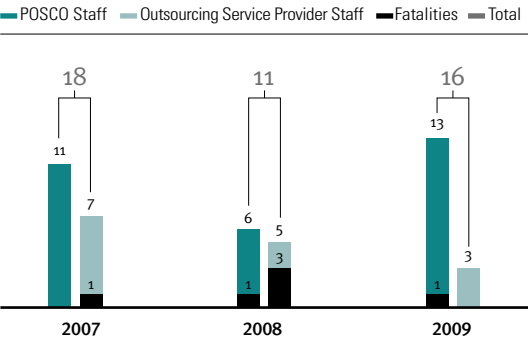
and analysis status management” and is recognized as an outstanding organization. In particular, the team monitors employees’ working conditions by regularly measuring noise and dust levels at all the steel making processes, and accumulates the measured data in the Working Environment Management System to use them as base data in identifying issue processes and improvement measures.

• **Health Education** POSCO runs e-learning courses on “industrial health” to raise employees’ health awareness. During the year 2009 the course has been given 9 times, and a total of 1,590 personnel from POSCO, POSCO Family companies and break up companies took the course. The “Industrial health” course consists of various subjects including health promotion, health check-ups, industrial hygiene, personal hygiene and protective gear, and preventing health hazards, and a variety of industrial health educational material are written and registered so that the students may have easy access.

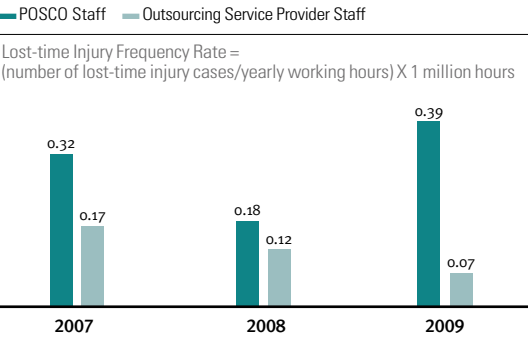
ORGANIZATION OF POSCO SAFETY COMMITTEE AND SECRETARIAT



INJURY CASES



LOST-TIME INJURY FREQUENCY RATE



Lost-time Injury Frequency Rate = (number of lost-time injury cases/yearly working hours) X 1 million hours

In the era of consolidation and convergence, POSCO set its human resources development goal at fostering consilience-minded talents with open and consolidated thinking. POSCO systematically nurtures consilience-minded individuals from recruitment, education to support. POSCO ran an internship program to contribute to job creation, which is a national and social issue, and is putting its efforts in human resources development and management at the POSCO Family level.

Securing Talent

• **Recruiting System** In order to ensure equal opportunities for all and secure talented individuals, POSCO abolished education or age limits in its recruiting system. The “Patterned and Structured Recruiting Method” allows the overall assessment of the applicant’s analysis, planning, and leadership capabilities. This proprietary interviewing method is based on the “Assessment Center” evaluation technique, taking into account not only the applicant’s present abilities but also his/her growth potential.

• **Recruiting Activities** In 2009 POSCO continued its efforts in securing outstanding talents necessary for the company’s new growth engine from both at home and abroad. The recruitment targets and methods were expanded to

applicants with prior work experience, MBA graduates in Korea, and overseas specialists. Our industry-academia scholarship program for undergraduates enables us to secure outstanding individuals early on. The purpose of the scholarship program is to recruit and cultivate “consilience talent” with diverse experiences and flexible views in the fields of liberal and social studies/science/and technology, and students in their junior or senior year are eligible to apply. In 2009 105 students received the scholarship; POSCO provides support for each semester and invites them on a tour of the Works. In particular, we encourage the students to take various courses apart from their major in such areas as humanities, management, and basic science so that they may acquire interdisciplinary knowledge.

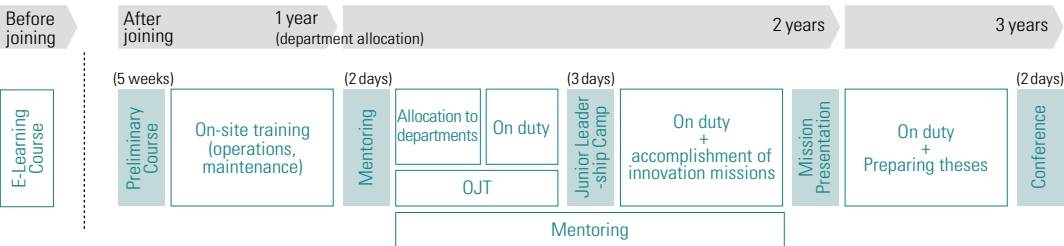
In addition, 2009 was a year of active contribution to “Job creation”, which is a national issue. POSCO operated the youth internship program, providing internship opportunities to 664 individuals.

• **Human Resources Development System** POSCO nurtures strategic human assets who can achieve the company’s visions together with the company. As a means to achieve this, POSCO established a lifelong study system based on self-directed learning so that its constituents may

POSCO WORKFORCE (As of end of 2009)

	2006	2007	2008	2009
Number of employees	17,523	17,307	16,707	16,458
Pohang Works	7,103	6,774	6,249	5,851
Gwangyang Works	6,345	6,272	6,075	6,023
Head office/Technology Research Lab/Offices/Others	4,075	4,261	4,383	4,584
Technical service workers (male/female)	16,050 (15,943 / 107)	15,821 (15,698 / 123)	15,281 (15,098 / 183)	14,905 (14,703/202)
Office workers (male/female)	1,473 (1,217/256)	1,486 (1,221/265)	1,426 (1,149/ 276)	1,553 (1,256/297)
Percentage of female office workers	17%	18%	19%	19%
Annual contract-based employees	39	58	57	79
Monthly-paid part-time employees	5	5	2	2
Hiring	468	387	455	665
Voluntary retirement	1,952	576	1,003	1,045
Retirement due to age limit	274	346	509	459

NEW EMPLOYEE SELF-DEVELOPMENT SUPPORT SYSTEM



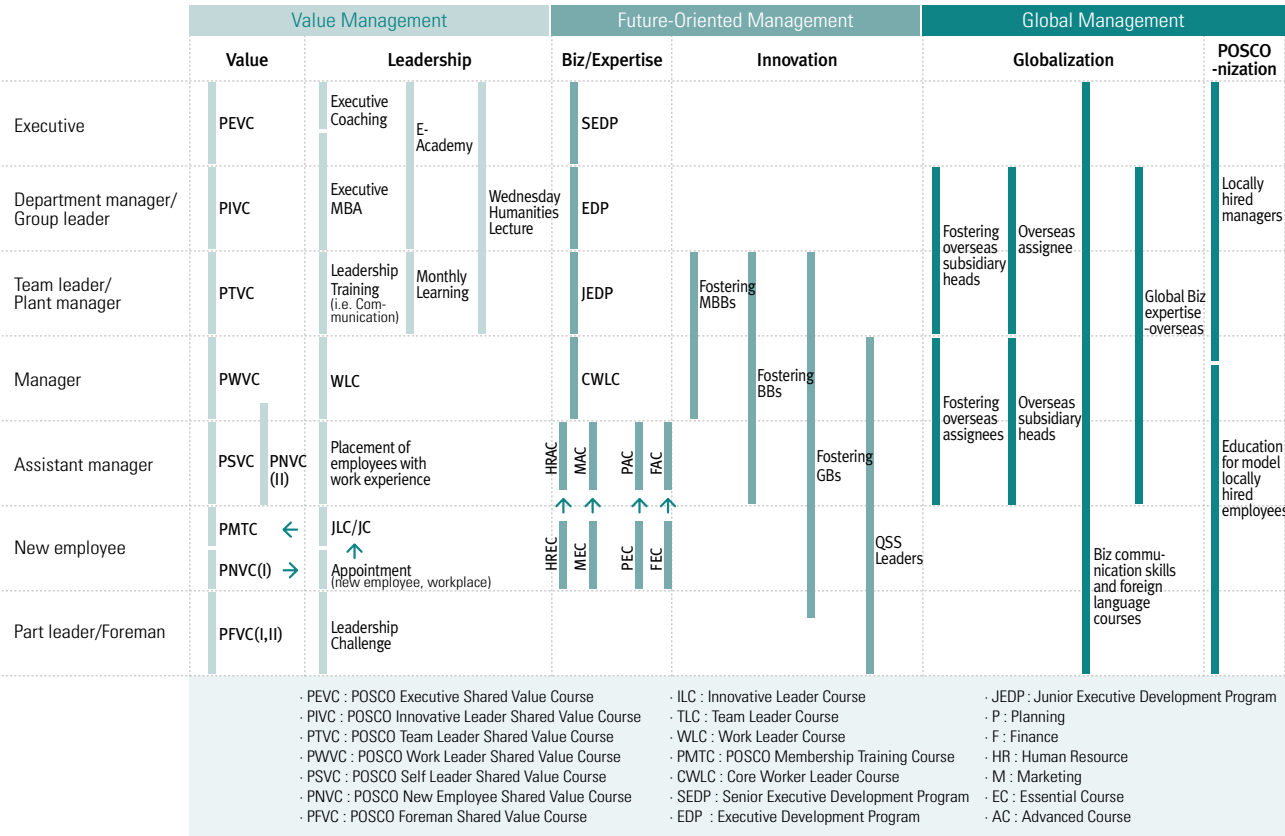
develop core competencies required of them and enhance their performance, thereby enhancing their value and achieving self-realization. POSCO provides education programs targeting new employees to executives and cultivates specialists through expert training by job category. POSCO also pursues win-win management through helping mutual advancement of supplier companies through its SME consortium education program.

• **Securing Interdisciplinary Competencies of New Employees** In order to grow as a global human asset, it is necessary to acquire expertise in his/her field of work. In order to grow as a creative innovator, it is necessary to accumulate knowledge and competencies in other fields for integrated and open thinking. POSCO applies this goal of cultivating “consilience human assets” from their first joining the company. Before entering POSCO and for a year after, new employees are not allocated their positions but receive circulation education at the different departments of the plants. After they are allocated to their respective departments, and for three more years after that, they receive a “New Employee Self-Development Support Program” for systematic training. During this program, POSCO establishes

a pool of top performers who have shown outstanding competencies and performance, and provides opportunities such as study domestically or abroad, regional specialist courses and dispatch to overseas posts so that they may grow into global professionals.

• **Leadership Training for Managers and Supervisors** In order to cultivate next-generation leaders necessary to accomplish POSCO’s Vision 2018 and POSCO 3.0 implementation strategy, POSCO conducts phased and systematic training, including new employee education, leadership skills training, and next-level position training. In particular, managers and supervisors share issues from within and without the company to enhance their consilience and leadership skills; and Saturday learning focusing on special lectures by invited speakers, monthly studies, and Wednesday Humanities lectures are regularly held. An in-house Executive MBA course has been opened to enhance the management’s consilience competence. These education programs, which are operated on the POSCO Group level, are an important basis in enhancing the expert knowledge and management skills of the managers/supervisors and top management alike.

LEADERSHIP PROGRAM ROADMAP



Education Support System

• **Broadening Education Scope POSCO Family-wide** POSCO is incrementally expanding its education program, which used to be targeted only at POSCO employees and executives, to the entire POSCO Family. In 2009, a total of 709,000 persons, including 173,000 personnel from subsidiaries and outsourcing partners, benefited from POSCO's education support. From new employees to executives, all ranks of the POSCO Group shared POSCO's new management philosophy through newly appointed/enhancement courses by rank and new e f 495 programs, and 68 e-learning programs related to core values and job performance, have been developed in Chinese and English and are currently running. E-learning programs for employees in the overseas branches will be expanded to 300 by 2011.

• **Self-Directed Learning** With paradigm changes in IT based education, POSCO has introduced the e-system and provides full support to foster a culture of self-directed learning. In 2009, 179,110 persons took 477 courses in value sharing, leadership, work-related expertise, global and culture subjects. Personalized courses were provided to maximize accomplishments while offering greater convenience for the learners. As a result POSCO was named the best institution by the Ministry of Labor for e-learning for 6 consecutive years in Korea, which is proof of POSCO e-learning system's excellence. In 2010 POSCO will operate the self-directed learning program where employees establish their own annual learning plans and take up the courses. In addition, POSCO has set up a system that gathers employees' education needs, links education results to the PSC (Personal Score Card) and reflects them in competence evaluations.

• **Cultivating Creative Consilience Talents** POSCO offers creativity development programs such as TRIZ and Imagination Creativity Camp so that employees' creative potentials are realized. The TRIZ lectures have been given three times on basic understanding of TRIZ and examples of applying TRIZ methodology in management. In 2010 the TRIZ College will be established, and the 3-level education program will be strengthened to enhance creativity at the POSCO Family level. The Imagination Creativity Camp employed creative thinking techniques such as scenario planning and provided various opportunities for employees to come up with new ideas and apply them at the workplace.

In addition, POSCO conducts consilience enhancing education for all ranks. The Wednesday Humanities Lectures targeted at executives and managers help them cultivate their capacity to practice consilience and leadership required of their supervisory positions. POSCO also operates a program based on action learning to cultivate the spirit of challenge,

which is targeted at potential position candidates. Furthermore, we plan to develop and run consilience e-learning programs customised for employees at all levels.

• **Building a Labor-Management Relationship of Communication and Trust** To enhance open communications and labor-management relationship competence, 128 plant managers received training in 4 key skills - listening, questioning, comment/feedback, and conflict management. Workshops designed to bring down the walls between departments were held 237 times. Managerial issues are shared at the POSCO Family level through Saturday/Monthly Learning, quarterly sessions, and lifelong learning programs for managers and supervisors. In 2010, POSCO plans to expand communication skill training tailored to all ranks and departments and expand labor-management relations training to all ranks of outsource service partners in order to foster harmony and communication based on trust.

• **Innovative Mindset Training Programs** Since the adoption of the Six Sigma project in 2005, POSCO has developed and implemented a POSCO-style Six Sigma process, and continues to cultivate innovation leaders to successfully initiate management innovation. Since 2009 until today, POSCO has operated a change management education program that integrates the merits of various mindset training and POSCO's core values, with a purpose to expand employees' voluntary participation in QSS. As of December 2009, 1,714 employees have participated in 48 classes of change management programs, which include the 2008 Innovation Camp and 2009 Challenge Camp.

AVERAGE TRAINING HOURS PER CAPITA BY POSITION

(Unit: hr)

Position	Training Hours per Capita	
	2008	2009
Department manager	89	144
Team leader	144	210
Part leader	285	284
Foreman	308	309
Staff	285	310

Employees	24
Win-Win Cooperation	33
Social Contributions	38
Local Communities	43

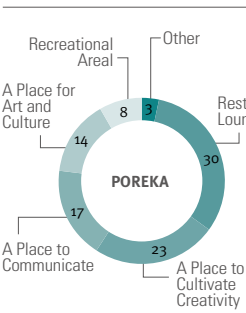
2009 EDUCATION PERFORMANCE

	2006	2007	2008	2009	Note
No. of trainees (persons)	608,094	571,968	518,808	535,193	
Training Hours per Capita (hr)	333	304	278	297	gathering 104, e-learning 193
*Satisfaction (points)	4.44	4.46	4.46	4.53	

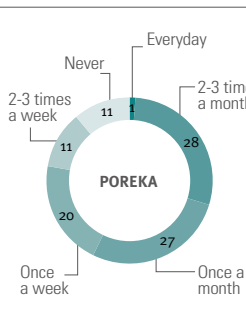
* Trainees' satisfaction level on the contents, method and lecturing skills of gathering courses and e-learning courses run by POSCO Corporate Future Creation Academy.

Fostering Creativity - POREKA, Creative Recreation Lounge

Employees' Perception of POREKA



POREKA Usage Frequency



*Survey conducted on Seoul Office staff/346 respondents



The king asks Archimedes to determine whether the new crown is made of solid gold. As Archimedes sees the water flowing out of the bathtub, he realizes that different substances having the same weight have different volumes. He takes to the streets, crying "Eureka!" This expression is combined with POSCO(POSCO+Eureka) to form the term "POREKA."

POREKA opened on September 2nd, 2009, on the 4th floor of the East Wing at POSCO Center. Since its opening, POREKA has become the landmark of POSCO's creative management, spearheading employees' creativity cultivation activities through various programs. It has served as the meeting place of various clubs formed by employees, providing support for diverse programs such as lectures and concerts. Employees use POREKA freely to take a break, to come up with creative ideas and teamwork. During the weekends, they bring families to participate in arts and cultural programs together.

POSCO runs a "C-time (creative & fresh time)" so that employees may actively invest time in enhancing creativity as well as the use of POREKA. All employees can use POREKA above 4 hours per month. Of the 4 hours, 2 hours are allocated for department creativity development programs, and the remaining 2 hours can be used freely. POREKA has held various educational programs such as "Liberal Arts Creation Program" and FREMD Workshops. In the survey conducted in October 2009 (with 346 respondents), the satisfaction level for POREKA was almost 95%. POSCO expects POREKA to contribute to helping employees take interest in diverse areas and to the ultimate objective of generating new ideas and technology development, and moreover, help employees become creative human assets beneficial to the organization.

Human Rights

Starting in Korea with scarce natural resources, POSCO grew as a global steel maker fully recognizing the value of competent human resources. Thus one of POSCO’ s basic operating principles is respect for human rights. POSCO abides by the Standards of Child and Compulsory Labor and Discrimination Convention of ILO in all its business activities. Freedom of association is guaranteed at all workplaces and regular education programs are conducted with all POSCO employees to prevent human rights violations.

In addition, POSCO established POSWITH in 2008 the first goverment certified standard workplace for the disabled in the form of a subsidairy, so that they may enjoy a more fulfilling life through work that fits their capacities. POSCO plans to continue to expand their employment by increasing jobs for the disabled. While fostering POSCO’s core values and

code of conduct at its overseas business sites and setting up a global standard in the human resources system, manpower operations and human resources management, we are also building a system that enables the HR Set-up and management that takes into account the management/labor conditions and culture of the relevant country. POSCO applies human rights-related policies and systems in the overall human resources management at its global business sites, thereby eliminating HR-related risks and ensuring that human rights are protected at the Global POSCO Family level. In addition, we will hold the Global HR Forum where HR personnel from all the POSCO Family members will attend to discuss issues of global HR systems, including human rights and ways to foster a sense of family.

DISABLED AND FEMALE WORKERS

	2006	2007	2008	2009
Female Workers	363	388	459	499
Female above Managerial level	34	42	46	66
Disabled (POSCO)	241	247	240	235
(POSWITH)	-	-	79	128

Compensation and Welfare

POSCO implements an annually negotiated salary system and profit sharing system to assistant managers and above, in order to share the company’s success and enforce a merit-and-competence based compensation system. In particular, under the profit sharing system, 5.5% of operating income is distributed to the employees so that improved performances are linked to increased compensation for the workers. In order to motivate our employees to become more actively involved in their duties and promote productivity, we have channeled part of our profits to operate a Labor Welfare Fund since 1991. This fund is used to provide our employees

with a choice-based benefit plan, celebration/grievance payments, and scholarships for employees’ children, medical subsidies, housing loans, secure livelihood loans, and loans for ESOP (Employee Stock Ownership Plan) purchases. Under the choice-based benefit plan, employees can use points distributed annually to the destination of their choice, such as recreational facilities or taking lessons at educational institutes. The new ESOP was started in 2002 to foster a sense of ownership and return the benefits of enhanced corporate value to our employees. As of the end of 2009, the ESOP holds 3.06% of the company shares.

YEARLY CONTRIBUTIONS TO LABOR WELFARE FUND

(Unit: KRW billion)

	2007	2008	2009
Contributed Amount	66.6	50.8	53.6
Accumulated Contribution Amount	531.4	582.2	635.8

Win-Win Cooperation

POSCO’s Win-Win management begins from trust with the stakeholders. CEO Joon-Yang Chung’s principle of “When there is a conflict between stakeholders’ trust and POSCO’s interests, put trust first,” has propelled trust as the core of POSCO’s Win-Win management principle. POSCO expanded the SME support team established in June 2005 into the Win-Win Cooperation Department in November 2008, and in February 2009, it was transferred to come under the direct supervision of the CEO. The basic direction of POSCO’s win-win management is consistent with win-win cooperation at the POSCO Family level, diffusion of social consensus on win-win cooperation, and internalization of win-win cooperation as a corporate culture. POSCO holds a half-yearly Win-win Cooperation Committee which is participated in by major subsidiaries to check the progress of win-win cooperation strategies and share model cases. The “SME Consulting Center” set up in 2005 continues its operations in preventing unfair competition practices. Furthermore, POSCO established the POSCO Group Supplier Code of Conduct, which will be in effect from June 2010 for all suppliers trading with POSCO. The POSCO Group Supplier Code of Conduct is based on the ten universally accepted principles of the UN Global Compact and was designed for the practical realization of POSCO’s win-win philosophy. The Code of Conduct consists of 21 articles in 7 areas including human rights, safety, environment, ethics, quality management, security and social contribution, and comprises the minimum qualification that suppliers seeking to do business with the POSCO Group must meet. A leader in one of the basic industries of the nation, POSCO will continue to pursue mutual profits with related SMEs, support them in enhancing their core competences, contribute to the advancement of the community as a whole encompassing the country and regional communities, practice win-win cooperation, and grow together with all our stakeholders.

MAJOR TABLE OF CONTENTS OF THE POSCO GROUP SUPPLIER CODE OF CONDUCT

Item	Details
Respect for the fundamental human rights of employees	Voluntary labor/Elimination of child labor/Elimination of discrimination/Labor hours/Wages/Humanitarian treatment
Health and safety	Working environment/Industrial safety
Environment	Toxic materials/Wastewater, solid wastes and air pollution/ Preventing pollution and reducing resource usage
Ethics and fair trade	Business integrity/Compliance with ethics special clause/ Compliance with fair trade regulations/Building a culture of trust
Protecting trade secrets and intellectual property	Management and protection of classified information/ Protection of intellectual property
Quality management	Quality control/Change control/Inter-supplier quality control
Win-win cooperation and social contribution	Win-win cooperation/Social contribution

POSCO’S WIN-WIN COOPERATION EFFORTS

1_ Win-Win Cooperation
2_ Win-Win Cooperation and Fair Trading Agreement Performance Evaluation
3_ Beautiful Partnership Award

2008 POSCO E&C: (Grand Prize) ¹ Prime Minister’s Commendation Outsourcing Partner company: (Grand Prize) ¹ Presidential Commendation	'08.5 SME new employees adaptation program '08.6 Consulting services to suppliers '08.7 Introduced the Management Doctor program '08.8 Supporting QSS innovation activities '08.9 Techno Partnership Accomplishment Presentation '08.11 Fostering “World Best, World First” products	'08.11 Launching the Win-Win Cooperation Department '08.11 Agreement on Win-Win Cooperation Special Fund '08.12 Agreement on a joint R&D fund by private and public sectors
2009 POSCO: Best Company ² POSCO: Presidential Commendation ³ POSCO E&C: Prime Minister’s Commendation ³ POSCO: Bronze Tower Order of Industrial Service Merit ¹ Partner: Bronze Tower Order of Industrial Service Merit Presidential Commendation ¹	'09.1 Low interest loan support for facilities investment '09.1 Win-win Guarantee Program Agreement '09.3 Opened the “POSCO Suppliers Recruitment Center” at the Job World website '09.4 Launching ceremony for the Supply Chain Innovation Support Group '09.5 Held Pan-POSCO Win-win Cooperation Conference	'09.7 Supporting outsourcing service providers’ managerial conditions '09.8 Provided supplier safety control consulting '09.9 POSCO Family Network Loan '09.11 POSCO Family Win-Win Cooperation Festival

* See 2008 POSCO Sustainability report p53. for 1999-2007 efforts. 2008 report can be downloaded at www.posco.com

Major Win-Win Cooperation Activities in Technology Development

Techno Partnership (Customized SME Technology Support Program) In September 2006, POSCO, POSTECH, RIST and Pohang Technopark created a Techno Partnership Support Team to provide technology support to SMEs free of charge. The team signed the “Techno Partnership” agreement with 37 SMEs based in Pohang including Sinil Intec. As of the end of 2009, the team has provided consulting services to a total of 75 companies. Currently, 7 support institutions continue to participate, and specialists with PhDs number up to 661. The signatory SMEs receive high quality customized technological consulting, and can use testing equipment for free as well. The technology consulting activities have been recognized to be of major help to the SMEs that lack specialists, technology and equipment.

New Product Development under Purchasing Condition and Participating in KRW 10 billion in Joint R&D Funds from the Private and Public Sectors Under the “New product development under purchasing condition” program, when a SME develops a product that a large company needs, the SMBA (Small & Medium Business Administration) supports development costs (up to KRW 500 million), and the large company guarantees to purchase the product for a given period. In June 2005, POSCO signed an agreement with the SMBA to participate in this program. Since its test project that started in November 2005, a total of 63 projects have been identified as of 2009.

In addition, POSCO signed the Public and Private Sector Joint R&D Fund with the SMBA in December 2008, established KRW 10 billion for R&D funds and is currently implementing 6 projects. For SMEs, this secures an opportunity for technology advancement and stable revenue stream, and for POSCO, this enables a stable procurement of equipment and

improves functions to enhance productivity – such is the win-win cooperation model that POSCO pursues.

Boosting Transfer of POSCO’s Patented Technology
•**Patent Consulting Center** POSCO has opened a patent consulting center to facilitate the 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. Following 28 cases in 2008, the center undertook 60 cases of technology transfer consulting, patent information research and work-related invention consulting, and patent training consulting.

•**Supporting SMEs with POSCO Owned Patents and Intellectual Rights** POSCO foregoes patent fees, utility model rights and design rights in the case of products that are manufactured and delivered to POSCO. SMEs looking to utilize POSCO-owned technologies can inquire with the Patent Consulting Center, or log in to the steel-N.com website, search the relevant patented technology, fill out an application and send it via e-mail. In 2009, 28 cases for 22 SMEs have been provided without royalty, and we are currently maintaining 172 patented technology transfer contracts with 118 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. Following 8 applications for 7 SMEs in 2008, we applied for 29 joint patent cases with 25 SMEs.

OPERATION STATUS OF TECHNO PARTNERSHIP

Participants	3,424 persons				
Consulting Service	1,685 times				
Test Analysis	657 cases				
Participant Panels	Pohang:	POSCO, POSTECH, RIST, Pohang Technopark, POMIA			
	Gwangyang:	POSCO, Jeonnam Technopark, Suncheon University			

NUMBER OF NEW PRODUCT DEVELOPMENT PROJECTS PER YEAR UNDER THE PURCHASE GUARANTEE ARRANGEMENT (unit: cases)

	2005	2006	2007	2008	2009	Total
Purchasing Condition Projects	1	13	24	11	14	63
Public & Private Sector Joint R&D Fund	-	-	-	-	6	6

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 at up to 50% of the returns or savings, for a period of up to 3 years. As of 2009, a total of 476 suppliers joined the program and have improved 917 cases, realizing KRW 236.1 billion in financial benefits. Of this, a proven KRW 32.5 billion was returned to 233 suppliers. Other multi-faceted support that POSCO offers to its SME partners includes Six Sigma, QSS (Quick Six Sigma) and various other innovation tools and know-how.

Customized SME Consulting

•**Business Consulting-Providing Support** 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 POSCO MBB (Master Black Belt) holders and in-house specialists. In 2008, 12 companies that POSCO and its affiliates trade with, and in 2009, 22 companies received this service. POSCO’s win-win cooperation activities that enhance suppliers’ competitiveness and upgrade the overall level of POSCO’s supply network will continue.

•**QSS Consulting-Spreading POSCO’s QSS Innovation** QSS (Quick Six Sigma) consulting service is designed to spread and establish POSCO’s onsite innovation experiences to its suppliers, supporting SMEs’ production site innovations. POSCO’s QSS consultants have helped suppliers reduce wastage by drawing up working protocols for major processes, enhancing the efficiency of inventory management and reorganizing space utilization as well as 5S and “My Machine” activities. Following a pilot operation in 6 suppliers in 2008, 27 suppliers have received this service in 2009.

•**Management Doctor Program-Customized Mentoring by Former Managers of Large Corporations** This program taps into the expertise and knowledge of former executives of large corporations to help SMEs enhance 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 assistance in sensitive areas such as management strategy building, HRM and marketing. In 2008, 3 consulting cases were successfully completed in 6 months, and the service was provided to 8 SMEs that participated in the program.

Support in SME Order Volume

POSCO continually searches for items that can be purchased from SMEs and pursues 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 purchase and technology partnerships with Nippon Steel, TKS, and Shanghai Baosteel provide SMEs with leveraged opportunities to introduce themselves to international buyers.

Fostering SMEs with Global Competitiveness

•**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 include 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 security deposits. They are also invited to take advantage of our distribution networks, which allow them to connect with overseas steelmakers and suppliers, and to join the Saturday Lectures. PCP suppliers show active participation in all of POSCO’s win-win cooperation initiatives including the benefit sharing program, and have demonstrated outstanding performance in corporate growth as well.

•**Fostering World Best/World First Items** Fostering world best/world first items is a program designed to secure the world’s best supply chain by building partnerships with outstanding suppliers and mentoring them to grow into a global producer of first class products. A cross function team (CFT) is set up to provide organized support for the selected items. Candidate SMEs will be supported with all applicable win-win cooperation programs, including technical support through the Techno Partnership, business doctoring program, and QSS consulting, as well as enjoying an exclusive supply contract spanning up to 3 years until item development is completed. In 2009, 37 items from 22 SMEs including Seoul Engineering’s Tuyere Nozzle were selected.

Win-Win Cooperation in Financial Aspect

Techno Partnership (Customized SME Technology Support Program) 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 reschedule payments from twice a week (within 3 days of delivery) to everyday beginning from 1 week prior to the holidays. POSCO is also expanding this win-win cooperation basis to secondary and third subcontractors who are not in direct transactions with POSCO. In order to induce improvement in payment terms, when a SME supplier pays cash to the secondary and third subcontractors, we offer incentives in supplier performance assessments.

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, which will help them in reducing financing costs. In November 2008, POSCO has made an agreement with Shinhan Bank and Woori Bank as well, expanding the fund from KRW 100 billion to KRW 200 billion. 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 billion special fund to start extending loans from December 2008. POSCO opened a low-interest rate deposit account with the aforementioned banks, which in turn created a fund of the same amount so that they can grant loans to SMEs. Thus, SMEs trading with POSCO can get loans at preferred interest rates within the limit of KRW 2 billion. As of the end of 2009, loans made through the Win-win cooperation special fund amount to KRW 70.8 billion.

Win-Win Guarantee Program & POSCO Family Network Loans Under a 1:1 matching with IBK, Shinhan Bank and Woori Bank, POSCO has subscribed a total of KRW 20 billion in a credit guarantee entity, and the entity fully guarantees SMEs within the guarantee multiplier (16.5), and the banks provide them with long-term, low-interest loans. To alleviate some of the financial burdens of SMEs, POSCO has developed the “POSCO Family Network Loan” program in September 2009 to help SMEs with low credit ratings to acquire loans based on their supply contracts.

Win-Win Cooperation in Education/Training Aspect

POSCO offers its competencies in the Vocational Training Consortium as well. The Consortium is a program that offers training to employees who are to be recruited to SMEs and competence cultivation education to existing SME employees. The Consortium taps into POSCO’s excellent instructors, facilities and equipment to offer a comprehensive service from competency enhancement to technology support. In 2009, 11,963 SME employees took 42 attending courses, and

16,407 persons took 48 e-learning courses. In 2009, a total of 12 cultural lectures were offered to POSCO, its outsourcing partners and SMEs’ employees and their families in Pohang, Gwangyang, and Seoul. POSCO practices the principle of mutual advancement and cooperation in the area of education as well, holding learning sessions on issues and trends in management environment every month.

SME PURCHASE SETTLEMENT IN CASH (Unit: KRW billion)

	2007	2008	2009
Amount of purchase settlement made in cash	4,556.8	4,900.5	3,372.9

* Purchases have also dropped due to reduced production in 2009

LOANS PROVIDED TO SMEs BY EACH PROGRAM (Unit: KRW billion)

	2007	2008	2009
Assistance fund for POSCO partners	135.9	180.9	214.0
Network Loans	64.6	65.4	50.6
Win-Win Cooperation Special Fund	—	28.9	70.8
Win-Win Guarantee Program	—	—	203.1
POSCO Family Network Loan	—	—	7.6

Customer Satisfaction

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. POSCO reflects customer satisfaction survey results conducted annually by external agencies in its management policies. The survey is conducted on domestic and international customers through questionnaires and in-depth interviews on 9 categories (8 for international customers) including order processing, delivery schedules and product quality, with a scale of 1~7. In 2009, POSCO received 82.7 points domestically, and 71.6 points from international customers. This is a decreased score compared to 2008. POSCO plans all-round efforts such as customer visitation and training to improve customer satisfaction. In addition, in order to improve customer service quality and identify customers’ needs more promptly, we will visit our customers to listen more closely to the voice of customers (VOC). The VOC identified will be actively relayed to the relevant depart-

ments to enhance customer satisfaction.

POSCO also conducts e-learning courses and offline attending courses to enhance sales personnel’s client-oriented mindset and to help them to become more active in customer value enhancement activities. The e-Learning course “CRM and Managing Customers’ Value” that was developed in 2009 and opened since January 2010 is designed to cultivate POSCO employee and management’s competence, particularly their ability to maximize customer value through greater expertise in customer relations. The customer relations management education program was introduced in 2009, consisting of ‘basic etiquette’ and ‘business etiquette’ education; 487 and 508 people completed the education program respectively.

POSCO also provides information on all its products such as inspection certificates to customers via e-Transaction network. Abiding by all governing international conventions and rules on sales and marketing, POSCO has never been subject to sanctions for any violations to date.



“Listen to the Voice of the Customers and See Through Their Eyes”

On March 2nd, 2009, POSCO’s CEO Joon-Yang Chung chose the shipbuilding company - one of POSCO’s customers - for his first day of work instead of his office at POSCO center. This evidences Chung’s determination and effort to bring down the wall between the steel-making and shipbuilding industries and enforce customer-oriented management. On his visit to Hyundai Heavy Industries and Samsung Heavy Industries, the biggest buyers of POSCO’s plate products used in shipbuilding, CEO Joon-Yang Chung stressed once again that “We should listen to the voice of our customers and see eye to eye with them.” This visit is an invitation to HHI and SHI to grow together as global leaders in the shipbuilding and steelmaking industries, based on firm trust and cooperative relationship. Since its foundation, POSCO has steadily supplied steel plates at relatively low prices, contributing to the growth of domestic shipbuilders as global leaders in the industry. In addition, to solve the chronic plate shortage of domestic shipbuilders, POSCO is building a plate production plant at Gwangyang Works with an annual production capacity of 2 million tons, which is expected to be completed in 2010.

CUSTOMER SATISFACTION SURVEY RESULTS

(unit: points)

	2005	2006	2007	2008	2009
Domestic customers	82.1	79.0	82.3	89.0	82.7
International customers	67.8	66.7	68.9	75.5	71.6

Social Contributions POSCO helps spearhead humanity’s prosperity through steel. As a global corporation, POSCO strives to be a responsible corporate citizen. Since its foundation in 1968, POSCO has undertaken various social contribution activities for coexistence. POSCO strives to contribute to humanity through social contributions for a better world and a better future. We strive to enliven local communities through communication and trust; put our efforts into providing education opportunities for talented individuals and offer jobs and housing for the under-privileged. In addition POSCO employees and management participate in volunteer activities and practice sharing with local communities. In 2010, we will expand the spirit of social contribution to the POSCO Family for a broader and more diverse range of activities.

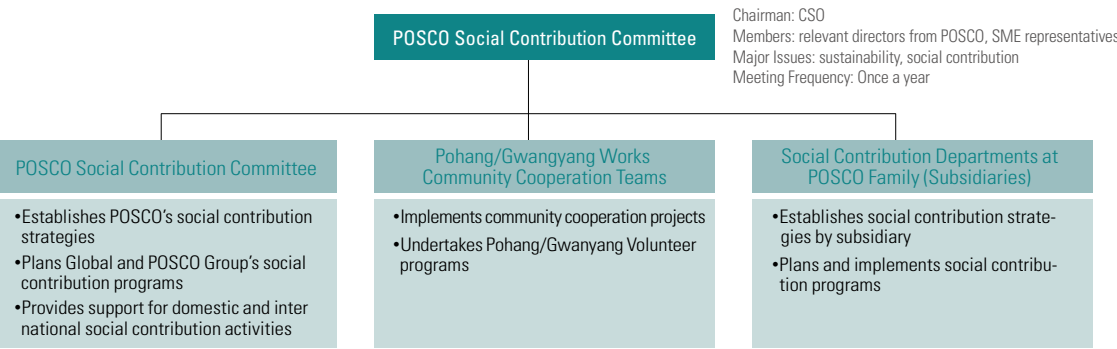
POSCO’s Vision for Social Contribution

Supporting Continued Global Growth and Enhancing Corporate Value by implementing Social Contributions at the POSCO Family Level



POSCO Family’s Social Contribution Emblem In 2009 POSCO has selected its social contribution slogan and emblem. The slogan and emblem, which were chosen through employee entries, reviewed by top management and external institutions, reflect principles that value the environment, human resources, and local communities, and which have been POSCO’s philosophy since its foundation. The emblem is in the form of two hands embracing nature, human, and steel; and the image of nature, human, and steel in harmony within a border symbolizing Earth. The slogan “a harmonious world of Nature, Human and Steel” is widely used as the symbolic expression of POSCO Family’s sharing of social responsibilities and creating synergy from various activities.

ORGANIZATION OF SOCIAL CONTRIBUTION ACTIVITIES



MAJOR AREA OF SOCIAL CONTRIBUTION ACTIVITIES



SOCIAL CONTRIBUTION STRATEGIES

- Enhancement of community-based volunteer activities
- Supporting self-sufficiency of the socially underprivileged such as disabled persons and multicultural families
- Implementing social contribution activities that are localized to suit the relevant overseas business region.

SOCIAL CONTRIBUTION EXPENSES

(Unit: KRW million)

	2005	2006	2007	2008	2009
Total	80,833	86,383	96,521	127,839	125,017

Human Resources Development

Open Management

Employees 24
Win-Win Cooperation 33
Social Contributions 38
Local Communities 43

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

POSCO TJ Park Foundation Aspiring towards a prosperous and warm world, the POSCO Scholarship Foundation, founded in 1971, was expanded and started anew in 2005 as the POSCO TJ Park Foundation. The Foundation taps into its KRW 200 billion funds to run the “Asia Fellowship,” “Next-Generation Human Resources Development,” and “Love and Sharing” programs. The Foundation awards The POSCO TJ Park Prize to leaders in the areas of science, education and community service/volunteerism. It also runs the Science Fellowship to foster Korea’s scientists in the field of basic science into internationally renowned leaders, and the POSCO Asia Fellowship to expand the Asian academic and cultural network as well as cultivate regional leaders. In addition, the POSCO TJ Park Foundation nurtures community leaders of the next generation through the POSCO New Star Scholarship, which supports outstanding high school students, and the POSCO Vision Scholarship provides learning opportunities students who are heads of household.

POSTECH POSTECH is a research-oriented university of global standards founded in 1986 with the purpose of culti-

vating the gifted few into human assets endowed with both knowledge and wisdom, and to spread their research outputs to society, serving the country and the global community. POSTECH built the first industry-academy-institute joint research model in Korea and advanced as the leading science and engineering university in Asia. POSTECH maintains partnership relations with 71 universities in 19 countries, and commemorating its 20th anniversary in 2006, POSTECH declared “POSTECH Vision 2020” as evidence of its commitment to becoming one of the world’s best universities.

POSCO Education Foundation The POSCO Education Foundation was founded in 1971 with the goal of cultivating independent, ethical and creative human beings. It operates 12 schools from kindergartens to high schools. Ever since its establishment, the Foundation has actively recruited able teachers, and implemented specialty aptitude curriculums, providing students with holistic education. In November 2009, at the 18th National English and Math Competition 3 elementary and middle schools under the Foundation received the Best School award. In particular, Pohang Jecheol Jigok Elementary School, which also won the grand prize at the Students’ Science Olympiad, set the record as it took home its 18th consecutive Best School award. The POSCO Educational Foundation held the third Nobel Aspirer Science Camp to spark interest in basic science and nurture the dreams of future scientists and continues to operate science programs.

POSCO TJ PARK FOUNDATION

	Details	Remarks
POSCO TJ Park Prize	-Commemoration of the founder’s accomplishments and promotion of his entrepreneurship -Award Categories(Award amount KRW 200 million): Science, Education, and Volunteerism -Award winners in 2009: •Science - Nam Hong-gil(professor of POSTECH Life Science Department) •Education - Sunrin Internet High School & former principal Cheon Gwang-ho •Volunteerism: Abdul Sattar Edhi (head of Edhi Foundation)	-Introduced in 2006 -Awarded three times in 2009 -Awards every March
POSCO Asia Fellowship	-Promoting mutual understanding and exchanges with Asian countries -Major projects : •Scholarships to Asian students studying in Korea (KRW 1.27 billion, 75 students) •Fostering Asian regional specialists (KRW 690 million, 50 students) •Scholarship programs in prominent Asian universities(KRW 200 million, 294 students) •Supporting research and forums on Asian culture and society (KRW 730 million, 25 students) •Supporting quarterly publication “Asia” (KRW 300 million)	
POSCO TJ Park Science Fellowship	-Supporting scientists in the subjects of math, physics, chemistry, and life science to advance to the global level -30 recipients selected in 2009: 10 in doctoral programs, 9 scientists in Post-doctoral programs, and 11 newly appointed professors -Award amount : •Doctoral program: KRW 25 million/year, support for 3 years after selection •Post-doctoral program: KRW 35 million/year, support for 2 years after selection •Newly appointed professors: KRW 35 million/year, support for 2 years after selection	-First group selected in 2009 -Around 30 recipients to be selected and awarded annually
POSCO New Star Scholarships	-Excellent students in Pohang and Gwangyang and students talented in math -Support centent Supporting 300 students annually (255 currently supported) *100 students selected from top 4% of first-graders -Support details: KRW 1.5 million annually in scholarships for 3 years *KRW 5 million scholarship for entering prominent universities	-Began in 2006 -Plans to select second-graders from 2010
POSCO Vision Scholarships	-Assistance for university students from children’s charities -Supporting 100 students annually - 60 in 2006, 76 in 2007, 34 in 2008 -Support detail: full coverage of university tuition fees	-Began in 2006

Supporting Self-Sufficiency of the Socially Disadvantaged

Since 1998, POSCO has donated charity funds to the Community Chest of Korea with the POSCO Family members. A designated portion from the donations was used to run 14 programs in partnerships with 14 major domestic NGOs. We opened 2 social enterprises and 3 Smile Microcredit Bank branches to assist self-sufficiency of low-income groups.

•Housing Conditions -Steel House Construction, Environmental Sharing Contest Since 2006, POSCO has built modular houses to provide housing support to the underprivileged, using the modular construction method that POSCO has developed. In the year 2009, we built a safety haven in cooperation with Citizens for Decent Housing for 300 women who were victims of domestic violence, using the modular construction method. The POSCO-UNEP Environmental Sharing Contest, which was held for the second time, gathers and supports practical ideas that welfare and education institutions for the underprivileged can use to combat environmental problems and poverty.

•Medical Support - Free Treatment for Foreign Workers and Free Operations for Cleft Palate and Harelip Patients To help multinational families in the margins of the medical care system and under economic and social hardships, POSCO provided support to Seoul National University College of Medicine, which offers free treatment to foreign workers, and the Korean Association of Research and Charity for Craniofacial Deformity, which offers free operations for overseas children with facial anomalies. As a result, 52 children with cleft palates and harelip in Kyrgyzstan and Laos got operations.

POSCO'S SOCIAL ENTERPRISES FOR A SUSTAINABLE, STABLE WORKPLACE IN AN AGE OF GROWTH WITHOUT EMPLOYMENT

Pohang POS ECO HOUSING

- Business area: Environment-friendly steel construction business related to POSCO's original steel business, which can achieve continuous growth utilizing resources, technology and know-how
(The first case of social enterprise linked to the parent company's main business)
- Business scope: Steel house construction + production and construction of steel frames and steel walls, reinforced concrete buildings + steel trench cover
- Plant site: Jukcheon-ri, Heunghae-eup, Buk-gu, Pohang-si
(8264 m² area within POSCO ICT Fuel Cell plant site)
- Recruiting plan: 50 employees (150 by 2012)
- Establishment schedule: Plant ground-breaking ceremony (Dec. 16, 2009), plant completion and operations (Apr. 2010)

Gwangyang POS PLATE

- Business area: Specimen processing and product warehouse management for the new Gwangyang plate plant
Specimen processing: 31 milling technicians and turners using gas, electricity, and computers (19 from disadvantaged group)
Warehouse management: 53 ceiling crane operators and others (31 from disadvantaged group)
- Recruiting plan : 84 (50 from disadvantaged group)
- Establishment schedule: Ground-breaking and completion of office building (Feb ~ May 2010) plate plant operations (end of July, 2010)

POSCO DONATIONS

* Total Donations to Community Chest of Korea (1998~2009) : KRW 55.95 billion

	2004	2005	2006	2007	2008	2009
POSCO Family	KRW 7 billion	KRW 7 billion	KRW 8 billion	KRW 10 billion	KRW 10 billion	KRW 10 billion

•Mecenat - Hello Art Camp, Art Psychotherapy POSCO shares love and sincerity in fostering artistic sensitivity and emotional stability in children of low-income groups. POSCO has held the Hello Art Camp for the second time (2009 and 2010) for children from low-income families in Pohang and Gwangyang in collaboration with the Korean Business Council for Arts. The camp introduces children to various artistic genres including traditional music, art, and theater for 3 days. Meanwhile, the art psychotherapy program conducted over a 6-month period at Kids & Future Foundation and Pohang Children's Center provided children with emotional stability problems the opportunity to recover their self-esteem.

•Job Creation - Two Social Enterprises In January 2008, POSCO established POSWITH, the first government certified standard workplace for the disabled in the form of a subsidiary. In 2009 the rate of employment of handicapped personnel was expanded to 50%, and POSWITH plans to increase it up to 60% by 2012. With the objective of assisting the disadvantaged to become truly independent rather than depending on welfare programs, POSCO has established 2 social enterprises under the Social Enterprise Promotion Act article 2, section 1.

•Multinational Families - Education for Vietnamese Women Immigrants through Marriage In collaboration with the Korea Center for United Nations Human Rights Policy and the Ministry of Health & Welfare, POSCO undertook a program to help 2,400 Vietnamese women to adapt to Korean society as they begin a new life in Korea through marriage.

•Self-Sufficiency Support-POSCO Smile Microcredit Bank Beginning with branch no.1 (Kkachisan Market, Gangseo-gu, Seoul) which opened on December 24, 2009, the POSCO Smile Microcredit Bank opened branch no.2 (Jukdo Market, Pohang) and no.3 (Gwangyang-eup Permanent Market, Gwangyang). The Smile Microcredit Bank supports self-sufficiency of those whose income or credit ratings prevent them from getting access to normal bank loans. Amid difficult times where the gap between the rich and poor is widening along with unemployment, POSCO will continue its efforts to alleviate the difficulties and related social issues of financially challenged people. POSCO established the POSCO Smile Microcredit Bank on December 18, 2009, donating KRW 10 billion to provide loan services and will donate a total of KRW 50 billion in the next 10 years. It also plans to provide legal consultation by internal corporate lawyers to help social and mental self-reliance, and plans to operate a merchant school to teach how to go about setting up and operating a business.

Employees' Volunteer Service Activities

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POSCO has adopted employee and management volunteering programs in order to cultivate global talents who understand diversity and difference with an open mind and action, fulfilling their responsibilities to society and neighbors. Since the volunteer mileage program was adopted in 2004 to motivate employees to actively participate in volunteer work, 9,617 employees and their families have acquired 100 hour certificates in 2009. All POSCO employees automatically join the POSCO Volunteer Group launched in 2003 upon entering POSCO, and since September 2005, employees receive systematic education on sharing through e-Learning courses and educational CDs. As a result of these efforts, 95% of all POSCO employees have participated in volunteer services and volunteer hours per capita has reached 30 hours. In 2010, POSCO plans to expand the volunteering culture to overseas branches and POSCO Family members, so that per capita volunteer of all POSCO Family will reach 30 hours (35 hours for POSCO).

The POSCO Volunteer Group established in 2003, was re-organised into the POSCO Family Volunteer Group for a more organized volunteer work at the POSCO Family level. Since 2004, the third Saturday of every month has been designated as the 'Sharing Saturday' for various sharing activities. The monthly average of employees to participate in the volunteering day in 2009 was 5,444 persons. During 12 months, employees and their families actively participate in the various thematic volunteer works. Volunteers who receive fees

for external lectures and writing articles donate them to the social contribution fund. The KRW 46.425 million donated in 2009 was used for scoliosis operations for youths of low-income families in collaboration with Gangnam Severance Hospital. Currently, at the intranet social contributions system, employees can register volunteer groups by department and everyone can easily access information on the volunteer performance and community service locations.

POSCO Family Social Contributions POSCO continues to expand the Family social contributions activities with the participation of subsidiaries, suppliers and overseas branches. POSCO shares its social contribution knowledge through the Social Contributions Committee where the head of administrative support division and general superintendents of Pohang and Gwangyang Works are participants, and jointly implement pan-POSCO social contribution programs. In 2009, 2,627 employees and executives participated in a blood donating event held in April each year. On July 1st, POSCO procured 3,000 emergency aid kits and delivered them to Jeonnam and Busan hit by heavy rains, Taiwan's regions hit by typhoon, and Indonesia by earthquake. In November 2009, the POSCO Family Volunteer Group, comprised of POSCO, 22 subsidiaries, 109 outsourcing partners, 31 major suppliers (POSCO Certified Partners), and 41,000 employees, was launched. In celebration, employees and families held a volunteer event of making kimchi, and delivered it to the needy.

VOLUNTEER SERVICE MILEAGE CERTIFICATION

Accumulative, including family members (End of Dec.)(Unit: persons)

	2006	2007	2008	2009
100 hours	1,014	2,505	5,319	7,672
300 hours	138	327	915	1,185
500 hours	66	158	400	587
1,000 hours	22	49	110	173

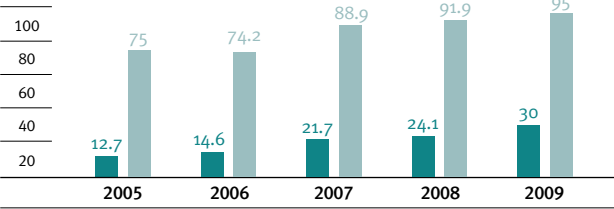
POSCO EMPLOYEE DONATIONS

(Unit: persons, KRW 1000)

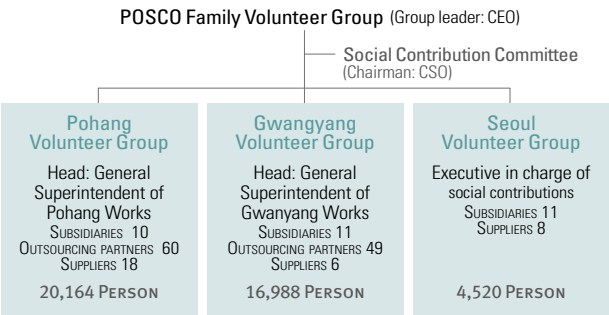
	2005	2006	2007	2008	2009	TOTAL
Participated	78	139	147	121	86	571
Executive level	13	13	21	16	13	76
Donations	23,768	36,318	59,874	65,746	46,425	185,706
Executive level	5,721	6,595	13,443	24,902	11,955	62,616

2009 VOLUNTEER SERVICE PARTICIPATIONS

(Unit:Hr/year-person, %) Average volunteer hours per capita Participation rate



POSCO FAMILY VOLUNTEER GROUP





POSCO fulfills its social responsibilities, actively undertaking overseas volunteer work as well. In particular, we provide opportunities for university students and youths who will play a leading role in the future society to experience the world so that they may grow as global leaders in sharing. POSCO implements social contribution activities in strategic regions to foster mutual growth and enhance pride and sense of belonging of local employees.

University Student Volunteer Group(Beyond)/Youths Volunteer Group To spread the culture of sharing and to enhance spirit of volunteerism in university students, POSCO launched the “POSCO University Student Volunteer Group – Beyond.” In May 2009, the 3rd Beyond comprised of 100 students selected from 40 universities who participated in various volunteer work programs including the Habitat program for disadvantaged groups in Gwangyang. In addition, following a 6-months’ preparation period, they participated in cultural exchange activities in Pangalengan in Indonesia, and built 8 houses with the Habitat for Humanity program in Indonesia. Moreover, at the Habitat program in 2009, social contributions personnel from POSCO SS and POSCO ICT, and Indonesian students receiving scholarships from the POSCO TJ Park Foundation added meaning to global social contributions. POSCO also sent 10 youth volunteers to a rehabilitation center for the handicapped, Korea-Vietnam Cooperation Center, and Foreign Trade University in Ha Tay, Vietnam. The volunteers brought 40 PCs and computer equipment that POSCO donated, and gave lessons in IT and Korean language.

Social Contributions at Strategic Regions-Vietnam, Mexico, Indonesia As part of its global operations, POSCO supported social contribution activities in the local context at the SME plant regions. After identifying the needs at the 6 SCM plant locations (Mexico, India, China(2), Malaysia, and Thailand) we offered support for the children, the poor, and solitary seniors

SOCIAL CONTRIBUTIONS AT STRATEGIC REGIONS

REGION	CORPORATE NAME	SUPPORT DESTINATION	SUPPORT DETAIL
Puebla, Mexico	MPPC	Chalco Girls’ School	Childcare and free education
Pune, India	IPPC	Happy House	Nurturing facility for children with AIDS
Qingdao, China	CQPC	Chengyang Charity General Meeting	Improving housing conditions for the poor
Foshan, China	CFPC	Chencun Town Senior Home	Welfare facility for solitary seniors
Rawang, Malaysia	MKPC	Slums near the plant	Infrastructure for the slum district
Chonburi, Thailand	TBPC	Habitat for Humanity	Participating in the Habitat program

Local Communities At the time Pohang Works was established in 1968, Pohang was a small city with a population of 70,000 and a budget of KRW 320 million. In 2009 it has grown into an international steel city populated by 510,000 people and budget of KRW 1,032.8 billion. So it was with Gwangyang. In 1981 its population was 80,000 and budget merely KRW 590 million, and now it boasts a population of 140,000 and a budget of KRW 424.1 billion – the most self-sufficient city in the Jeonnam Province. POSCO regards local communities’ growth as its own growth, and improved happiness index and living conditions are POSCO’s joy. In addition, we do our best to play our given role in the community so that the citizens may be proud of POSCO’s advancement. POSCO’s social contribution aims at economic and social/cultural growth of the community.

Local Communities

Listening to the Community’s Voice As a responsible member of the local community, POSCO always listens closely to the local citizens who are the most important stakeholders for POSCO. POSCO never ceases to search for ways to grow together with the local citizens. POSCO identifies social contribution activities customized to the local needs through surveys such as the “Analysis on Attitude Toward POSCO and Local Cooperation Performances”, which has been conducted annually since 1993 in Pohang, and the “Local Cooperation Project Evaluation and Study on Favorable Views” conducted in 2009 in Gwangyang. In addition, we have installed Community Cooperation Teams to secure a window for communication with the local residents. The Community Cooperation Team supervises community welfare support activities such as fostering culture in the community, scholarships and academic support projects, and supporting disadvantaged groups.

Sisterhood Tie Program_One-Department One-Village Beginning with the sisterhood agreement with Hagwang village in Gwangyang in April 1988, POSCO has made sisterhood ties with 116 villages in Pohang, 112 in Gwangyang, 7 in Seoul, and also schools and organizations to enhance solidarity with local residents through trust and exchange.

Contributing to Local Communities-Local Investments POSCO is 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 local economies by attracting tourists and cultural events. We also built an environmental 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. The Pohang Fireworks and Lights Festival that utilizes these infrastructures have become the representative summer festival 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 so that these activities may reach all corners of the community. To promote economic development of the community, POSCO distributes KRW 90 million’s worth of rewards in gift certificates that can be used at traditional markets. This is a measure to bring life to the traditional markets as well as promote the local economy. The gift certificates are usable at the Jukdo Market, Hyoja Market, Nambu Market, and Jungang Market. POSCO also contributes to the development of the community through local taxes paid to Pohang and Gwangyang cities. The local taxes paid by Gwangyang Works amounts to 57% of Gwangyang city’s total revenue. Currently, the financial independence of Pohang and Gwangyang are 53.3% and 48.1% respectively, which are the highest in Gyeongsangbuk-do and Jeollanam-do provinces.



Preserving the Environment Up to date, POSCO has invested KRW 3.45 trillion (10% of capital expenditure) in environmental facilities. We also allocate KRW 350 billion annually as operating funds to build a clean, environment-friendly steel works.

In November 2009, POSCO launched the “POSCO Clean Ocean Volunteer Group,” which is a scuba diving group to purify the waters around Pohang and Gwangyang. POSCO plans to support the POSCO Clean Ocean Volunteer Group at the company level as a environmental volunteer group. Meanwhile, Gwangyang Works has completed the “POSCO Corporate Park” at Jungma-dong and Ssamji Park to improve living conditions of local residents and function as a spot to rest.

Promoting Sports & Culture The “Pohang Hyoja Art Hall” built in 1980 in Pohang, and the “Gwangyang Baekun Art Hall” built in 1992, have established themselves as cultivators of local culture. These cultural facilities fulfill the cultural appetites of local residents as well as POSCO employees. In time with the completion of the art halls, Pohang and Gwangyang launched two professional football clubs-- Pohang Steelers and Chunnam Dragons-- and built exclusive football stadiums that can house 20,000 and 15,000 spectators respectively; a first in Korea. The clubs have produced major football stars such as Lee Hoe-taek, Choi Sun-ho, Hong Myeong-bo, Hwang Seon-hong, and Lee Dong-guk, and over 50 football players that were selected to the national team. POSCO helps the local residents feel proud of their hometown through sports as well.

At the POSCO Center in Seoul, we hold music concerts every month in the lobby “Artrium.” 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. The program has been well established as a representative Mecenat program of POSCO, attracting more than 10,000 patrons in 2009. Celebrating its 100th concert in June 2009, a special concert was held. POSCO Art Museum is another cultural foundation for the city’s residents, holding 12 exhibitions in various genres in 2009.

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 music through our program. In the first half of 2008, concerts were held at Sungkyunkwan University, Ewha Women’s University, Korea University, and Seoul Women’s University, and in the latter half of the year, concerts were held at 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, and was enthusiastically received by the students, faculty and local residents.

Promoting Social Welfare Pohang and Gwangyang Works started the Home Repair Program in 2005 and 2006 respectively. As of the end of 2009, each Works have provided repair services to a total of 39 and 66 homes. In 2009, Pohang Works repaired roofs, pasted new wallpapers, fixed leakages, and changed kitchen sinks in 7 basic social security recipient homes at Haedo-dong, Songdo-dong, Cheonglim-dong, and Jecheol-dong. POSCO established the social enterprise “POS Eco Housing” to provide jobs for the socially disadvantaged and help in their self-sufficiency. The plant construction was started in December 2009, and will be completed in April 2010. POS Eco Housing is expected to provide a stable workplace for the socially disadvantaged through environment-friendly steel house construction business. As part of the “Public Childcare Facility Support Program” that POSCO and other domestic corporations support, and supervised by the Federation of Korean Industries, the “Gwangyang Child Care Center” broke ground in September 2009. The Gwangyang Child Care Center will be a 2-story building with a nursery, toy rental shop and library.

POSCO has also launched the “POSCO Family Volunteer Group” in which POSCO subsidiaries, outsourcing partners and suppliers of each area communicate with the communities through the POSCO Family volunteering activities. Starting from Seoul on November 10th, 2009, the POSCO Family Volunteering Group held launching ceremonies at Pohang and Gwangyang, and 1,000 Family employees participated in the gimjang kimchi making event, delivering them to nearby welfare facilities and low-income homes

Promoting Educational Development

•Local Youths Hands-On Learning Program POSCO conducts various hands-on learning programs for children in the Pohang and Gwangyang areas to foster local talents. The on-site hands-on learning program, targeting 5th graders from 63 elementary schools in the vicinity of Pohang Works, enhances their understanding of steel, and makes them feel closer to it in everyday life. The “Junior Engineering Class” where POSCO’s researchers and engineers volunteer as lecturers, help elementary school students learn the basic scientific principles and experience application practices. In 2009, the “Junior Engineering Class” was held 32 times for 540 students from Songdo, Songlim, Daehae, Cheonglim and Indeok elementary schools, and 100 students from remote areas. Among the practice-oriented science education programs developed by the National Academy of Engineering of Korea, three subjects – making a pulley using shape memory

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alloy, making a toy soldier using a piezoelectric element, and a magnetic levitation propulsion train – were selected, and 12 engineers and 9 researchers from Pohang Works gave lessons in the classes.

In addition, POSCO has invited students from Pohang and Gwangyang to the “Children’s Steel Camp” every summer since 1993. In 2009, 450 youths from 63 schools participated in the 17th Steel Camp held in Yeongdeok under the title “Great People, Great World.” The camp was held twice for 3 days each, and the children experienced living as a part of the community and building healthy values, and learning the value of steel. Meanwhile, in Gwangyang, 320 elementary school students participated in environment-friendly activi-



SISTERHOOD TIES

(As of January 2010)

CATEGORY	SISTERHOOD TIES				BENEFICIARY RESIDENTS(PERSONS)	RATE OF SISTERHOOD (%)	
	Villages	Schools	Organizations	Total		Compared to population	Compared to administrative district
Pohang	100	-	6	116	413,996	80.6	29.6
Gwangyang	100	15	11	112	36,992	26.4	31.8
Seoul	100	-	-	7	-	-	-
Total	406	15	17	235	450,229	69.1	-

LOCAL TAXES PAID

(Unit: KRW billion)

	POHANG WORKS	GWANGYANG WORKS
Local Taxes Paid in 2009	91.8	85.6
Total Revenue of the Municipality (Pohang, Gwangyang)	290.0	149.7
Ratio	31.6%	57.2%

POSCO’s SOCIAL 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 to actively solve the undernourishment problem
Extracurricular Study Room	POSCO employees	Teenagers from low-income families	Preventing juvenile delinquencies through study help and counseling, while heightening employee’s love of their hometown
Home Repair Program	POSCO employees	Low-income families that need home repair (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, while heightening employees’ pride
Sisterhood Ties	POSCO departments	Local towns and villages	Each department established sisterhoods with one village Facilitating communications between the community and the company, tending to the local projects
Medical Services & Blood Donations	POSCO employees	Local residents from underdeveloped medical infrastructure and anyone who needs transfusions	Closing the gap in medical welfare services with monthly visits and treatments Donating blood donation certificates to the needy

Creative technology and strategy toward an innovative future for POSCO



POSCO, which that leads the industry with top steelmaking and environmental technology, boldly invests in new businesses, bringing the future closer to everyone.

DESPITE ECONOMIC DOWNTURN, POSCO ACHIEVED KRW 27 TRILLION IN SALES AND KRW 3.1 TRILLION IN OPERATING PROFIT.



In 2009 the global economy experienced a series of crises due to the shrinking object economy. The Korean economy, which depends heavily on foreign trade witnessed a down-fall in domestic consumption and investment, while the steel industry saw an unprecedented drop in production and sales. Despite a brief increase in demand, it lost momentum, failing to lead to full recovery. Facing a difficult business environment, POSCO enhanced internal competencies through radical cost reduction and emergency management, while endeavoring to secure future growth engines by expanding into new markets and technology development through global investment. These efforts resulted in KRW 27 trillion in sales and KRW 3.1 trillion in operating income.

Strengthened Emergency Management System to Enhance the Ability to Overcome Economic Crisis POSCO was forced to decrease production in the first half of 2009, which was an unprecedented experience since its foundation. With signs of recovery in the latter half of the year, POSCO was able to quickly increase production owing to its flexible operations system. In addition, everyone at POSCO participated in radical cost reduction activities while maintaining quality, achieving KRW 1.4 trillion in cost reduction. Despite shrinking demands, POSCO continued to strengthen marketing, maintain domestic and foreign market volumes, as well as expedite the expansion of new markets.

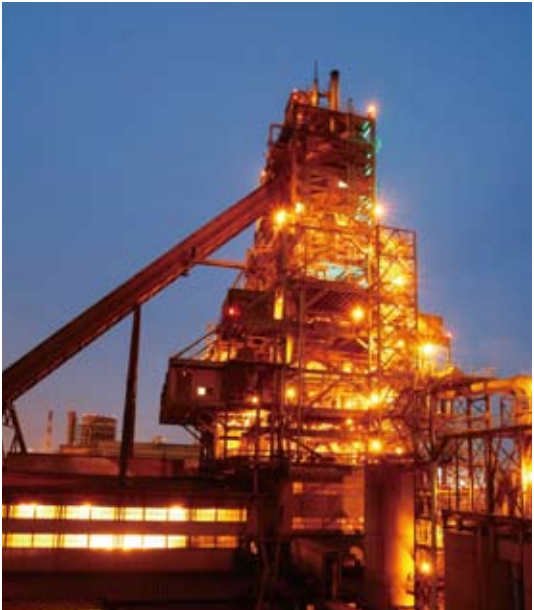
Enhanced Competitiveness through Investments in Crude Steel Production Capacity and Raw Material Development Domestic production expanded with the repair of Gwangyang #4 blast furnace and investment in steel plate mill, and the construction of a new steel mill in Pohang. The electrical steel sheets plant was expanded, Hi-mill electric furnace was improved and CEM (Compact Endless Cast-Rolling Mill) process was developed in order to increase the ratio of high value-added products. Investments for global expansion were increased as well. In Orissa, India, our application to divert the usage of the steel mill site was accepted, while in Indonesia an MOU was signed for the joint construction of an integrated steel mill, opening the gateway to the Southeast Asian market with high growth potentials. In Mexico a CGL plant with annual capacity of 400,000 tons, and in Vietnam a cold-rolled steel plant with annual capacity of 1.2 million tons, and in North America an API steel pipe mill were completed as well. POSCO developed 81 types of world-best, world-first products, minimizing the impact of economic recession, and improved profitability through 141 technologies for low-cost, high-quality production. POSCO also acquired 16.7% of stakes of Jupiter Mines, an Australian mining explorer, and Revuboe coal mine in Mozambique in order to secure a stable supply of raw materials.

Securing competency through Green Management POSCO continued its investment in green growth projects to minimize the environmental impact of steel manufacturing, including construction of a new RHF (Rotary Hearth Furnace) plant that recycles steel slag waste as resource for steel making, and the SNG (Synthetic Natural Gas) project with an annual production capacity of 500,000 tons. POSCO is continuing its efforts in future growth projects such as investing in titanium slab and magnesium refining plant through joint investment with a local company in Kazakhstan.

POSCO's own working method settlement For the mutual prosperity of the POSCO Family, we have promoted VP (Visual Planning) and QSS (Quick Six Sigma) - the characteristic working methods of POSCO - to the whole POSCO Family, including partners and suppliers. Also the resting lounge Poreka(see page 31) was opened to promote a creative corporate culture.

To fulfill its responsibilities as corporate citizen, POSCO expanded its social contribution activities for the socially marginalized. POSCO operates a win-win cooperative fund of KRW 700 billion for SMEs that are suffering from the global economic recession and has launched the Smile Microcredit Bank.

Thanks to such efforts, POSCO was nominated the best sustainable company for the third consecutive year and outstanding global company for the fifth consecutive year, and was chosen as the most respected company in Korea by Forbes. Other awards that highlight POSCO's achievements include the National Environmental Management Award, and 2nd place in Korea's Best Companies, a readership survey conducted by the Wall Street Journal Asia.



Innovative Technology Development that Exceeds Expectations In 2009, despite competitive market conditions in the global steel industry, POSCO secured its position as the technological frontrunner by developing world class quality products and advancing its processing technologies. 141 cutting edge innovation processes, such as those related to using low cost raw materials for iron-making and seamless cold-rolling technology, were developed, and 62 challenge projects to maximize performance through creative technology development were completed successfully. Not only have such efforts enabled POSCO to secure its position as the global technology leader, but also reduce production costs by KRW 1.4 trillion.

Developing Production Technology to Reduce CO₂ Emissions and Establishing High-Efficiency/Low-Cost Steelmaking Processes In 2009, applying the converter process in melting scrap metal in the electric furnace reduced the hot metal ratio to 76%. Also, POSCO's proprietary converter operating methods halved the sub-materials used, reducing production costs for molten steel. The direct 1:1:1 lining method that links electric furnace, refining, and continuous casting processes reduced the lead time between processes by 30%, improving productivity.

Speeding the Development of Automotive Lightweight High-Strength Steel A 6-stand rolling mill was implemented in the cold rolling plant #2 in the first half of 2009, and ultra high-strength steel production facilities were constructed to expedite the development of ultra lightweight products such as TWIP steel. We focused on stabilizing the production basis by building a quality assurance system for zero defects.

In addition, POSCO is building its customer oriented production system by manufacturing 57 automotive parts for Toyota, including GA 340BH grade sheet for car exteriors, and promoting the "Building 100,000 tons supply system in 2010"project through the EVI(Early Vendor Involvement) forum. POSCO is focusing its efforts to respond to demands of the global automobile market, securing its position as the main supplier and striving to continuously enhance its future competitiveness.

Developing API Grade Steel Mass Production Technology The API-grade steel sales recorded 1.31 million tons, 49 tons more compared to 2008. POSCO played a central role in the sales of hot-rolled steel products and strengthened technological and commercial partnerships with major energy companies.

POSCO developed the API-X80 grade plate that guarantees low temperature toughness at -20°C, thereby securing

the supply capacity for the 4,000 km pipeline between Russia and Eastern Europe. It also completed the proactive development of 41mmt thick steel plates for underwater pipelines.

Completion of the STS Continuous Cold Rolling Plant and Establishing 750,000 tons Production System for Cold Rolled Products The STS division has changed its focus from hot rolled to cold rolled products. The STS continuous cold rolling plant has an annual capacity of 40,000 tons and is comprised of a TRM rolling mill that consists of a 4Stand Z-Hi Mill and APF (Annealing Pickling Finishing) line that has a neutral salt pickling pre-treatment facility. The poStrip process will be integrated with the continuous cold rolling process, and we expect to complete this innovative low-cost process in the near future.

Enhancing the Electrical Steel Product Line-up Non-grain oriented electrical steel sheet is a high value-added product for which we expect to see strong demands. POSCO has completed independent development of hyper products for hybrid automotive motors that are in increasing demand with the need to reduce Co₂ emissions. These products are currently undergoing tests in domestic and foreign motor companies. POSCO's EVI (Early Vendor Involvement) activities, such as developing high performance non-grain oriented electrical steel sheet for automobile motors, continue to be expanded.

Developing Production Technology for High Performance Hot Rolled Steel POSCO strengthened the supply & application chain and secured the technology base that will enable both POSCO and its customers to prosper further. In order to simplify steel product types and develop low alloy high-strength steel products, we have stabilized our unique continuous rolling technology, equipped all hot rolling mills with the HDC(High Density Cooling) system which is a rapid cooling system, and developed and installed a bar cooler.



Accelerating Development of Plate Products and Relevant Technology 2009 was the year POSCO strengthened its product competitiveness, as we acquired the ship classification certificate by developing production technology for high strength EH47 grade steel, and succeeded in localizing high efficiency EGW welding material. POSCO is also undergoing a project for developing rolling and cooling facilities and mathematical models that will be applied to the Gwangyang steel plant, where operations are to start in July, 2010. Technologies and know-how acquired through this project will be applied to optimizing facility operations and producing highest quality plates at the Gwangyang plate plant.

Enhancing Global Competitiveness of Wire Rods The ratio of surface impurities in our wire rod for cold heading showed better results compared to Japanese competitors, gaining firm trust from customers. POSCO will concentrate its efforts in developing manufacturing technology and cutting edge products in order to achieve its vision of becoming the global supplier for automobiles by 2012.

Enhancing capacity of High Performance Cold Rolled Steel POSCO developed and started mass production of steel sheets for the back cover of LCD TVs, and increased production capacity to meet demands that are expected to rise. In particular, we expanded sales of our unique brand GI-ACE and developed high strength atmospheric corrosion-resistant steel with high workability (YP≥700 Mpa), and started employing them in long containers. POSCO will enhance EVI activities with customers in developing products for LED TVs and new processes for eco-friendly surface treatment.

FINEX Commercialization Technology POSCO succeeded in commercializing the new FINEX technology, marking a milestone in eco-friendly operating technology. With continued technology development for using cheap raw materials, we succeeded in mixing a portion of steaming coal (non-coking coal) in making coal briquettes. The production from the next FINEX plant of 2 million tons capacity is expected to reduce to 70% of the level of the existing plant of 1.5 million tons production capacity.

Development of Strip Casting Products and Commercialization of HR Thin Slab Casting Technology In 2009 we sold 3,000 tons of 304, 316, and 301 steel products to customers. In 2010 we will focus our efforts on developing high alloy/duplex steel, which is a rolling load steel type, and high carbon martensite steel types for which assuring quality with continuous casting method is currently impossible. We will also establish production technology for thin slab HR (1.5t), expanding the scope of endless cold rolling pressed steel, which we expect will shorten the production process and reduce costs. When the #2 IRM is completed in June 2011, we expect to see a significant leap in poStrip formability, yield and quality.

Environment-Friendly Product Development POSCO is doing its best to develop new high performance products 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 environment-friendly products now totals 231 as of 2009, in the areas of environmental preservation, energy saving and long product life span. In 2009, eco-products accounted for 76% of POSCO's total product development, and the amount of eco-products sold from 2001 to 2009 was 4 million tons.

• **YS 345Mpa Grade Steel Sheet for Offshore Structures in the Polar Regions** POSCO's YS 345Mpa grade steel sheet for offshore structures in the polar regions shows outstanding fracture toughness at temperatures of environments near the polar regions(-40℃) as compared to normal seawater temperature (-10℃). Normally, offshore structures are constructed for the drilling, production or refining of oil or gas, and stays in use for 20 years without repair. If the slightest crack were to occur and advance within the structure, it would have detrimental effects leading to its collapse and eventually to critical accidents such as oil spills. As the toughness of steel products deteriorates and brittle fractures occur more easily with temperature drops, many steel mills are competitively developing steel products that can guarantee fracture toughness at lower temperatures. POSCO is looking to enhance its technological recognition

ENVIRONMENT-FRIENDLY PRODUCT DEVELOPMENT TRENDS

	2006	2007	2008	2009
Eco-friendly product development ratio(%)	83	76	88	76
No. of eco-friendly product types	19	28	36	29
Accumulated order(tons)	1,143,111	2,130,498	2,795,779	4,082,389

with the implementation of the newly developed steel sheet for offshore structures in the polar region for a polar project that is under way in cooperation with a Korean shipbuilder. Until now, POSCO's steel sheet for offshore structures has been less known in the global marine market compared to its competitors, and POSCO's production technology has not received proper recognition. POSCO is actively driving to implement the recently developed steel sheets for offshore structures in the polar region project of a globally competitive domestic shipbuilding company, which we expect will help increase awareness of our technological skills within the marine market.

• **High Corrosion Resistant HG Coated Thick Steel Products for Cooling Towers** The United States and European Union are moving toward prohibiting the production and discard of FRP, which is used in cooling tower cases, as the substance is hazardous to humans and the environment. The high corrosion-resistant HG coated thick steel (coating mass of more than 725g/m²) has been developed against this background. In addition, as buildings have come to last longer, cooling towers likewise require longer life spans, and as they are mostly installed on the roofs of intelligent buildings in downtown areas, attractiveness has become a requirement as well. In the aspect of performance, as preference for low noise/high efficiency products increases, cooling tower cases employing steel will meet these demands and will also reduce maintenance costs compared to FRP. In addition, SST results indicate that compared to existing products (coating mass of 600g/m²), corrosion resistance was twice as effective, enabling omission of the painting process. Customers' costs can be reduced dramatically, and demands are expected to continue to increase. POSCO plans to expand the use of high corrosion-resistant coated thick steel to corrugated steel pipes and bridge trays in order to expand sales, and continue R&D activities to develop products to meet market demands such as ternary alloy type high corrosion-resistant steel.

• **CR/CG 980 DP Steel Sheet for Use as Automobile Reinforcement Members** POSCO continues its efforts to develop high strength/high elongation steel sheet that

can be applied to light-weight auto bodies. In particular, the demand for CR/CG 980DP is quickly rising with carmakers' needs for cost reduction through lightweight automobiles and strict compliance with safety regulations. POSCO manufactures low yield strength (YS) type 980DP high elongation steel sheets and high yield strength (YS) type 980DP steel sheets with excellent bendability and weldability properties. The high strength 980DP steel sheet assures 20~40% strength compared to 590DP and 780DP sheets. In other words, the thickness is reduced, which in turn reduces the weight of the automobile, which leads to better gas mileage. It has replaced the 590DP and 780DP sheets to be applied to sill sides, bumper beams, and seat rails that require high strength strictly controlled thickness. Currently, POSCO is in the process of developing ultra high elongated 980DP steel sheet in order to expand demand to automotive parts that require workability

• **Cr-Free Tensile Coated Grain-Oriented Electrical Steel Sheet Products** Cr-free tensile coating for grain-oriented electrical steel sheets is an eco-friendly coating product developed in response to the strengthening RoHS directive of Europe. While the existing grain-oriented insulation coating material contained 4.0wt% chromate, which left room for controversy surrounding environmental regulations (Cr+6 regulation), the Cr-free coating product has optimized substance construction that excludes chromate, enabling to maintain and even improve adhesion and corrosion-resistance properties compared to existing Cr-based coating materials. This product will contribute significantly in diversifying the market for grain-oriented electrical steel sheet in Europe and other regions. The new Cr-free tensile coating product not only strengthens film tension, enhancing material properties, but also improves lamination factor, adhesion, and corrosion resistance. It is suitable for medium or large power converters that require high insulation.

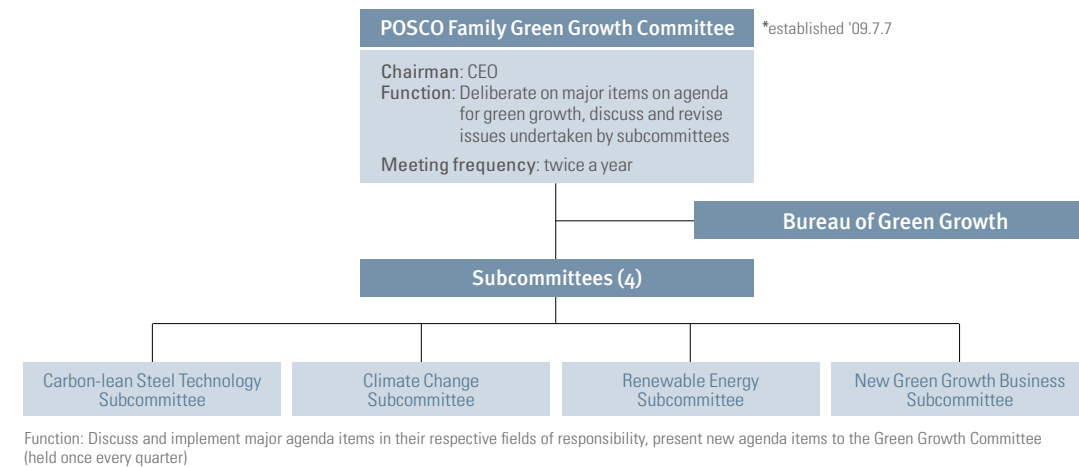
TYPES OF ENVIRONMENT-FRIENDLY PRODUCTS

	Function	No. of products developed during 2000~2009
Environmental Preservation	- Decontamination of environmentally hazardous substances and isolation of substances harmful to the human body - Reduction of noise and vibration, upgrading of exhaust gas purification performance	34
Energy Saving	- Lightweight automobiles, omission of process/heat treatment in production process - Enhancement of energy efficiency and workability	159
Recycling promotion	- Improvement of corrosion resistance, life span and durability	38

POSCO FAMILY GREEN GROWTH MASTER PLAN



POSCO FAMILY GREEN GROWTH COMMITTEE



Low-carbon, green growth is a key paradigm for the sustainability of humanity. However, as coal is used in the reduction of iron ore, it is an inevitable burden on the steel industry.

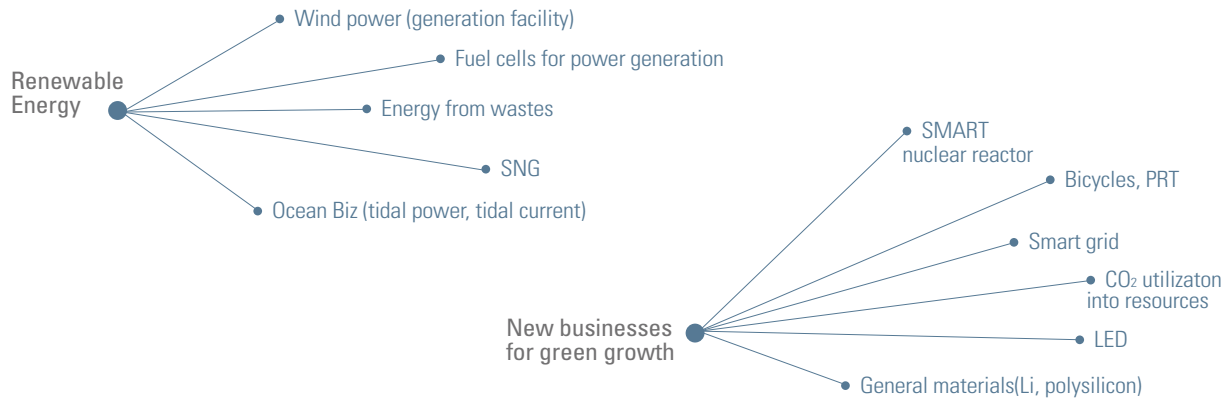
The demand for green management may be a crisis for the steel industry, but it is also an opportunity. POSCO will secure its competitive edge in the steel industry through energy-saving and innovative technologies, and dominate the market through the development and supply of highly energy efficient steel products. Further, by identifying new growth engines in the green business sector, we aim to turn crisis into opportunity toward achieving POSCO's 2018 Vision. On December 17, 2009, POSCO declared its green growth

master plan. Equipped with the conviction that responsibility toward global environment is the moral duty of the steel industry, POSCO will enhance its competitive edge through green growth.

Creating New Opportunities for Growth through Green Businesses The whole POSCO family is actively involved in the renewable energy business, such as fuel cells for power generation, wind power, turning waste to fuel, and synthetic natural gas (SNG). We plan to expand the scope to include small and medium nuclear reactors, smart grids, turning CO₂ into a resource, and the general materials sector.

GREEN BUSINESS

Identify and nurture low-carbon, green growth core businesses/Accomplish KRW 10 trillion sales in the Green Business sector by 2018



•**Fuel Cell for Power Generation** Fuel cells generate energy using hydrogen and oxygen from air. There is no energy loss; hence power generation efficiency is higher than general steam power generators. The CO₂ emission of fuel cells is about 63% compared to that of steam power generators and is widely accepted as an environment-friendly power generating facility. In November 2009, POSCO Power has completed a 2.4MW-class fuel cell generator facility at the Incheon LNG combined power plant, and is currently operating 11 fuel cell generating systems, accounting for a total of 23MW. POSCO is producing 50MW of electricity at the fuel cell power plant completed in September 2008 at the Yeongilman industrial complex in Pohang. Fuel cells have immense growth potential in that they can replace existing power plants. POSCO will expedite the development and localization of third generation fuel cells in collaboration with POSCO Power and POSCO ICT.

•**Wind Power Plant** As the government promotes the use of renewable energy, wind power is expected to grow as the main source of renewable energy. In December 2008, POSCO E&C constructed the Taegisan wind power plant in the Hoengseong and Pyeongchang areas in Gangwon-do (Gangwon Province) with a generation capacity of 40MW(20 generators of 2MW-class), reducing CO₂ emission by 63,000 tons. In addition, based on our experience in land-based wind generators, we plan to enter the marine wind power generation business by building wind generators with total output of 600MW in Yeosu, Goheung, Yeonggwang, Wando, and Shinan by 2015.

•**Turning Waste into Fuel** Waste-to-fuel power generation produces energy using flammable wastes that were previously incinerated or buried, and distributes the heat that

is generated to locations that need them. The waste-to-fuel business includes turning sewage sludge to fuel – a process that dries and processes the sewage sludge to be used as coal supplement at a steam power plant - and RDF (Refuse Derived Fuel) business that turns daily wastes into fuel. In order to systematically promote and nurture the waste-to-energy business, POSCO established POSCO E&E on August 21st, 2009. In November 16th, 2009, POSCO was the first company in Korea to be selected for the waste-to-fuel and exclusive power generation business, and signed a contract with Busan Metropolitan City. The construction for a cogeneration plant started in March, 2010. 900 tons of domestic wastes are collected daily in Busan and processed in an eco-friendly manner - metals are recycled and flammable wastes are used as power generator fuel. The cogeneration power station that will use waste as fuel is expected to produce 25,000 kW of electricity per hour, securing KRW 16 billion in revenue from electricity sales and 125,000 tons of carbon dioxide emission rights. POSCO plans to enter into waste-to-energy businesses with other local governments besides Busan, and actively pursue the development of related technology in cooperation with RIST.

•**SNG (Synthetic Natural Gas)** SNG is a clean fuel business that gasifies cheap coal at high temperature and pressure, refining and synthesizing the gaseous product to produce natural gas. In particular, with current high oil prices, the SNG market is expected to grow as it has the same chemical composition as natural gas. POSCO plans to invest approximately KRW 1 trillion until 2013 to complete the SNG production plant. Especially, as cheap coal is used instead of importing costly natural gas, the import substitution effect is expected to reach approximately KRW 200 billion.

Revenue and major product sales In 2009, POSCO's revenue decreased slightly due to global recession and a drop in steel demand, recording KRW 26,953.9 billion and an operating margin of 11.7%. With the shrinking steel market and heightened competition, POSCO increased the sales ratio of strategic products in existing markets, while endeavoring to stabilize the Southeast Asian and other markets through diversifying its sales channels.

Key Financial Indicators			
	2007	2008	2009
Sales (KRW billion)	22,207	30,642	26,954
Operating Income (KRW billion)	4,308	6,540	3,147
Net Income (KRW billion)	3,679	4,447	3,172
Operating Margin (%)	19.4	21.3	11.7
ROE (%)	15.9	17.0	11.4
EBITDA (KRW billion)	6,029	8,448	5,207
EBITDA Margin (%)	27.2	27.6	19.3
Shareholders' Equity (KRW billion)	24,503	27,784	30,951
Debt-to-Equity Ratio (%)	24.4	33.3	29.2

Sales Volume by Product (Unit: 1,000 tons)					
	2007	2008	2009		
			TOTAL	DOMESTIC	EXPORT
Hot-rolled steel(including PO)	10,264	10,700	9,809	6,089	3,720
Plate	3,831	4,593	4,484	4,072	412
Wire Rod	2,018	2,020	1,960	1,453	507
Cold-rolled steel	9,607	10,416	8,834	4,594	4,240
Electrical steel	907	932	840	421	419
Stainless steel	1,609	1,306	1,368	671	697
Other	1,345	1,198	1,142	1,090	52
Total	29,581	31,166	28,437	18,390	10,047

Assets (Unit: KRW billion)			
	2007	2008	2009
Current Asset	Cash and cash equivalents	8,768	13,693
	Trade accounts and notes receivable, net of allowance for doubtful accounts	3,566	3,722
	Inventories	1,895	3,559
		21,725	6,416
Non-curren Asset	Investment, net	8,165	23,340
	Property, plant and equipment, net	13,202	8,633
		13,202	10,213
Total	30,493	14,466	16,646

Stock Information			
	2007	2008	2009
Share price (KRW)	575,000	380,000	618,000
Market capitalization (KRW trillion)	50.1	33.1	53.9
EPS (KRW)	48,444	58,905	41,380
PER (x)	11.9	6.5	14.9

Economic Activities by Stakeholder 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, and to sales. We also contribute to our stakeholders in the form of taxes to the government, dividends and interests to our investors and contributions to our local communities.

Purchasing & Outsourcing Costs (Unit: KRW billion)			
	2007	2008	2009
Raw material costs	10,347	16,772	13,887
Other material costs	1,308	1,648	1,569
Outsourcing costs	1,350	1,504	1,467
As % of revenue (%)	58.6	65.1	62.8

Dividend Payout (Unit: KRW)			
	2007	2008	2009
Dividends (%)	200	200	160
Dividend per share(KRW)	10,000	10,000	8,000
Interim dividend per	2,500	2,500	1,500
Earnings per share(KRW)	48,444	58,905	41,380

Interest Expenses (Unit: KRW billion)			
	2007	2008	2009
Interest expenses	103	143	289
Interest income	126	191	208

Wages (Unit: KRW billion)			
	2007	2008	2009
Fixed wages	930	954	929
Provisions for severance & retirement benefits	135	240	-2.2
Variable wages	177	323	181

*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 2009) / There is no gender discrimination in POSCO's basic salary system.

Pensions (Unit: KRW billion)			
	2007	2008	2009
National Pension premiums (company's contribution)	333	326	317
Subsidies to personal pensions	84	84	85
Number of beneficiaries to the personal pension subsidies (persons)	12,763	13,491	13,084

Total Taxes Paid (Unit: KRW billion)			
	2007	2008	2009
National taxes	6,442	5,276	11,453
Local taxes	1,082	1,355	1,919
Customs duties	85	75	101

Build a green world
with POSCO's beliefs.



POSCO has established and maintains an enterprise-wide environment-friendly management structure and environment management system.

ENVIRONMENTAL INVESTMENTS IN 2009 AMOUNTED TO KRW 297.1 BILLION, ACCOUNTING FOR 10% OF TOTAL CAPITAL INVESTMENT.



Energy Recycling Process Diagram

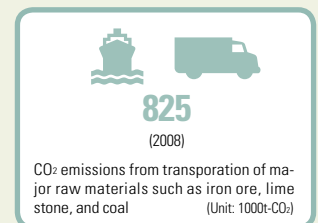
POSCO implements activities for the protection of the global environment and efficient use of resources. In 2009 POSCO has reused 98% of gaseous by-products in the hot blast furnace, heat treating furnace and coke furnace. Water used at each mill undergoes preliminary treatment at the wastewater treatment facility, after which over 98% is reused. The remainder undergoes secondary treatment at the sewage treatment facility, after which the water is partly recycled for cleaning roads within the mills and spraying water to mitigate dust, and finally discharged to the nearby sea. Slag, dust and sludge generated during steelmaking are recycled to be used as road aggregates, fertilizer and cement material. In 2009 a total of 18.61 million tons of by-products have been generated, of which 99% or 18.37 million tons have been reused.

Energy Efficiency
Approx. 69%

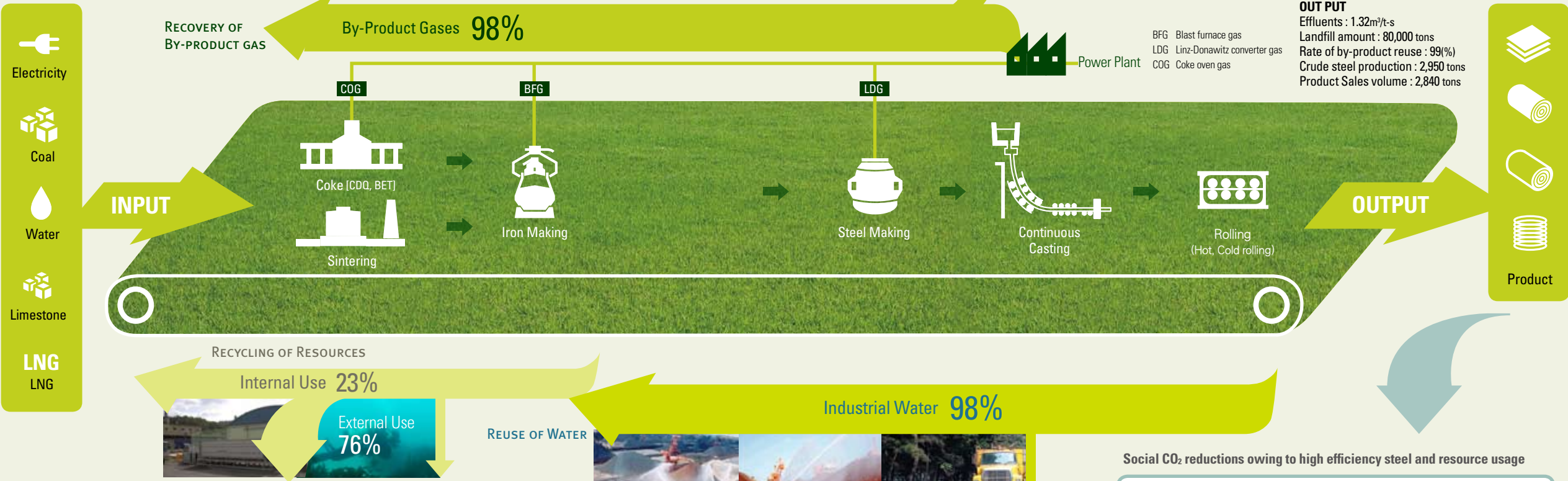
Byproduct gas recovered from the iron and steel making processes provides most of the energy required for steelmaking processes and surplus byproduct gas is used for in-house power generation. For example, 69 percent of the electricity consumed by the Head Office building, as well as the Pohang and Gwangyang Works in 2009 was supplied by the byproduct gas power plant, energy recovery facilities (CDQ and TRT), and LNG-fired combined cycle plant. The remaining 31 percent was outsourced.



CO₂ emissions from transportation of purchased raw materials



INPUT
Iron ore : 4MT
Coal : 20MT
Limestone : 803MT
Electricity : 6,066MWh
Water : 3.86 m³/t-s
LNG : 648MNm³



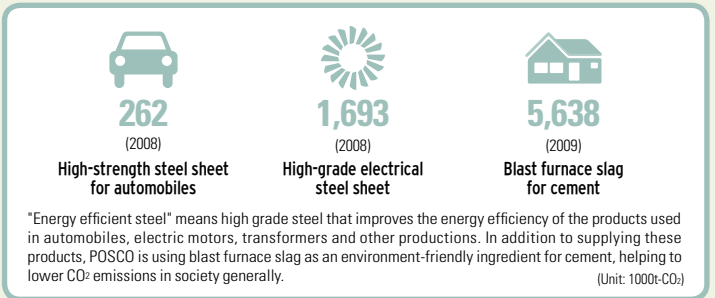
OUTPUT
Effluents : 1.32m³/t-s
Landfill amount : 80,000 tons
Rate of by-product reuse : 99(%)
Crude steel production : 2,950 tons
Product Sales volume : 2,840 tons



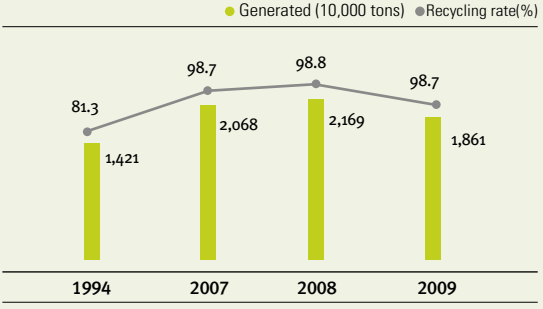
Recycling Rate
Approx. 99%

POSCO uses ferrous and carbonaceous by-products in the processes through the activities of "By-product Profitability Improvement Mega-Y," the organization set up to improve the usage of by-products. Highly ferrous by-products, whose usage within the process was limited for its fine dust features and thus only reused as material for cement and the highly carbonaceous by-products that were sold at low prices, are now processed into granular form and used as raw material in the steelmaking, reducing costs and improving productivity. POSCO also has completed the RHF(Rotary Hearth Furnace), a facility with an annual capacity to treat 280,000 tons of accumulated dust in the processes and sludge from the water treatment facility, enabling the recycling of useful resources from ferrous wastes.

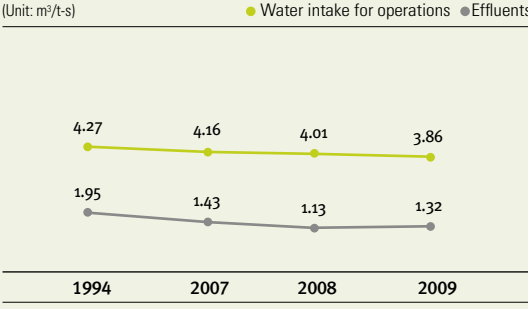
Social CO₂ reductions owing to high efficiency steel and resource usage



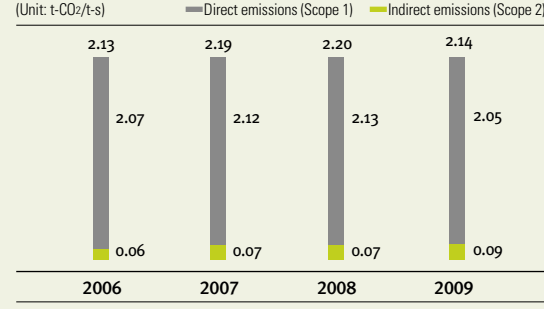
By-Product Recycling



Water Supply for Operations & Effluents



CO₂ Emissions per Ton of Crude Steel



Energy Saving



Environmental Objectives Each year, POSCO sets environmental objectives and implements action plans under its sustainability management policy, which embraces environment protection, resource recycling, and harmony with communities. POSCO's environmental objectives and major activities are as follows.

Organizations POSCO operates the Environment & Energy Committee comprised of managers from environment-related departments from the head office, Pohang and Gwangyang Works and production departments. At regular meetings held at least twice a year, the Committee analyzes domestic and international environmental trends, discusses related issues and draws up mid-to-long-term company-wide environmental visions and objectives. The Committee also analyzes domestic

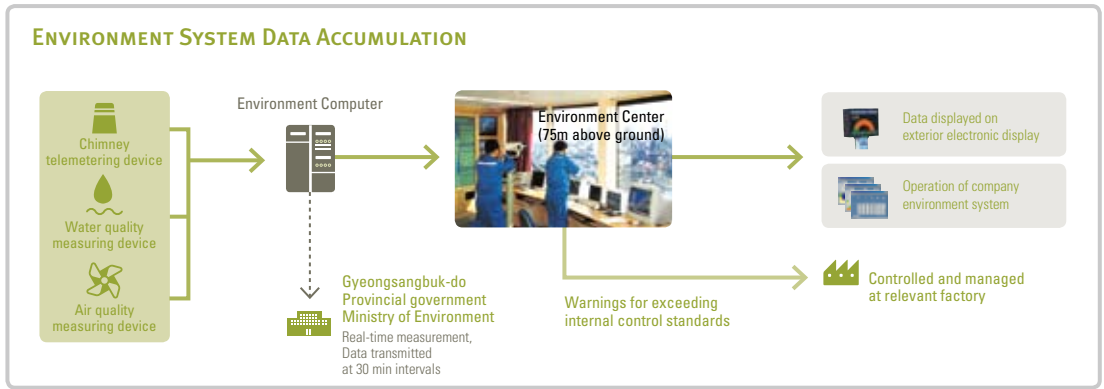
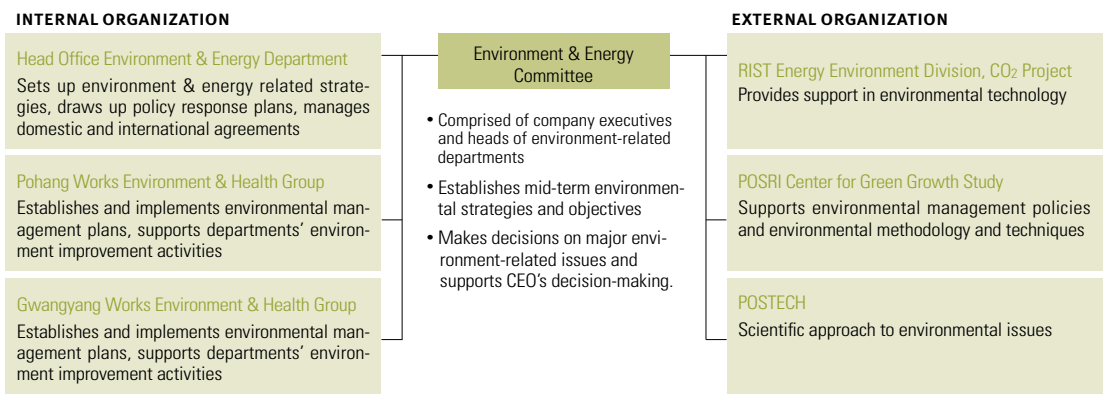
and international trends in policies and management, and develops relevant technology in cooperation with RIST, POSTECH, POSRI, and research institutions in Korea and abroad.

Environment Management System POSCO operates POEMS (POSCO Environment Management System) as a systematic approach to environmental data management. The POEMS system was changed to an enterprise-wide integrated management system after the PI (Process Innovation) project in 2001. The Environmental data collected by the TMS(Tele Monitoring System) at the plants are sent real-time to the Gyeongsangbuk-do provincial government and Ministry of Environment, and are linked to POEMS to provide information for the employees to operate.

2009 ENVIRONMENTAL OBJECTIVES

Securing global leadership in addressing climate change	Enhancing environment-friendly usage of by-products	Reinforcing environmental management centering on humanity and our ecosystem
<ul style="list-style-type: none">• Development of innovative CO₂-reduction technologies• Building the carbon management system• Continue energy consumption reduction activities	<ul style="list-style-type: none">• Underwater forestation project using slag• Adding value to by-products• Development of alternative water for operations and reducing cooling water usage	<ul style="list-style-type: none">• Decreasing fugitive dust emissions from our steel mills• Implementing the agreement to reduce chemicals and dioxin emissions• Eco-Industrial Park project

ENVIRONMENT & ENERGY COMMITTEE



Improving Air Quality

•Reducing fine dust in the steelmaking areas Since 2007, Pohang Steelworks has led the Big Y activities to reduce fine dust in steelmaking areas. As a result, fine dust concentration per unit area was reduced from 80 μ g (micro-grams) in 2007 to 45 μ g as of the end of 2009, successfully meeting the goal set at the time of launching the Big Y movement. From the latter half of 2007 until April 2009, Pohang Steelworks has invested over KRW 120 billion in improving air pollution control facilities, and is still continuing efforts to reduce fine dust and to shut off odors and visible pollutants at plant. On May 7th, 2009, POSCO announced the 500 days' achievements since the declaration of the Environment Vision, held the Jump Up action pledge ceremony, presented a new environmental vision and reconfirmed its commitment to environmental management.

The construction of Korea's largest silos (cylindrical storage tanks) to increase raw material treatment capacity is also a part of POSCO's environmental management scheme. A total of 21 silos (6 in Pohang and 15 in Gwangyang Works) will be constructed, and each silo can store up to 60,000 tons of raw materials. Silos also shut off fugitive dust at its source, enabling all-year-round operation of the steel works.

• Chemicals Control In December 2004, POSCO joined the government and civic-group led "Voluntary Agreement to Reduce Chemicals Emissions." A total of 164 companies that participated the agreement undertook the "Chemicals Discharge Reduction 30/50 Program" that calls for the reduction of chemical discharges by 30% within 3 years of joining

ACTIVITIES

- Restored function and improved aging/deterioration problem of dust collectors.
- Installed belt conveyor washing and turn over equipment (415 units).
- Completed the construction of a real-time odor monitoring system at the plant perimeter in December (KRW 430 million).
- Operated the Environment Monitoring Group (the group was started in September 2009 with 12 persons from the community to acquire objectivity and identify environment-related complaints and the needs of the local citizens to implement practical improvements)

the program and 50% within 5 years. In order to accomplish this goal, POSCO implemented the LDAR (Leak Detection and Repair) system at its coke plant to reduce emissions of BTX(benzene, toluene, xylene compounds) and ammonia, and installed a cover on the waste water treatment plants to capture and treat chemicals. In addition, POSCO has put in place a chemicals management system in 2008 which enables the monitoring of chemicals throughout the entire process from purchase, transportation and use to waste for each type.

Water Quality Control

•Reducing Water Usage For efficient water usage, POSCO is undertaking a project to increase the rate of in-process water reuse and minimize effluents. The project's mid-to-long-term goals are environmentally sound and economically viable improvements such as: □maximizing water reuse; □developing substitutes for dam water; and □reducing cooling water usage and amount of evaporating water. First, wastewater from rolling will be divided into high-chlorine and low-chlorine water and collected and treated separately, reusing approximately 25,000 tons, increasing the current effluent reuse rate to 68%. We also look to doubling the current reuse rate of water that evaporates from cooling facilities. POSCO is developing the technology for retrieving evaporated water, improving the quality of chemicals such as cooling water anti-corrosive agents, and improving the cycling system of cooling towers to increase the number of rotation by more than 40%.

INTENSIVE INVESTMENT TO IMPROVE THE ATMOSPHERIC ENVIRONMENT

On July 7th, 2009, the Steelmaking Plant #2 of the Steelmaking Department completed construction of the converter roof dust capturing facility that will radically decrease air pollution. The facility prevents air pollution by spraying concentrated water when unexpected dust occurs while smelting in the converter. After the facility started operating, roof dust concentration has decreased by more than 30%.



Resource Usage The total amount of by-products produced in 2009 at Pohang and Gwangyang Works was 18.61 million tons. Among the by-products, slag accounts for 76% (blast furnace slag 48%, and steelmaking slag 28%), dust/sludge 15% and others 9%. Almost all the by-products (99%) were recycled, and 1% was treated safely through either incineration or solidification for landfill. In particular, all the blast furnace slag and steelmaking slag are recycled. POSCO diversifies the use of by-products for more value. For example, 80% of the blast furnace slag is turned to granulated slag, and steelmaking slag is transformed for maritime eco-system restoration purposes.

Granulated slag is produced by spraying water on the slag from smelting which turns it into sand form, then finely ground into a powder and used as cement clinker. This can help prevent the exhaustion of mineral resources, reduce CO₂ emissions, and make high performance concretes.

The RHF (rotary hearth furnace) plants in Pohang and Gwangyang that PNR (POSCO-Nippon Steel RHF Joint Venture Co., Ltd.) – the first joint venture company set up in partnership with Nippon Steel – built also represents a new model of resource usage. The RHF plants constructed at the landfill site at Pohang and Gwangyang Works are environment-friendly

facilities that produce 280,000 tons (Pohang 140,000 tons, Gwangyang 140,000 tons) of HBI-DRI from dust and sludge. Most of the HBI product produced at the Pohang RHF plant is exported to Nippon Steel, and POSCO uses all the DRI products produced at the Gwangyang RHF plant.

POSCO has completed the RHF(Rotary Hearth Furnace) in 2009 in cooperation with Nippon Steel. This facility has an annual capacity to treat 280,000 tons of accumulated dust in the iron and steel making processes and sludge from the water treatment facility, which enables the retrieval and reuse of useful resources from ferrous wastes.

In May 2009, Gwangyang Works invited the Gwangyang City municipal government and 9 by-product recycling plants including SNNC and Boogook Industries, located at POSCO’s recycling complex, to an environment coaching presentation. The environment coaching system was started in 2007 to share POSCO’s environment management know-how with outsourcing partners. The companies in the Gwangyang recycling complex that attended the presentation shared model cases such as water spraying facilities to mitigate fugitive dust both inside and outside the plants, enhancing the wheel washing facility and improving plant equipment.

The activities of the “By-Product Mega-Y project”

In February 2007, POSCO launched the “By-Product Big-Y project” with the purpose of groundbreaking improvement added value of by-products.s Under the supervision of the executive leading the environmental departments, the “By-Product Big-Y project”, which consisted of 4 task force teams - Demand Cultivation, New Technology, Investment, and Implementation - was expanded to Mega-Y to include the Material Cost Reduction Big-Y in January 2009.

Activity1. Reusing steelmaking by-products as process materials

POSCO is undertaking the project of replacing iron ore and powder cokes used in the sintering process with by-products from the steelmaking process that contain iron and carbon. Until recently, the reuse of by-products with high iron content within the steel mills was limited because they were in the form of fine matter; hence most of these by-products were used as cement ingredient. However, thanks to Mega-Y activities , POSCO has succeeded in granulating high iron content by-products and high carbon content by-products that are sold at cheap prices to use them as materials in the steelmaking process, reducing production costs and improving productivity. The Mega-Y team contributed greatly to POSCO’s economic performance in 2009 by successfully replacing materials with 440,000 tons of granulated by-product in the sintering process, reducing costs by KRW 37.7 billion. The team plans to expand facility capacity to increase the reuse of by-products in the production process.

Activity2. Turning industrial by-products that used to be buried into processing materials

In collaboration with RIST, POSCO succeeded in extracting nickel and chromium from industrial by-products such as sludge from electronics companies and effluents from diamond grinding. These by-products that used to be buried can now be used as raw material in the stainless steel production process. Unlike conventional dry high-temperature melting reduction technology, POSCO’s wet extraction technology is the first to be developed in the world, and we have filed for 10 domestic patents and 4 international patent registrations (PCT) in America, China and Europe. The technology enables cost reduction by 60–80% compared to the conventional process. The superiority of this technology was recognized at the First National Green Tech Award which won the Prime Minister’s Prize in February 2010. In 2009, POSCO replaced 5,700 tons (dried weight) of pellet for stainless steel production, saving KRW 2.6 billion in raw material costs, and plans to expand its facilities to produce 12,000 tons of pellet, which is expected to reduce material costs by KRW 5.5 billion.



Outsourcing Production Plant



Valuable Resource Recovery Facility



Pellet Produced at Outsourcing Plant



2009 POSCO Carbon Report

Responding to Climate Change At the POSCO Family Green Growth Committee held in December 2009, POSCO finalized its low-carbon, green growth initiative and announced it in February 2010. Over the past three years (2007-09), 2.18 tons of carbon dioxide (t-CO₂) were emitted on average per ton of crude steel (t-s) produced. The plan now calls for this CO₂ intensity figure to be lowered by 9 percent to 1.98 tons by 2020. To this end, the company will invest W1.5 trillion in research to reduce the amount of coal used as fuel in steel production, improve energy efficiency, and develop innovative technologies related to carbon dioxide.

At the same time, we will develop and supply high tension steel sheets for automobiles that improve gas mileage, and high quality electrical steel sheets that will improve the energy efficiency of motors and power converters, and expand the supply of granulated slag from the blast furnace as an environment-friendly substitute for cement. We will expand these projects that supply high energy efficiency steel products and turn by-products into resources so that we will contribute to reducing 6 million tons of socially emitted CO₂.

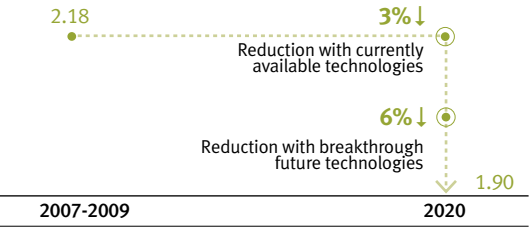
Also POSCO-invested companies and institutions will invest a combined W5.5 trillion in new green growth businesses, which will help lower annual CO₂ emissions by 8 million tons compared to current levels. Experience gained in the construction of the Taegisan Wind Farm will be applied to advance into the onshore and offshore wind power generation business. Investment will be expanded to develop and localize third-generation fuel cells, devise specialty smart grids for

energy-intensive industrial facilities such as steelworks, and create new ways to convert solid waste into energy.

POSCO has defined 3 innovative technology routes specialized to the steelmaking process and is developing mid-to-long-term innovative technologies for CO₂ reduction. First, the carbon-lean steelmaking route aims at producing less CO₂, an example of which is the low-carbon FINEX process. Second, the carbon capture and storage of steelmaking route isolates and locks the CO₂ produced during the steelmaking process. POSCO is developing technology that uses ammonia water that absorbs and isolates CO₂. In 2007, POSCO signed an MOU with the Ministry of Maritime Affairs and Fisheries (now integrated into the Ministry of Land, Transport and Maritime Affairs) for cooperation in developing seabed storage technology in the East Sea. The third and last hydrogen steelmaking route utilizes hydrogen in steelmaking. POSCO has joined a consortium of international steelmakers to discuss technology development in furnace-based hydrogen reduction.

POSCO'S TARGET FOR REDUCING CO₂ INTENSITY

(Unit: t-CO₂/t-s)



POSCO’S CARBON MANAGEMENT RISK AND OPPORTUNITY FACTORS

(S Green Steel B Green Business L Green Life P Green Partnership)

RISK	S	The possibility of increased flooding, rising sea levels and more severe droughts could adversely affect the outdoor storage of raw materials, make industrial process water more difficult to obtain and drive up related costs.
	S	Heavy reliance on coal is a basic part of steel production. Therefore, finding a substitute will be difficult when coal prices rise.
	S	The company faces a cost burden and the risk of weakened competitiveness when implementing voluntary GHG reduction targets and complying with tighter regulations on carbon emissions.
	B	Enactment of the government’s tougher carbon restrictions will impair the competitiveness of energy-intensive industries (such as steel), which in turn could reduce people’s incomes and curtail steel output.
OPPORTUNITIES	S/P	When the government initially applies its restrictive carbon policy, POSCO faces a risk of legal noncompliance as parts of the internal carbon control program may still be incomplete and the employees concerned may lack sufficient training.
	B	Demand for carbon-lean steel is likely to increase in the consumer electronics, automobile, shipbuilding and construction sectors.
		-Transport Sector, Automotive: The growing importance of fuel efficiency will create the need for lighter vehicles, which will drive demand for specialty steel.
		-Power Sector: Demand will rise for special grades of electrical steel that are essential for the production of new and renewable energy.
		-Renewable Energy: Steel products will be needed to make wind-powered turbines and fuel cells.
	B	Demand for steel products is likely to rise because steel is easy to recycle.
	B	Being first to develop certain new technologies such as hydrogen steelmaking and carbon capture and storage can bolster corporate competitiveness.
	L/P	Heightened shareholder awareness from positive assessments of corporate response to climate change can help boost the image of an environment-friendly brand.

TECHNOLOGY DEVELOPMENT DIRECTION



* For detailed information regarding climate change, please refer to the POSCO Carbon Report.
<http://www.posco.co.kr/homepage/docs/kor/html/sustain/enviro>

POSCO's Triton Used to Restore Coastal Areas

POSCO has developed "Triton"* which is effective in restoring coastal areas damaged by the rise in seawater temperature. Triton is a steel slag marine structure that can restore fishery resources such as algae, fish and shellfish that have been damaged by whitening events within a short time period. Steel slag is a by-product of steel making and contains rich quantities of useful minerals such as calcium and iron compared to normal aggregates, which helps the algae's growth and photosynthesis, and helps purify the seawater and polluted sediments. In addition, the marine forest formed by Triton has the effect of capturing CO₂ through slag carbonation and algae photosynthesis.

There are several explanations for whitening events at coastal areas: one is the marine conditions theory that pinpoints the lack of nutrients in the seawater as the reason for whitening, and the other is the herbivorous damage theory which argues that animals such as sea urchins and abalone eat up all the algae. It can be assumed that whitening is caused by a combination of these events according to regional conditions. Normally, ferrous substances that are necessary for the growth of algae are supplied from forests through rivers. However, with decreasing forest areas and large-scale land development projects such as dams, their supply routes are being cut off. Thus, it is commonly accepted that the insufficient supply of ferrous substances (fulvic acid-iron) inhibit

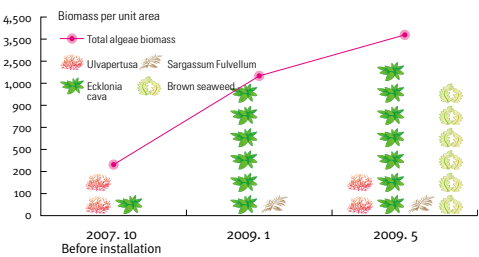
*Triton : The god of the seas in Greek mythology. He blows a twisted conch to call upon dolphins and fish, and has the ability to restore forests.
**Iron and calcium : Iron expedites spore germination and growth of algae, and calcium purifies polluted sediments and seawater

the growth of algae.

As Triton is rich in minerals such as iron and calcium** compared to natural rocks, it can restore the damaged algae and fisheries of the coastal areas within a short time period. The Triton reforestation technology has been proven viable through a decade's collaborative research between POSCO, RIST, and other specialized research institutes in the East Sea and Namhae open seas. The Triton fishing reefs have high specific gravity and high strength characteristics, making them physically stable and resilient to typhoons and tidal waves. When built with the same budget as normal concrete, the Triton marine forest's algae adhesion surface is larger. In addition, Triton is a low-carbon material that reduces CO₂ through carbonation and photosynthesis of algae.

POSCO Volunteers for Clean Ocean On November 25, POSCO founded the "POSCO Volunteers for Clean Ocean" for the preservation and purification of the marine ecosystem. The Volunteers for Clean Ocean was expanded from the scuba diving club comprised of about 100 members from POSCO employees and their families. They retrieve discarded fishing nets, tires and tents from the sea. The POSCO Volunteers for Clean Ocean plans to undertake sea surface and underwater cleaning volunteer work every month at Pohang and Gwang-yang, and once every half-year, they will visit issue areas for large scale volunteer work.

7-FOLD INCREASE OF BIOMASS 18 MONTHS AFTER SEA FORESTATION BY TRITON



STARK CONTRAST BETWEEN TRITON SEA FOREST AND EXISTING ROCK MASS



CO₂ REDUCTION EFFECT OF TRITON

(10~20 t - CO₂/ha, RIST)



Investment in the Environment POSCO's investment in environmental facilities in 2009 was KRW 297.1 billion, which accounts for 10% of the total capital expenditures (capex). Since its establishment, POSCO has continued investments in environmental improvement, which amounts to a total of KRW 3,958.6 billion. This accounts for 9.1% of total accumulated capex. In 2009, POSCO spent KRW 629.2 billion for maintenance and operations of environmental facilities. Including

energy recovery costs and environmental R&D costs, POSCO's total environmental expenses amounted to KRW 699.4 billion. Owing to intensive investments in air pollution prevention facilities such as implementing the sinter flue gas cleaning system and optimizing dust collector facilities, the unit loading factors of the three major air pollutants (SOx, NOx, and dust) have decreased by 20% compared to that of 2006.

MAJOR INVESTMENTS IN ENVIRONMENTAL FACILITIES IN 2009

(Unit: KRW billion)

INVESTMENT DETAILS		AMOUNT
Air	Improvement of sinter flue gas cleaning system 1 and 2	166.1
	Improvement of dust collector facility for enhanced efficiency	
Water	Supplementing the wheel washer in the raw materials yard	79.1
	Improvement of dust collector facility for enhanced efficiency	
Recycling and other	Rationalization of furnace slag facilities	51.9
	Improvement of slag pit	
TOTAL		297.1

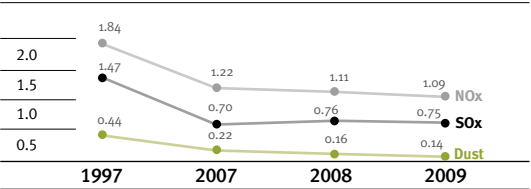
ENVIRONMENTAL EXPENSES

(Unit: KRW billion)

DETAILS		2007	2008	2009
Environmental facility operating costs	Electricity, maintenance, labor costs, etc.	231.4	239.9	237.1
Recycling costs	By-product processing, delivery, incineration/landfill, outsourced treatment costs, etc.	178.3	197.5	215.8
Depreciation costs	Environmental facility depreciation costs	133.7	147.7	142.5
General administration costs	Environment-related department labor costs, water usage dues, etc.	36.3	39.9	33.8
Environmental R&D costs	Environmental R&D costs	14.0	14.0	13.3
Energy recovery costs	By-product gas recovery costs, hot water/steam/electricity recovery costs	50.7	48.0	51.9
TOTAL		644.4	687.0	694.4

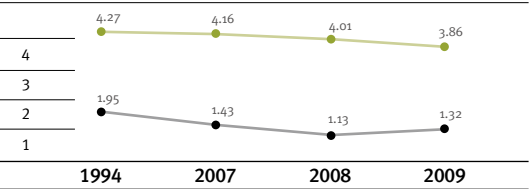
EMISSION OF AIR POLLUTANTS

(Unit: kg/t-s) —Dust —SOx —NOx



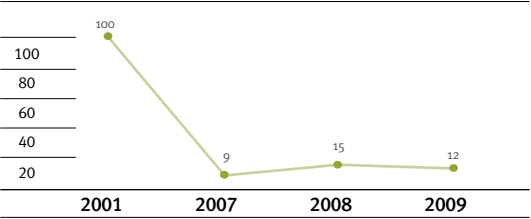
WATER SUPPLY FOR OPERATIONS & EFFLUENTS

(Unit: m³/t-s) —Water intake for operations —Effluents



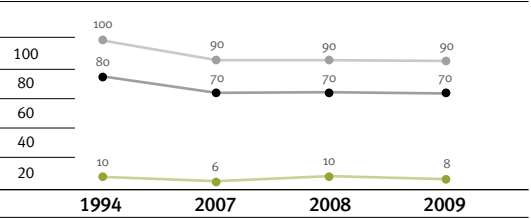
REDUCTION OF DIOXIN COMPARED TO 2001

Indexed dioxin emission levels where 2001=100



FINAL COD CONCENTRATION IN EFFLUENTS

(Unit: mg/l) —Concentration —Legal limit(Gwangyang) —Legal limit(Pohang)



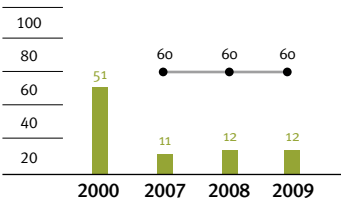
BY-PRODUCT RECYCLING BY APPLICATION (2009)

(unit: %)



FINAL T-N CONCENTRATION IN EFFLUENTS

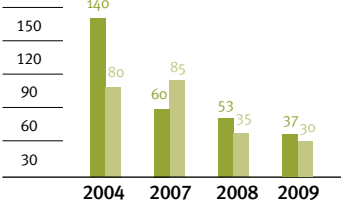
(unit: mg/ l) ■ Concentration ■ Legal limit



*T-N concentration has been regulated since 2003

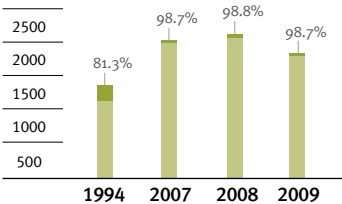
EMISSIONS OF CHEMICAL SUBSTANCES

(Unit: tons/year) ■ Pohang ■ Gwangyang



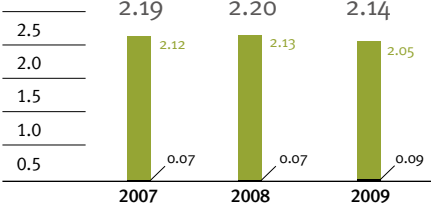
BY-PRODUCT RECYCLING

(Unit: tons/year) ■ Generated ■ Recycled ■ Recycling rate(%)



CO₂ EMISSIONS PER TON OF CRUDE STEEL

(Unit: t-CO₂/t-s) ■ Direct emissions(Scope 1) ■ Indirect emissions(Scope 2)



*Calculation based on the WBCSD/WRI Greenhouse Gas Protocol guidelines(2004)
- Calculation scope: Pohang and Gwangyang Works
- Direct emissions(Scope 1): CO₂ emissions from 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.

REDUCTION OF SOCIALLY EMITTED GREENHOUSE GASES

	High tension automotive steel sheets(2008)	Low core loss electrical steel sheets(2008)	Granulated Slag(2009)
Reduction of socially emitted CO ₂ (1,000 t-CO ₂ /year)	262	1,693	5,638
Sold volume (1,000t)	328	295	7,137

*High tension automotive steel sheet means HSS (High-Strength Steel) with tensile strength of over 590 MPa and AHSS (Advanced High-Strength Steel) with tensile strength of over 440 MPa. Calculations were made on the assumption that the steel sheet was applied to a 2,000cc-class vehicle produced by a domestic car manufacturer and the expected mileage improvement through reduced weight of the vehicle.

*Low core loss electrical steel sheet means grain-oriented electrical steel sheets with less than 0.98 W/kg loss rate and non-grain oriented electrical sheets with less than 4.7 W/kg loss rate. Calculations were made on the assumption that the steel sheet was applied to a motor and power converter and the expected improvement in energy efficiency.

*Adopting the standard set at the Asia-Pacific Partnership steel industry task force, calculations were made based on the assumption that 1 ton of cement clinker that replaces 1 ton of blast furnace granulated slag has the CO₂ reduction effect of 0.79 t-CO₂/tClinker

Environmental Communication POSCO discloses its environmental objectives, related activities and performance information through the Sustainability Report and the POSCO website. POSCO annually hosts the Steel Conference environment workgroup, environmental technology sub-meetings, and invites renowned scholars from Korea and abroad to understand domestic and international trends and discuss cooperation in environmental technology. In response to stakeholders' heightened interest in climate change, POSCO has published the 2009 Carbon Report in February 2010, in which relates POSCO's GHG reduction objectives and activities to address issues of climate change. The report details POSCO's system addressing climate change and GHG reduction performances.

In order to receive objective reviews of its environmental management activities, POSCO participates in the CDP (Carbon Disclosure Project), which targets major enterprises of the world, and receives reviews on its efforts to mitigate global warming. POSCO also participates in the SAM DJSI(Dow Jones Sustainability Index) – a global sustainability index provider – to receive external evaluation on its sustainability management activities.

POSCO shares advanced environmental technologies and identifies international trends by continued communication with WorldSteel and other domestic and international associations and with academia, and has implemented the "POSCO Large-Medium-Small Companies Green Partnership Expansion Project" as a means of practicing win-win environmental man-

agement. From 2003 through 2008, clean technology transfers and environmental management assessments have been completed for 44 suppliers and 26 outsourcing partners. Since 2009, in order to establish a POSCO Family level environmental management system, the POSCO Family Environmental Management Committee was launched in December, 2009 and has been operating since.

As a member of the "Cooperation program between steel-makers and large & smaller companies" agreement supervised by the Korea Energy Management Corporation (KEMCO), POSCO has been participating in the transfer of energy saving technology in the steel industry sector and providing support to SMEs since 2007. POSCO dispatches technical specialists to 10 SMEs to support them in heating furnace operation, maintenance techniques, and heat efficiency assessments.

Promoting Green Purchase 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.

DOMESTIC AND INTERNATIONAL COOPERATIVE ACTIVITIES

	Activity	Details
Domestic	-KOSA Environmental Policy Conference -KBCSD -ESP(Energy Saving through Partnership) -Steel Industry Task Force to Address Climate Change Convention	-Responding to changes in environmental policies and finding ways of voluntary environment improvement activities -Discussion on environmental issues and environment preservation activities -Supervised by KEMCO, sharing of technology and know-how between companies for energy saving -A meeting between KOSA, MKE, major steel makers, and research institutes for collective response to the Climate Change Treaty
International	-WorldSteel CO ₂ Breakthrough Programme -WorldSteel Climate Change Policy Group -Steel Industry Taskforce for the Implementation of Asia-Pacific Partnership	-Collaborative CO ₂ reduction technology development program among WorldSteel members -Led by WorldSteel, discussion on global steel sector approach -Taskforce for clean development and addressing climate change of the 7 members of the Asia-Pacific Partnership

TYPE AND PERFORMANCES OF GREEN PURCHASE

(Unit: KRW billion)

		TYPE	ITEMS	2007	2008	2009
Certified Green Purchases	GP 1	Environmental mark items	Lubricating oil, PCB,	4.5	1.6	1.9
	GP 2	GR(Good Recycled) mark items	Monitors, inverters and sensors	0.1	0.1	0.04
	GP 3	Energy saving items	Motors and inverters	13.3	22.4	10.1
POSCO's voluntary Green Purchases	GP 4	Items reducing harmful materials (lead, mercury, asbestos)	Activated carbon, chemicals, resins	32.7	39.6	73.3
	GP 5	Less waste producing items (adjusting packaging unit, purchasing under waste recovery standards and refill contracts, etc.)	Roll, water treatment chemicals, metallic tubes, heat exchanger, knives, refractory	106.4	126.9	162.4
	GP 6	Others(flame resistant, foreign environmental label items)	Coveyor belt, flux powder	12.1	11.9	14.8
TOTAL		2, 047 ITEMS		169.1	202.5	262.5

POSCO’s business is reaching out to the world, with current operations totaling 66 subsidiaries domestically and abroad. If we include all the companies that POSCO has invested in and subsidiaries of subsidiaries, 42 companies in Korea and 121 abroad are striving for one value under the POSCO Family. In 2009, POSCO actively expanded coil processing centers and increased overseas investments to further broaden its overseas business territory. At the same time, POSCO strived to enhance subsidiaries’ competitive edge through evenly balanced advancement and improved liquidity by integrating subsidiaries’ overlapping business fields and minimizing potential risks.

Recently discourse has shifted from competition between enterprises to competitiveness among value chains. Keeping in step with this trend, POSCO is pursuing the POSCO Family Win-Win Strategy so that all members of the POSCO Family all over the world may work toward the same vision and achieve mutual growth. As POSCO’s business area reaches out to the world, we plan to establish the Supplier Code of Conduct and distribute it to the global POSCO Family. In addition, we will implement a systematic approach to cultivating core human assets in overseas branches to steadily increase the rate of local manager ranks until 2018. As such, the core of the POSCO Family management strategy is to secure a foothold for growth through evenly balanced advancement among POSCO’s subsidiaries, outsourcing partners, suppliers and overseas branches, thereby reaching the goals set in Vision 2018.

POSCO is broadening its growth base through win-win partnerships with the POSCO Family. Our vision is to strive for even and balanced growth for the entire POSCO Family, which includes POSCO and its affiliates, overseas branches, outsourcing service partners and suppliers, and thus achieve the strategic goals set out in Vision 2018. Thus, we plan to increase revenues in non-steel related sectors, which comprised 18% of the KRW 34 trillion sales volumes in 2008, up to 35% of the sales volume in 2018, projected to be KRW 100 trillion. Through standardization and specialization, POSCO is creating synergy by implementing long-term competitiveness enhancing programs. Standardization means building a community of trust having the same vision and values, which will enable the POSCO Family to reinvent itself as a value community that shares the Global POSCO Way, tapping into the same corporate brand, core values, human resources development and IT infrastructure. In order to achieve this goal, POSCO is promoting the POSCO Way as the method of working throughout the POSCO Family and harmonizing the POSCO CI. We also plan to expand the scope of shared services such as management support, cultural events,

purchasing support, IT infrastructure and financial support to the whole POSCO Family members. POSCO also operates individual programs under themes such as: sharing employee training programs, facilitating POSCO Family members’ efforts to improve competencies, and fostering a win-win cooperative mindset in all POSCO employees.

At POSCO, the annual volunteer activity per person is 30 hours – the culture of sharing will be spread throughout the POSCO Family. POSCO operates the POSCO Family local volunteer groups so that employees may freely participate in volunteer activities and annual visits to all major affiliates in order to provide social contribution consulting services. POSCO also conducts various programs to assist the social contribution activities of POSCO Family members. For example, meetings between the on-line community and coordinators are frequently held to solve difficulties related to social contribution work. Also, regular ethics education programs for subsidiaries and publication of ethical dilemma cases experienced by family companies are examples of how POSCO is helping POSCO Family members to practice ethical principles.

Key Subsidiaries Status



In 2009, POSCO focused on “broadening its business scope” at the POSCO Family level, centering on its key steel-making business. Unprofitable businesses were sold and similar business functions were consolidated to facilitate the even advancement of domestic subsidiaries’ competencies. Korean subsidiaries’ revenue for 2009 reached KRW 13.8 trillion, an increase by KRW 1 trillion compared to the previous year, and net income increased by KRW 200 billion, at KRW 480 billion. In our overseas business, we expanded investments in coil processing centers to broaden our global business territory, reaching KRW 4.6 billion in sales.

POSCO operates subsidiaries in the areas related to the life cycle of steel, and also in the areas of construction, energy, and information technology which are considered its upcoming core business. In 2009, POSCO boldly restructured areas of low competitiveness – the maintenance business with low profitability and the WiBro business which raised concerns of investment loss. Similar businesses within the POSCO group were consolidated to minimize management costs and enhance group-wide competitiveness. As a result, POSDATA in the IT business and POSCON in automation were merged, reborn as POSCO ICT, the engineering & IT convergence company. Also POSMEC and POS-M were integrated to become an engineering company specializing in industrial facilities. In addition, PosHiMetal, which produces and sells high-purity Fe-Mn(ferromanganese), is preparing to manufacture next-generation products.

The POSCO Family continues to address climate change, a serious issue for the steel industry. POSCO Power will foster core energy businesses of the future and enable POSCO to respond to energy-related international regulations including the climate change regime. POSCO has entered the recycling business as well. PNR is a waste recycling plant that POSCO and Nippon Steel will operate collaboratively to enhance resources usage, and POSFINE turns slag into a resource.

In tandem with the strategy to consolidate existing competencies and strengthen competitive edge in future businesses, POSCO established POS Eco Housing, an environment-friendly steel house design and construction company for the supply of environment-friendly housing materials. POS Eco Housing is the first self-supporting social enterprise in Korea. 34 of the first 50 employees were recruited among the socially disadvantaged, and POSCO plans to increase this number to 150 by 2012. The establishments of POSWITH, the first social enterprise to be established in the form of a subsidiary of a conglomerate, and POS Eco Housing, show POSCO’s dedication to its dual mission of enhancing its competitive edge in its businesses as well as creating jobs for the socially disadvantaged.

POSCO is actively expanding its overseas plants to secure the foundation for global sustainable growth. In 2009, POSCO worked to standardize the working method and infrastructure of all its workplaces around the world, including 11 coil processing centers (SCM) that were newly established. Despite a slight drop in revenue due to decreased purchase orders caused by global economic recession and reduced selling prices in 2009, we expect economic performances to continue to grow in the long term owing to our business diversification and expansion efforts in 2010. POSCO is putting in various efforts to build stable management conditions by enhancing global management synergy through M&As, as well as strengthening its leading indicator management to prepare in advance for latent risks such as a double dip.

Highlights on Major Subsidiaries

POSCO owns subsidiaries not only in the steel related business, but also in construction, IT, and eco-friendly energy business. Through its involvement in major business sectors, POSCO hopes to maximize synergy between businesses and prepare itself for the age of non-stop competition.

• **POSCO Power** POSCO Power is a utility company that started as the first private power plant in Korea. Since its establishment in 1972, it has become Korea’s largest private power plant with 1.8 million kW capacity. With its unrivaled growth history and sense of responsibility as Korea’s leader in power generation, POSCO Power has been devoted to advancing further. Currently, POSCO Power has established plans to expand its capacity by 2.4 million kW by 2014 in order to alleviate the power shortage problem in Seoul and its surrounding area. In accordance with this plan, starting from expanding 1,000MW in December 2008, POSCO Power plans to complete its phase 1 of 1.2 million kW expansion by 2011, and phase 2 by 2014.

POSCO Power is focusing on securing the engine for future growth through renewable energy. Ever since it acquired the fuel cell (MCFC) business from POSCO, POSCO Power has been collaborating closely with FCE, a U.S.-based global leader in this field. With a plan to complete a 180 kW-class SOFC fuel cell combined cycle power plant by 2012, POSCO Power has completed construction of a 2.4MW-class fuel cell generator facility in November, 2009. In addition, POSCO Power is striving to create a group-wide synergy effect by signing MOUs in the fuel cell business with RIST, POSCO ICT, POSCO E&C, and POSMEC.

In addition, POSCO Power has built a 300MW-class combined cycle power generation plant that uses by-product gas and entered the IPP business in developing countries as a means to actively respond to the low-carbon green growth policy. POSCO Power has identified renewable energy as the new growth engine, and its active pursuit of next-generation, eco-friendly fuel cell business and renewable energy businesses such as wind, solar and tidal power generation are proof that the future which POSCO Power hopes for is in harmony with low-carbon green growth.

• **POSCO E&C** POSCO E&C is an engineering and construction company newly launched in 1994 based on experience gained from designing and building POSCO’s integrated steel mills. Since its establishment, POSCO E&C has grown into an integrated engineering and construction solution provider. POSCO E&C’s scope of business is expanding to include not only steel-making but also power plants and renewable energy business-- energy plants such as LNG terminals and oil refinery/chemical plants, environmental businesses such as water treatment facilities and resource reuse, and civil engineering and construction involving urban planning. Early on since its establishment, POSCO E&C has built a global operations system, running its offices in Vietnam and China. In 2009 it broke ground for the expressway between Vietnam and China. It is active in overseas businesses, becoming the first Korean company to build an overseas steel mill. It also won a contract for the combined cycle power plant in Peru and operates steel plants in Iran and Japan. In June, POSCO E&C signed an MOU with POSCO Power for the joint development of the energy sector. POSCO E&C’s competencies in energy business and POSCO Power’s expertise as Korea’s largest independent utility company are expected to bring huge synergy effects. In addition, the eco-friendly construction software POEMS has been implemented in all workplaces, contributing to the dissemination of environment-conscious construction practices.

POSCO E&C’s efforts to enhance competitiveness were recognized as it won the Minister of Knowledge Economy Award under the environment-friendly construction category in the National Environmental Management Award in June 2009. Furthermore, it ranked 24th among Korea’s most admired companies and won 1st place among construction companies in a survey conducted by KMAC.

• **POSCO ICT** POSCO ICT was formally launched in January 2010, combining the know-how of POSDATA in information technology and POSCON in equipment automation engineering. In addition to its three core areas of business - engineering, process automation, and IT services - POSCO ICT plans to pave the way to new growth in the green IT sector such as smart grids and u-eco (ubiquitous-ecological) cities.

POSCO ICT’s three core areas of business are: engineering – providing comprehensive engineering services from system design to maintenance in various urban industrial facilities including construction, railway, logistics and energy; process automation business based on know-how in steel mill production facility automation; and providing IT solutions for industrial facilities. All three businesses are based on convergence technologies that build a safe and convenient workplace and promote productivity. Combining these technologies with future technology, POSCO ICT plans to expand its business to smart grid, an energy optimization solution. It will also play a leading role within the POSCO group in constructing a future-oriented ecological city by utilizing this technology.



Scope and objectives

Two Tomorrows (Asia) Limited has undertaken independent assurance of the POSCO 2009 Sustainability Report (the 'Report')

The assurance process was conducted in accordance with the AA1000AS (2008). We were engaged to provide Type 1 assurance, which covers evaluation of adherence to the AA1000APS (2008) stakeholder principles of inclusivity, materiality and responsiveness (the Principles). The scope of our work excludes financial information and the reliability of sustainability performance claims.

Responsibilities of the directors of POSCO and of the assurance providers

The Directors of POSCO have sole responsibility for the preparation of the Report. We were not involved in the preparation of any part of the Report. We have no previous contracts with POSCO and this is the first year for which we have provided assurance for the company.

Our statement represents our independent opinion and is intended to inform all of POSCO stakeholders including management. We adopt a balanced approach towards all POSCO stakeholders.

Our team comprised MinGu Jun, project leader, Todd Cort, project advisor, InMog Yang, SeYoung Yang and Sang-Mook Park and this assurance statement was prepared by the team in English, and reviewed and signed off by Jason Perks, CEO Two Tomorrows (Asia) Ltd. Further information,

including individual competencies relating to the team can be found at: www.twotomorrows.com

Basis of our opinion

Our work was designed to gather evidence with the objective of providing moderate assurance as defined in the AA1000AS (2008). We undertook the following activities:

- Review of information provided to us by POSCO on its reporting and management processes relating to the AA1000 Principles.
- Review of the English and Korean draft report to identify material claims for further check and clarification during the site visit and management interviews.
- 4 days site visits with 4 assurance practitioners to Pohang Steel Works, Seoul to review management systems for sustainability areas discussed in the Report.
- 5 senior and executive management interviews to assess management and adherence of the company to the three Accountability Principles.

Findings

We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe POSCO's adherence to the Principles

Two Tomorrows (Asia) Limited trading as Two Tomorrows was formed from the merger of Csnetwork and Sd3 in January 2009, Two Tomorrows is an international consultancy that helps companies to perform better and create value by doing business in a sustainable way. www.twotomorrows.com

Observations

Without affecting our assurance opinion we also provide the following observations.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

- POSCO has a well developed system for assessing stakeholder priorities for sustainability reporting through the Materiality Assessment. We believe that the Materiality Assessment could be aligned with the business risk management processes to promote more inclusive decision-making within the company.
- POSCO might also consider additional, formal stakeholder feedback efforts that can help the company to evaluate its processes for recognizing and managing material issues. This might include engaging a stakeholder advisory panel or similar.
- POSCO appears to have a strong history of engaging with local communities around the major operations. As the company grows and the number of operations increases, more formal systems of communicating stakeholder feedback between the operations and group management will likely be necessary.

Material issues are those which are necessary for stakeholders to make informed judgments concerning POSCO and its impacts.

- POSCO should consider the possible sustainability risks and opportunities from its new global business ventures in mining and energy sector. For those investments where POSCO does not have operational control, the company could describe efforts to work with business partners to develop and promote good practice.
- We recommend that POSCO improve the materiality by reducing process or management approach related issues in the current materiality assessment and focusing more on specific sustainability issues. Utilising the material issues' relative priority to determine the report structure is also recommended.

Responsiveness concerns the extent to which an organization responds to stakeholder issues

- Effective response requires effective internal communication. POSCO currently has excellent cross-functional communication on energy and environmental performance. We believe that additional aspects of sustainability could be integrated into these internal communication methods to improve responsiveness.
- We note that POSCO has committed to reducing energy usage and carbon emissions. We recommend that POSCO report specific, measurable and time-dependent targets for the remaining top priority issues identified by stakeholders through the Materiality Assessment (Social Contribution, Employee Development and Eco-Friendly Management)

May 13, 2010
Two Tomorrows (Asia) Limited, Seoul

Jason Perks
Project Director
Director, Two Tomorrows Group

Todd Cort
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CEO, Two Tomorrows North America

MinGu Jun
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Slag Slag is a by-product of smelting ore to purify metals, minimizing the reoxidation 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.

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.

BFG (Blast Furnace Gas) Gas produced at the blast furnace having a caloric value of approximately 750/Nm3, and is used as heat source in thermal power generation and hot blast furnace.

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.

COG(Coke Oven Gas) It is a gas produced during carbonization of coal, having a caloric value of 4,500~5,500Kcal/Nm3

EVI (Early Vendor Involvement) Moving a step forward from simply supplying steel products that a customer requests, EVI means to participate from the development stage of a new product, cooperating with the customer on matters relating to the product and quality.

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.

FOG(Finex Off Gas) Gaseous by-product generated during Finex production, and used in power plants.

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.

LDG(Linz-Donawits Converter Gas) Gaseous by-products generated at the LD(Linz-Donawits) converter in the steelmaking process.

MEGA-Y A large-scale project implemented cross functionally between divisions in order to achieve the company's strategic target(What) by the owner who has received the CEO's sponsorship(Who:centering around the executive(s)), within a given time period(When), employing the 6 Sigma methodology(How).

POSCO Family In response to market conditions where supply chains compete against other supply chains, the term POSCO Family means the policy at the POSCO Group level that encompasses POSCO, POSCO's subsidiaries, outsourcing service partners, cooperation partners, and suppliers.

QSS (Quick Six Sigma) Activities intended to uncover hidden value by identifying and removing waste factors at work.

TRT (Top-gas Recovery Turbines) Gas pressure from blast furnaces that is used to motor turbines and generate power.

POSCO's Safety Schemes, Systems and Activities

I Safety Master Program I This is a 6-month program to train safety experts, and consists of beginner's course, specialized course and expert course. The 130 safety experts trained during 2009 are currently in charge of safety in their divisions and departments as the best safety experts.

I e-Safety System I The e-Safety system has evolved with the purpose to systematically check and assess major facilities and equipment and quickly identify and eliminate hazardous/risk elements. The e-Safety system enables the browsing and analysis of safety & health information and technical data, and turning them into educational material. In addition, beginning from the latter half of 2010, the safety-related information will be searched, analyzed, and the assessment results input real-time using the smart phone, which is expected to bring innovative advancement in the ways work is done.

I POSCO Safety Assessment Tool (PSRS) I The PSRS is POSCO's proprietary safety assessment system that quantitatively scores safety ratings from 1~5 through interviews, on-site evaluation, surveys and data examination of the 12 elements in 3 areas (leadership, organization, implementation). When the POSCO safety assessment tool identifies an area that needs improvement, the assessment results are published, to which a solution must be presented. 6 months after the first assessment, the second assessment is conducted to support change activities.

I 10 Safety Codes I These are the 10 rules all employees must follow to keep themselves as well as their co-workers safe. Campaigns, instruction and monitoring are conducted so that all members may make them second nature and a habit.

I Equipment Entry & Exit Control System During Operation (ILS During Operation) I According to the danger grade of each equipment from 1~3, entry and exit standards are set so that access and entry/exit from the facility or equipment is impossible if safety checks and appropriate measures are not taken. If an operator enters or exits the equipment arbitrarily, it stops automatically. The ILS During Operations is a scientific system that protects the operator from risk at the source.

I Red Helmet I This is a system that ensures hazardous and/or dangerous work is carried out safely. When unexpected incidents occur during operations, a safety coordinator wearing a red helmet examines the risk factor and immediately contacts the related staff and department, checking the safety measures taken.

I TBM(Tool Box Meeting) I Before starting work, all related staff from operation, maintenance, and outsourcing service providers hold a small group meeting to identify and discuss risk factors. This institution heightens safety awareness and strives for a flawless safety measure.

I Work Permit System I Before commencing work, the person in charge of operation and maintenance identifies and eliminates potential risks or sets up a plan to minimize the risk, and checks the safety equipment and protective gear before writing up, verifying and examining a work permit.

POSCO'S PREVIOUS REPORTS



Environmental Report 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 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 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.

READER FEEDBACK SURVEY

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 2009 Sustainability Report?
Report provides sufficient and relevant information. ☐Very satisfied ☐Satisfied ☐Neutral ☐Dissatisfied ☐Very dissatisfied
The contents are credible. ☐Very satisfied ☐Satisfied ☐Neutral ☐Dissatisfied ☐Very dissatisfied
The report is easy to understand. ☐Very satisfied ☐Satisfied ☐Neutral ☐Dissatisfied ☐Very dissatisfied
The report layout aids in understanding the contents. ☐Very satisfied ☐Satisfied ☐Neutral ☐Dissatisfied ☐Very dissatisfied
Report offers good accessibility. ☐Very satisfied ☐Satisfied ☐Neutral ☐Dissatisfied ☐Very dissatisfied

3. What are your areas of interest or what information are you seeking?(Multiple answers possible)
☐POSCO overview ☐Stakeholder engagement ☐Performance data ☐Corporate governance ☐Business ethics
☐Fair competition ☐Risk management ☐Sustainability management ☐Management strategy ☐Economic performance
☐Environmental management system ☐Environmental performance ☐Environmental partnership ☐Addressing climate change
☐Safety and health ☐Employees ☐Customers/Suppliers ☐Social contribution ☐Local communities
☐Achievements of Subsidiaries ☐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 into?
☐Customer ☐Shareholder ☐POSCO employee ☐Subsidiary employee
☐Research institute ☐Civic group ☐Media Government agency ☐Local resident
☐Student ☐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 : 02-3457-0377 Fax : 02-3457-1927 email : sustainability@posco.com



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.

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

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