







the posco movement



Business | Nature | Human



STEEL, OUR MOST PRECIOUS METAL

Steel is an environment-friendly material that contributes to the preservation of our earth in many ways. It is 100% recyclable, and one of the most recycled materials in the world. And due to its lasting properties,  steel remains unchanged no matter how many times it is recycled.

Steel is a valuable construction  material because not only is it durable, non-combustible, and inorganic—which means it won't burn, rot, split, or crack—but it can also be ultra lightweight, having the highest strength to weight ratio among metals—which results  in less energy consumption and conservation of natural resources. For example, steel as a building material for houses saves our forests and minimizes waste. Lightweight construction of ships and automobiles  decreases the amount of carbon dioxide and dust emissions due to less use of fuel.

Steel is all around us and its growing influence touches our daily lives  through many products, including home appliances and electronics, food containers and cans, furniture and decorative accessories, and hospital equipment, such as heart pacemakers, scalpels,  and needles.

POSCO is proud to be in the business of steel.

CONTENTS

| | |
|--------------------------------------|----|
| Steel, Our Most Precious Metal | |
| The Company | |
| Report Profile and Scope | 01 |
| Major Sustainability Milestones 2003 | 02 |

| | |
|------------------------------------|----|
| Introduction | |
| Message from the CEO | 04 |
| Mission, Shared Values, and Vision | 06 |
| Stakeholder Engagement | 06 |
| Governance | 09 |
| Corporate Ethics | 12 |

| | |
|---|----|
| Business | |
| Contents | 15 |
| Company Description | 16 |
| Sustaining Business through Strategic Focus | 19 |
| Business Performance | 22 |

| | |
|---|----|
| Nature | |
| Contents | 27 |
| Environmental Policy | 28 |
| Management System | 29 |
| Objectives and Action Plans | 30 |
| Organization | 32 |
| Performance | 34 |
| Innovative Environmental Projects | 39 |
| Environment-friendly Products and Processes | 43 |
| Climate Change and Energy Management | 45 |
| Other Nature News | 50 |

| | |
|----------------------------------|----|
| Human | |
| Contents | 53 |
| Employees | 54 |
| Safety and Health Management | 60 |
| Compliance with Fair Trade Order | 62 |
| Regional Communities | 63 |

| | |
|-----------------------------------|----|
| Appendix | |
| Independent Assurance Statement | 70 |
| Steelmaking Process | 72 |
| Global Network | 74 |
| Forward-looking Statements | 75 |
| Contact | 75 |
| Stakeholder Engagement Reply Form | |

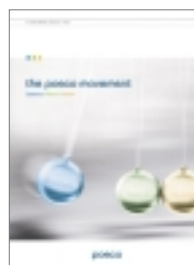
the posco movement

reaching **new** heights

THE COMPANY

Founded in 1968, POSCO is Korea's largest integrated steelmaker. With 19,373 employees, we produced 28.9 million tons of crude steel products, and reported record sales of KRW 14,359 billion and net income of KRW 1,981 billion in 2003. We are also rated A3/Moody's and A-/S&P, the highest credit ratings assigned to the world's integrated steelmakers.

POSCO is a member of International Iron and Steel Institute (IISI) and its Sustainability Indicators Project Group, International Stainless Steel Forum (ISSF), South East Asia Iron and Steel Institute (SEAISI), Korea Business Council for Sustainable Development, and Korean Council for the Arts, among others.



Newton's Cradle

The balanced and continuous movement represents our efforts toward creating a growing momentum for economic profitability, environmental soundness, and social responsibility.

REPORT PROFILE AND SCOPE

About This Report

We have been evaluating and communicating the direct and indirect impact of our business operations on the environment and communities since 1994 through our annual Environmental Progress Report. This is our first comprehensive sustainability report that combines our sustainable management efforts in economic profitability, environmental soundness, and social responsibility in a balanced and collective manner.

This report is different from the past Environmental Progress Reports in several aspects, and covers the following five parts. The first part introduces who we are and how our values drive corporate conduct and governance. The second part discusses how we strive to connect good business sense to our "triple-bottom line." The third part discloses our environmental performance goals and progress. The fourth part highlights our involvement in enhancing employee and community welfare. Finally, the last part provides appendix information, including independent assurance.

Reporting Framework

Currently, there are no generally accepted principles for sustainability reporting, in particular, for environmental and social activities. As for the financial data, the criteria and definitions used in this report are based on Korean Generally Accepted Accounting Principles. As this is our first report, we considered many guidelines, including the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

Reporting Scope and Period

This report covers the activities of Pohang Headquarters, Seoul Office, Pohang Works, and Gwangyang Works from January 1, 2003 through December 31, 2003, unless stated otherwise. Activities of joint ventures and subsidiaries are excluded. For a description of joint ventures

and subsidiaries, please refer to our Annual Report 2003 on pages 84 to 88.

Our company engages primarily in Korean Won and our official accounting records are also maintained in Korean Won. As a point of reference, the noon buying exchange rate in effect on December 31, 2003 was Korean Won (KRW) 1,192 per U.S. \$1 according to the U.S. Federal Reserve Bank of New York, and a unit of ton refers to metric ton.

Significant Changes

This is our first sustainability report. During 2003, there were no significant financial or operational changes, or re-statements, since the publication of our previous Environmental Progress Report, Social Contribution Report, and Annual Report.

Independent Assurance

We engaged Ernst & Young to undertake assurance procedures over a selected sample of data and statements in the report. Please refer to the appendix pages 70 and 71 for the independent assurance statement.

Supplementary Information by POSCO

The following main publications are also distributed by POSCO: Annual Report, Corporate Brochure, and Fact Book (available in both Korean and English); Form 20-F (English only); and Social Contribution Report, Business Ethics Handbook, and The Weekly POSCO Newspaper (Korean only). These documents, as well as additional information, can be found on <www.posco.co.kr>.

MAJOR SUSTAINABILITY MILESTONES

Business

- Jan.** Launched Korea's first web-enabled Enterprise Portal (EP) system that helps increase the POSPIA utilization rate and productivity gain. POSPIA is POSCO's integrated information system.
- Opened the Automotive Steel Application Center that applies new automotive steel manufacturing techniques, such as Tailor-Welded Blank (TWB) manufacturing and hydro-forming.
- Apr.** Commissioned a TWB plant to provide a major boost for production of value-added automotive steel lineup.
- May** Established the Knowledge Management System, which houses a centralized repository for 36 formerly independent intelligence groups.
- Oct.** Completed the POSMAC joint venture in Australia to secure three million tons of Marra Mamba iron ore over the next 25 years at a price discount.
- Nov.** Named "The Web Smart 50" in the streamlining category by *BusinessWeek*.
- Launched POSCO China Holding Corporation to manage POSCO's growing business network in China.

Nature

- Feb.** Identified by The Carbon Disclosure Project, carried out by 35 European investment companies, as having the most competitive ability to cope with climate change in the global steel industry.
- Mar.** Named one of "The World's Most Admired Companies" by *Fortune*.
- Awarded "Environment & Energy Grand Prize" for excellent environment and energy management (ranked No. 2 in the previous year).
- May** Completed the construction of the FINEX demo plant, a more environment-friendly ironmaking technology that replaces the need for the traditional blast furnace process, to reduce both production cost and environmental pollutant emissions.
- Jun.** Launched Supply Chain Environmental Management (SCEM) to help small- to medium-sized suppliers adopt clean production and environmental management practices.
- Rated AA for environmental management by Innovest of the U.S.



POSMAC Joint Venture in Australia



Launching of POSCO China Holding Corporation

- Oct. POSCO's steelworks awarded for fulfilling Voluntary Agreements for energy reduction made in 2002 with the Ministry of Commerce, Industry and Energy.

- Dec. Received the "Environment-friendly Management Excellence" award from the Ministry of Environment.

Human

- Jan. Introduced Cafeteria Benefit Plan, which allows employees to design their own welfare benefits.

- May Officially launched the POSCO Volunteers to organize all volunteer activities at the corporate level.
Published the Social Contribution Report.

- Jun. Revised Code of Conduct.
Officially introduced a five-day workweek.

- Aug. Established the Corporate Ethics Department.

Others

- Apr. Named as one of the "World's 400 Best Big Companies" in the metals category by *Forbes* for five consecutive years.
Designated "No. 1 Among World-class Steelmakers" for two consecutive years by World Steel Dynamics.

- Aug. Assigned the highest credit ratings among the world's integrated steel producers: A- by S&P and A3 by Moody's.

- Sep. Rated No. 1 in corporate governance structure in the materials category for the second consecutive year, and No. 3 for the all-industries category by *Asiamoney*.

- Dec. Received the Korea Economic Justice Award for excellence in the metals and minerals category by the Citizens' Coalition for Economic Justice.



FINEX Demo Plant



Founding of the POSCO Volunteers



MESSAGE FROM THE CEO

At the outset of our establishment in 1968, the mindset of POSCO was to serve our nation and contribute to its development through steel. Subsequent to our founding, we consistently demonstrated profitability, contributed to the nation's economic and industrial advancement, and gained global recognition for strong competitiveness.

After our privatization in 2000, we reaffirmed our efforts to become a corporation that contributes to

sustainable prosperity and development of humankind through economic, environmental, and social progress. In future, we will continue to execute corporate sustainability management in a manner that builds trust and respect from our stakeholders.

Although this is our first sustainability report, sustainable development is not new to us. It has been our proud tradition to embrace and apply the concept of sustainability to our conduct and activities.

“There are no limits as to what we can do to secure sustainable development. Therefore, we will find new and better solutions to our stakeholders’ concerns.”

From the beginning, we considered various environmental factors in building our first steelworks, such as implementing safe work conditions and providing employee training and welfare benefits. As a corporate citizen, we faithfully shared our success with our communities and participated in various volunteering activities. We have also published Environmental Progress Reports since 1994 to address stakeholder interests and expectations.

However, we understand that there are no limits as to what we can do to secure sustainable development. Therefore, we will find new and better solutions to our stakeholders’ concerns about pollution from manufacturing processes, global warming, and depletion of natural resources. We need to also abide by strict corporate ethics and pursue open stakeholder engagement. These will serve as barometers for determining the success of our global brand and value.

In 2003, we reported the highest profits in our company’s history and invested in innovative technologies and processes. These include the development of new types of environment-friendly steel products and the advancement of strip-casting technology. In addition, we secured a new ironmaking technology called FINEX, which is a more environment-friendly process that uses less energy and fewer resources. We will be in full commercialization and operation of our FINEX technology by 2006. We also

enhanced corporate social responsibility by improving corporate governance, strengthening corporate ethics education and compliance, and centralizing the POSCO Volunteers at the corporate level.

In putting together this report, we combined our previous Environmental Progress Report with economic and social activities. We also considered global reporting standards and obtained independent assurance.

During the process, we gained valuable knowledge that has prompted us to set new goals and strategies. Accordingly, we plan to apply a more systematic practice in management and communication of our sustainability activities by sharing our corporate sustainability management paradigm with all stakeholders, to contribute to a healthier and brighter future for the next generation.

We welcome our readers to take interest and join POSCO in our endless pursuit of sustainable development by providing us with your valuable suggestions and insights.

Sincerely,



Chairman and CEO Ku-Taek Lee

MISSION, SHARED VALUES, AND VISION

Mission

We provide products and services that are essential to society and contribute to the sustainable development of humankind.

Shared Values

We aim to be the best in everything we do, foster human creativity, and value our principles of integrity and discipline.

Vision

We, as a global player, sustain healthy growth with our competence in steel business.

- A company with a crowning steel business.
- A company with a new growth engine for the 21st century.
- A company with a strong commitment to innovation and human resources development.

STAKEHOLDER ENGAGEMENT

The basic philosophy embodied in our vision, shared values, and mission guides our stakeholder engagement. This means all stakeholders—investors, customers and business partners, employees, and regional communities—must feel the positive impact of POSCO's existence. As such, our stakeholders

will serve as the inspiration for POSCO's sustainable development goals. We have various organized teams to engage stakeholders in our three regional locations of Seoul, Pohang and Gwangyang.



Investors

The Investor Relations (IR) Team focuses on providing useful and timely management information with transparency and ease of access to all stakeholders.

Starting with our annual CEO Investor Forum in January 2003, we held our regular, quarterly operating performance meetings with investors and analysts, and actively participated in eight major investor conferences hosted by financial institutions around the globe.

We also held over 250 one-on-one meetings with investors and analysts at our Seoul Office. These daily meetings allowed us to discuss the most current corporate and industry-specific issues, and keep tabs on investors' ongoing concerns and recommendations.

While we encouraged open communication through forums, conferences and one-on-one meetings, we also posted POSCO's operating performance presentation materials and updated important performance indicators on our IR website, allowing the investment community to keep track of management results and company developments.

To ensure that we provide quality service to the investment community, POSRI, our in-house research affiliate, periodically evaluates POSCO's IR performance and conducts investor perception studies.



CEO Forum in New York City in January 2004

Our efforts paid off in 2003, as *Korea Economic Daily*, Korea Investor Relations Association and *Institutional Investor* recognized POSCO's IR activities with the highest honors in investor relations.

Investors are encouraged to contact our IR Team via phone at +82-2-3457-0389 or e-mail at <ir@posco.co.kr>.

Customers, Suppliers, and Business Partners

We operate an integrated web-based feedback channel by product to encourage open relationships and communication with our customers. The system allows customers to freely make service requests or submit claims and complaints for timely attention. These valuable comments help us create ways to improve our product and service operations for better customer service. Furthermore, POSCO's help desk processes customer complaints by phone and fax, and relays their complaints to the personnel in charge, as well as the public relations staff.

We conduct both in-house and third-party monitoring of our customer satisfaction to reflect true results of our business activities. Our Customer Support Team tracks customer satisfaction quarterly through our direct web-survey and annually through an independent research company. In addition, we operate Customer Relationship Management (CRM) for customers and Supply Relationship Management (SRM) for suppliers. Through these systems, our customers and suppliers receive prompt responses to their requests or complaints.

Customers and suppliers are encouraged to visit their respective sites at <www.posco.co.kr>

Employees

Our employees are a crucial asset to our competitiveness. We work closely with our Labor-Management Council through quarterly meetings in which we discuss various matters related to employee welfare, such as benefits packages, health and safety. The Labor-Management Council consists of 20 employees, of which ten hold management positions. Significant issues discussed in 2003 include the implementation of a five-day workweek, expansion of the scope of welfare card usage, increase in profit-sharing ratio from 4.5% to 5.5% of operating income, interest-rate adjustment for employee loans from 7.2% to 5.0%, and employee education plans for 2004. The Labor-Management Council must answer individual questions and concerns within one week of receipt by e-mail or phone.

Separately, we also have a labor union that was founded in 1988. Its membership totaled 23 at the end of 2003. POSCO's labor union and management have maintained a harmonious relationship since the founding largely due to POSCO's effective efforts in serving employee interests.

We established an open channel of communication through the "Young Board" in 1999. The board comprises 19 promising middle managers who meet with executive management members twice a year to discuss company developments. In 2003, the board made four proposals, including solidifying Process Innovation initiatives and improving corporate culture through the early implementation of a five-day workweek.

We also operate POS-B, an employee intranet site that allows employees to freely and anonymously discuss various topics, and submit suggestions and concerns to all levels of management. In addition, our employees can walk into the offices of Corporate Ethics and Human Resources at anytime.

Regional Communities

To encourage and maintain dialogue with community members, we formed Community Relations Teams in Pohang in 1988, and Gwangyang in 1989, to work closely with their respective cities. We have pursued collective development with regional communities through continued communication with our neighbors in Pohang, Gwangyang, and the surrounding regions.

We host company visits and consultation meetings for many groups, and promote exchanges with community members through partnership programs that provide various volunteer activities. Such activities serve as great channels for open communication between POSCO and the regional communities.

We aim to keep our residents near our Pohang Works and Gwangyang Works well informed about their surroundings. One way we have communicated with residents regarding the environmental impact of our operations is through our Digital Environmental Monitoring System that displays real-time data on pollutant levels. Various teams hold meetings with regional and central governmental organizations, as well as regional communities to obtain feedback for management. Our Corporate Communications Department outlines issues discussed at these meetings in a weekly POSCO newspaper that is available to community members.

Regional community members can contact our Community Relations Teams or anyone else at POSCO if they have any grievances or complaints with respect to our community policies or activities.

Community Relations Teams

Pohang Works: +82-54-220-0595/5115

Gwangyang Works: +82-61-790-2451/2485

GOVERNANCE

We believe an effective governance structure and function on behalf of all stakeholders is key to developing sustainable operations for business, nature and human advancements. As such, management and the members of the Board of Directors (the Board) have identified corporate ethics, transparency, and management innovation to be the core drivers of POSCO's governance strategy.

Board of Directors

POSCO aims to operate an independent Board with members who possess a wide range of backgrounds, expertise and insights to address challenging issues, add multiple perspectives, and provide effective advisory services. All Board members are encouraged to seek outside consultation or ask for necessary support at the company's expense in order to make valuable contributions.

An outside director heads each of our subcommittees, with the exception of the Executive Management Committee, to ensure subcommittee independence. In addition, all Audit Committee members must meet the applicable independence criteria set forth under the rules and regulations of the Sarbanes-Oxley Act of 2002. All subcommittee members in the Audit Committee, Evaluation and Compensation Committee, and Insider Trading Committee are outside directors.

At the end of 2003, the Board consisted of eight outside directors (two non-Korean nationals) and six standing directors. Outside directors represented 57% of the Board.

In March 2003, the Board commissioned independent advisors to identify specific areas for improvement of corporate governance. Accordingly, in March 2004, we strengthened the independence of the Board by increasing the number of outside directors from eight to nine members (three non-Korean nationals), effectively raising the percentage of outside directors to 60%, and establishing outside director meetings. We also enhanced the effectiveness of the Board by establishing the Insider Trading Committee, and separating the role of Director Candidate Recommendation and Evaluation Committee into Director Candidate Recommendation Committee, and Evaluation and Compensation Committee.



A public seminar is held to discuss POSCO's corporate governance structure in December 2003.

December 2003

Director Candidate Recommendation
and Evaluation Committee
Finance and Operation Committee
Executive Management Committee
Audit Committee

Governance
Structure

March 2004

Director Candidate Recommendation Committee
Evaluation and Compensation Committee
Finance and Operation Committee
Executive Management Committee
Audit Committee
Insider Trading Committee

In addition, we reinforced the rights of shareholders by introducing a cumulative and documentary voting system and discontinuing the convertible preferred stock issuance articles. We created the Outside Director Selection Consultant Group to support our Director Candidate Recommendation Committee with the identification and nomination of outside director candidates. The consultant group communicates with various stakeholder groups to include their opinions for evaluating outside director candidates' qualifications.

For a detailed explanation of the Board structure, role, and function, as well as an explanation of 2003 activities, please refer to our Form 20-F 2003 on pages 36-42 and Annual Report 2003 on pages 58-59.

In September 2003, *Asiamoney* published the results of its second annual corporate governance poll of 120 companies in ten industry groups across the Asia-Pacific region. POSCO was ranked No. 1 in the materials category for the second consecutive year, and ranked No. 3 in the all-industries category. In addition, POSCO was recognized as the most transparent corporation among the listed

companies in Korea by a survey conducted by *Economy21* in February 2003, and the Korea Corporate Governance Service ranked POSCO as among the ten best companies in July 2003.

Compensation of Directors and Officers

We pay our standing directors salaries and bonuses within the ceiling amount of total remuneration as approved by shareholder resolutions, and cover expenses incurred by outside directors for the performance of their services. We may also pay our outside directors salaries if shareholders resolve to do so.

In 2003, the Director Candidate Recommendation and Evaluation Committee, which consisted of all outside directors, was responsible for determining standing director compensation. Since our Board improvement efforts in early 2004, the newly revised Evaluation and Compensation Committee, which also consists of all outside directors, approves all standing director compensation and ensures that payment (a combination of cash, shares, pensions and retirement benefits) is based on their performance.

Corporate Governance Key Dates and Events

| Period 2003 | Details |
|---------------------------|--|
| March 14 | Chairman Ku-Taek Lee proposes an improvement of corporate governance. |
| June to November | An independent advisory group gathers and analyzes POSCO's governance performance. |
| October 17 | An interim proposal from the independent advisory group is reported to the Board. |
| December 3 | A public seminar is held. |
| December 19 | The implementation of corporate governance improvements is discussed during the Board meeting. |
| Period 2004 | Details |
| January 14 | The Board officially approves our corporate governance improvement plan. |
| January 14 to February 11 | Outside Director Selection Consultation Group is created. |
| March 12 | Corporate governance improvement plans are approved at the general shareholders' meeting. |
| | The POSCO Corporate Governance Charter is confirmed. |



Companies must establish transparent and accountable management systems to be recognized for their global competitiveness and corporate value. However, most Korean companies have not yet reached global standards, resulting in the “Korean Discount”, whereby the value of Korean companies is relatively lower than that of global peers.

The reason is that in spite of changing laws and regulations, few voluntary efforts have been made by Korean companies to increase corporate value and protect stakeholders' interests, including shareholders. For the Korean economy to be among the advanced economies with sustainable growth, Korean companies must establish a credible governance structure and make an effort toward a fair and orderly market to earn the trust of investors. In addition, related efforts and actions should be made voluntarily in accordance with the principles of a market economy, and not simply under pressure of the government.

In that respect, POSCO has given hope to the future of Korean economy with the company's new corporate model. After its privatization, POSCO has completely separated ownership from management without being affected by controlling shareholders, unlike other conglomerates.

Although many doubted that POSCO's management could succeed without major shareholders, the company has become one of the most advanced corporations in Korea. With the best governance and management structure in Korea, POSCO has delivered excellent performance, earning trust from both domestic and foreign investors. The company's professional management system, which has made POSCO one of the most competitive steel companies in the world, should serve as Korea's new corporate model.

However, to become globally recognized for high value, continued efforts are needed for POSCO to adopt an even more transparent and accountable governance structure that protects the interests of stakeholders, including shareholders. POSCO should engage in active dialogue with both academic and civil organizations. Through shared knowledge and ideas about desirable corporate models and structures, POSCO can further the development of its governance structure. I believe that such efforts are essential for strengthening long-term corporate competitiveness and achieving sustainable growth.

POSCO has become a corporate governance benchmark company for many in Korea. I hope POSCO remembers its role as a future representative of Corporate Korea, and takes proper steps to achieve sustainable development through exemplary corporate governance structure.

Hasung Jang, Ph. D.

Professor in Finance, Korea University Business School

CORPORATE ETHICS

Ethical Management Philosophy

POSCO's ethical management philosophy, which emphasizes the basic principles of integrity and discipline, has been the foundation of our rapid growth. In conjunction with our complete privatization in October 2000, we reaffirmed our values and aimed to incorporate the highest ethical standards in every aspect of our business. And our ongoing quest for greater corporate governance transparency exemplifies POSCO's efforts to fulfill our corporate social responsibility. We will embrace strict corporate ethics as POSCO develops into the leading global steel company.

We revised our Code of Conduct in June 2003, to better define our fundamental role and accountability to stakeholders. The code is augmented by Rules of Conduct that provide ethical standards for making decisions and conducting business.

Since its revision, a number of systems were put in place to encourage compliance, including the transformation of the former team-level ethics group into the new Corporate Ethics Department. In addition, to effectively establish an ethical corporate culture, 75 ethics leaders (one from every department) were selected and trained to promote corporate-wide cohesiveness.

POSCO Code of Conduct

Our fundamental responsibilities

- We aim to be an internationally respected and trusted company. The uncompromising commitment to integrity and discipline embodied in our "Right Path" management philosophy provides this foundation.
- We aim to develop and grow with each of our stakeholders as we pursue continuous innovation and sustainable growth that will enhance our corporate value, as well as foster an ethical corporate culture. Our goal is to be a company customers want to do business with, a company investors want to invest in, and a company people want to work for.

Our commitment to customers, business partners, and competitors

- We will make customer value our number-one priority, delivering the best products and services.
- We will develop win-win relationships with suppliers, guaranteeing impartial treatment, as well as reasonable terms and conditions.
- We will compete in good faith and respect the principles of fair trade.

Our commitment to shareholders and investors

- We will achieve solid profitability through transparent decision-making and effective management.
- We will increase corporate value through continuous innovation and sustainable growth.
- We will respect the rights of investors and their expectations to profit from their investments. We will provide timely and full disclosure so investors can make informed investment decisions.

Our commitment to employees

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

We provide frequent ethics training and education for employees and promote the Code of Conduct through the company newspaper, intranet, and website to maintain awareness and continued participation. We also provide a compliance guide handbook to employees offering advice concerning gifts, entertainment, and other issues. In addition, we require that all employees complete a mandatory online corporate ethics course.

To be consistent with our principles across all areas of business, we requested that customers, suppliers, and outsourcing partners support the implementation of the revised Code of

Conduct. Subsequently, our CEO held public conferences and sent letters of request for cooperation and participation.

We operate an ethics violation reporting system for raising ethical issues and reporting violations through the website, phone, fax, and email. All cases must be addressed within one week of receipt and the reporter's information is kept confidential. In addition, employees can receive walk-in counseling and guidance from our Corporate Ethics Department, as well as from their department heads or ethics leaders.

Our commitment to local, national, and global communities

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

June 2, 2003



Ku-Taek Lee
Chairman and CEO



Sang-Jun Chae
Representative of the
Labor-Management Council

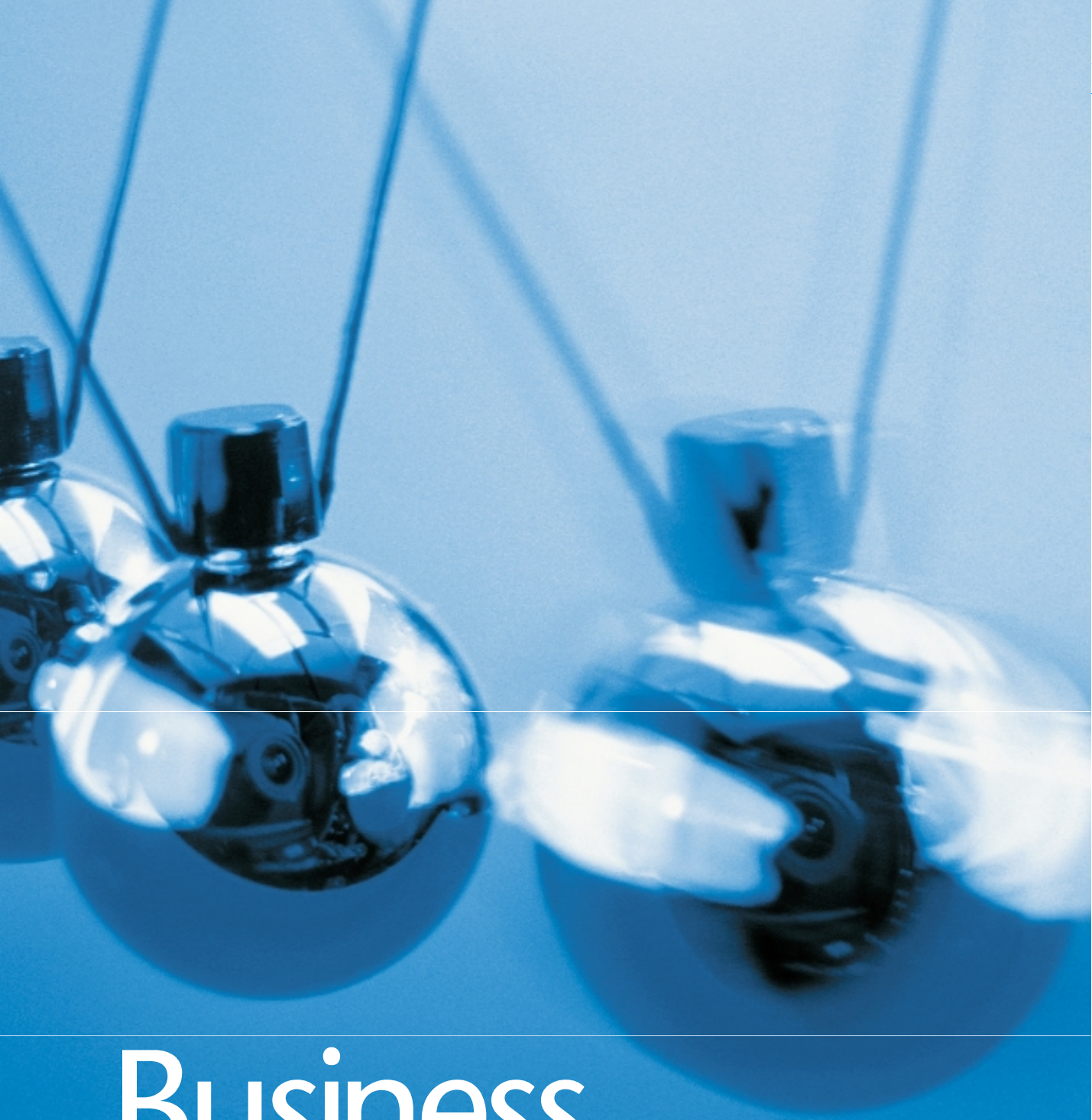
Rules of Conduct (Highlights)

1. **Transaction with customers**
Follow sound and fair trade principles.
2. **Conflicts of interest**
Avoid unjust behavior with interested parties.
3. **Protection of company assets**
Refrain from using company assets or information for personal gain.
4. **Protection and sharing of information**
Protect confidential information and forward important information to appropriate personnel.
5. **Employee attitude**
Create a culture of mutual trust and respect.
6. **Sound social life**
Respect social norms and uphold the reputation of the company and fellow employees.
7. **Compliance with Code of Conduct**
Instill a corporate culture of adherence to the Code of Conduct.



Left: Business Ethics Handbook
Right: "BaRoMan" (Righteous Person)
POSCO's mascot for corporate ethics





Business

POSCO's philosophy on business sustainability is in clear view at the gate of Pohang Works: *"Resources are limited; Creativity is unlimited."*

The sign board has been in place since the days of our founder, and serves as POSCO's key to sustaining our competitiveness; that is, we are on a relentless quest for management and product innovation, resource conservation, and expense reduction. We strive to connect these business strategies to promote the welfare of nature and human.

| | | | |
|----------------------------|-----------|--|-----------|
| Company Description | 16 | Sustaining Business through Strategic Focus | 19 |
| Pohang Works | | Customer and Supplier Management | |
| Gwangyang Works | | Research and Development | |
| Products | | Process Innovation (PI) and Six Sigma | |
| Markets | | Business Performance | 22 |
| Ownership | | Economic Performance | |
| | | Distributions to Supplier of Capital | |
| | | Taxes Paid to Central and Local Governments | |

COMPANY DESCRIPTION

We operate two integrated and automated steelworks in Korea, at which almost all of our steel products are made. POSCO is devoted to improving the productivity, environmental impact, and safety of our products and processes, as well as securing our global competitiveness and strong financial position.



Pohang Works

Pohang Works

Pohang Works was the first steelworks to integrate ironmaking and steelmaking processes in Korea. Located along the southeast coast of Pohang city, the steelworks is approximately 8.9 square kilometers in size and employs 9,300 workers. The first of the four expansion phases of construction was completed in 1973, with the remaining three phases being completed in February 1981. Pohang Works specializes in small-lot production of a broad range of products, including hot-rolled steel, plate steel, wire rod steel, cold-rolled steel, electrical steel, and stainless steel. The total crude steel production output was 12.7 million tons in 2003.

Pohang Works continues to explore facility expansion and technology innovation that will streamline the production processes and increase the production capacity of high-quality, value-added steel products to boost global competitiveness. Currently, we are preparing for the full commercialization of the more efficient and environment-friendly ironmaking process called FINEX.



Gwangyang Works

Gwangyang Works

Gwangyang Works is located along Korea's southern coast in Gwangyang city, and is approximately 14.4 square kilometers in size and employs 7,222 workers. The construction of the steelworks began in 1985, and was completed in October 1992. However, to meet the continuous increase in steel demand, the addition of the No. 5 blast furnace was completed in 1999. Gwangyang Works focuses on mass-production of a limited number of high-demand products, such as hot-rolled steel and cold-rolled steel. The total crude steel production output was 16.2 million tons in 2003.

All of the steelworks' production processes are automated and computerized. It is a state-of-the-art steelworks equipped with an all-weather pier that allows for easy port entry and departure, even during harsh weather conditions.

Products

We produce and sell a broad range of high value-added finished iron and steel products to end-users, and semi-finished products to other steel manufacturers for further processing. Products include hot-rolled coils, plates, wire rods, cold-rolled sheets,

silicon steel sheets, and stainless steel products. We also produce lower value semi-finished products, such as pig iron, billets, blooms and slabs.

Sales and Volume by Product Category

| | Volume (In Thousand Tons) | | | Sales (KRW in Billions) | | |
|-----------------------------|------------------------------|----------|--------|----------------------------|----------|--------|
| | Total | Domestic | Export | Total | Domestic | Export |
| Hot Rolled | 11,906 | 9,391 | 2,515 | 4,525 | 3,489 | 1,036 |
| Plate | 2,971 | 2,629 | 342 | 1,313 | 1,161 | 152 |
| Wire Rod | 1,970 | 1,845 | 125 | 822 | 770 | 52 |
| Cold Rolled | 7,835 | 4,862 | 2,973 | 4,153 | 2,528 | 1,625 |
| Electrical Steel | 656 | 448 | 208 | 426 | 284 | 142 |
| Stainless Steel | 1,571 | 928 | 643 | 2,652 | 1,630 | 1,022 |
| Slab and Bloom | 710 | 670 | 40 | 166 | 156 | 10 |
| Other Products ¹ | 583 | 583 | 0 | 146 | 146 | 0 |
| Total Product Sales | 28,202 | 21,356 | 6,846 | 14,203 | 10,164 | 4,039 |
| Other Sales ² | | | | 156 | | |
| Total Sales | | | | 14,359 | | |

¹Other products: cast iron/billet.

²Other sales: revenues from Central Terminal System (CTS), building lease, etc.

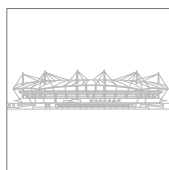
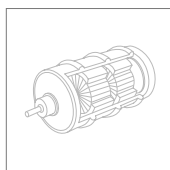
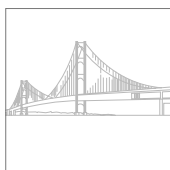
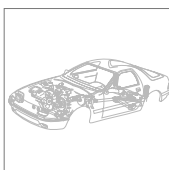
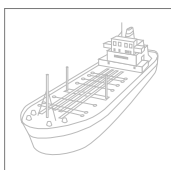
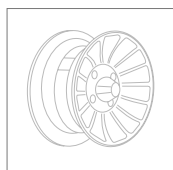
Korean Steel Market (In Thousand Tons)

| | POSCO | | Other Domestic Companies ³ | Import ³ | Total Volume |
|----------------------------------|--------|--------------|--|---------------------|--------------|
| | Volume | Market Share | | | |
| Hot Rolled | 9,391 | 64.8% | 441 | 4,671 | 14,503 |
| Plate | 2,629 | 43.2% | 1,930 | 1,525 | 6,084 |
| Wire Rod | 1,845 | 55.5% | 442 | 1,036 | 3,323 |
| Cold Rolled | 4,862 | 52.5% | 3,558 | 847 | 9,267 |
| Electrical Steel | 448 | 95.3% | 0 | 22 | 470 |
| Stainless Steel | 928 | 47.1% | 679 | 364 | 1,971 |
| Slab and Bloom | 670 | 21.2% | 0 | 2,484 | 3,154 |
| Other Products ¹ | 583 | 22.9% | 297 | 1,674 | 2,554 |
| Total Product Sales ² | 21,356 | 51.7% | 7,347 | 12,623 | 41,326 |

¹Other products: cast iron/billet.

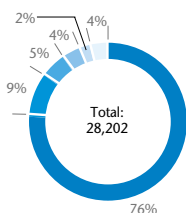
²Based on POSCO's product categories.

³Source: This information was prepared by POSCO Market Research Team based on research of the domestic steel market and Korea Iron and Steel Association.



Through our products and services, POSCO has played a decisive supporting role in the development of Korea's globally competitive industries, including shipbuilding, automotive, construction, household goods, medical supplies, and musical instruments. Examples of steel found in our customers' products include high-grade specialty plates for welded and marine structures, and storage tanks used in extreme low-temperature environments; high-grade wire rods used for wire rope, springs, and underwater cable; high tensile strength nuts and bolts, piano wire, tire cord, and other precision equipment; and stainless steel in food containers and medical supplies.

Sales Volume by Region
(In Thousand Tons)



| | |
|----------------|--------|
| Domestic | 21,356 |
| China | 2,512 |
| Japan | 1,464 |
| Southeast Asia | 1,147 |
| U.S.A. | 540 |
| Others | 1,183 |

Markets

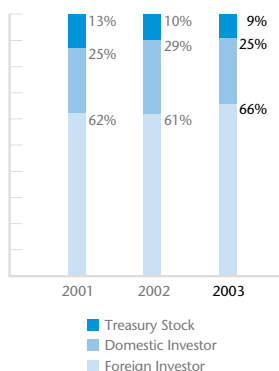
For the year 2003, POSCO sold 28.2 million tons of steel products to over 60 countries around the globe, with China (8.9%), Japan (5.2%), Southeast Asia (4.1%), and the U.S. (1.9%) accounting for the four largest overseas markets.

We estimate that we held 52% of the domestic market share in hot rolled, plate, wire rod, and other major steel categories. Despite our leading market position in Korea, particularly in electrical steel products, we consider the international market price for every product category when determining product prices.

Ownership

Founded in 1968, POSCO was incorporated in The Republic of South Korea. Our securities are listed on the Korean Stock Exchange (KSE: 005490), New York Stock Exchange (NYSE ADR: PKX), and London Stock Exchange (LSE: 0549q.L).

Shareholder Demographics



As of December 31, 2003, minority shareholders collectively held 69.3% of the shares outstanding, followed by POSCO with 9.3%, Pohang University of Science and Technology with 3.3%, Nippon Steel with 3.3%, Government of Singapore with 3.2%, and other large shareholders with the remaining 11.6%. In terms of demographics, foreign investors held 66% and domestic investors held 25%, while the remaining 9% was held in Treasury Stock.

Organizational Structure: For POSCO's organizational structure, please refer to our Annual Report 2003 on pages 60 to 61.

SUSTAINING BUSINESS THROUGH STRATEGIC FOCUS

Improving Customer and Supplier Management

Reinforcement of Customer-oriented Marketing

At the heart of what makes good business sense is how we deliver customer satisfaction. Without our customers, POSCO would not exist. We place strong value on building partnerships and alliances with customers based on trust and integrity. Through these relationships, we develop common goals for a win-win situation for all, such as developing more value-added and environment-friendly products and processes that bring value to customers.

Our attention to customers' needs has helped us identify areas for improvement. As a result, we made changes to our operations to better serve customers in 2003. These changes include the selection and management of customer's production quality index, direct transaction with core strategic overseas customers, creation of Customer Relationship Management (CRM) that manages collective customer-related data for customized services, establishment of an online customer processing-linked service system, and development of processing centers in key strategic overseas locations.

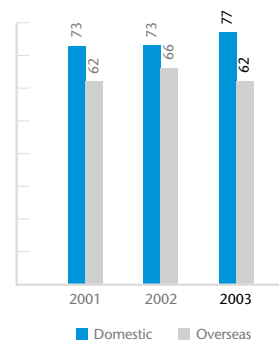
Building Long-lasting Strategic Partnerships with Suppliers

POSCO takes a strategic partnership approach when choosing suppliers. While low-cost is considered, we also take into consideration our suppliers' business philosophies and corporate values. We seek to build long-term partnerships with companies that provide high-quality materials and services, and possess strong business ethics and fair business practices. We engage in "Green Purchasing" to encourage supply partners to provide environment-friendly materials through efficient and clean production processes.

We render equal opportunities to our suppliers and guarantee rational business transactions. Through honest, sound business practices, we earn the trust and respect of our suppliers that develop into strong partnerships. POSCO has clear policies outlining fair and open procurement that is augmented with internal auditing and ethical management through the Code of Conduct that strictly prohibits taking unfair advantage of, or placing duress on suppliers.

In 2003, we implemented the new Supplier Relationship Management (SRM) to reinforce our e-Procurement strategy, which provides suppliers with prompt evaluation and information; thereby, effectively enhancing the competitiveness of our supply network.

Customer Satisfaction Index (CSI)



Source: Conducted between April 2003 and July 2003 by Media Research, an independent group. The CSI is based on a maximum score of 100, and is derived via mail surveys and in-depth interviews from a representative pool of both domestic and overseas POSCO customers.



<http://www.Steel-N.com>



Top: Automotive steel
Bottom: API-X65 for linepipe

Strengthening the R&D activities of high value-added products and innovative environment-friendly processes

Our R&D investment increased by KRW 49.2 billion from 2002, to reach KRW 233.3 billion in 2003, or 1.6% of sales for 2003. The research personnel at the Technical Research Laboratories, FINEX R&D Project Department and POSTRIP (Strip Casting Research & Engineering) Project Department totaled 830 members.

During 2003, POSCO developed 34 types of new products, including 13 types of automotive steel products and API-X65 for linepipe. We also applied for 28 overseas patents, including FINEX technology. FINEX is an innovative, more environment-friendly ironmaking process that decreases environmental pollutants and production cost. Major R&D areas include eight strategic product technologies for developing high value-added steel products, innovative process technologies for commercializing FINEX and Strip Casting, and Endless-Rolling technology. For detailed information regarding our environment-friendly products and FINEX ironmaking technology, please see the "Nature" section on pages 43 and 44.

We have focused on three core R&D strategies: strengthening R&D activities corresponding to business strategy; concentrating R&D resources on strategically important projects; and establishing a global R&D network. In addition, we plan to secure future competitiveness through the cooperation of POSCO Technical Research Laboratories, Research Institute of Industrial Science and Technology (RIST), and Pohang University of Science and Technology (POSTECH).

Productivity Enhancement and Expense Reduction through PI and Six Sigma

POSCO pursues ceaseless innovation through Process Innovation (PI) to cope with changes in the business environment. We began the first phase of PI in 1999.

During 2003, we completed six out of eight projects from the first phase of PI, including the expansion of our Balanced Score Card (BSC) system to department levels, implementation of SRM and CRM to reinforce the competitiveness of supply chains, and operation of Knowledge Management System (KMS) to consolidate previously scattered information for more efficient and effective utilization.

We plan to complete the remaining two projects, Activity Based Management (ABM) and Extended Application of Data Warehouse by the end of 2004, when the Manufacturing Execution System is expected to start full operation.

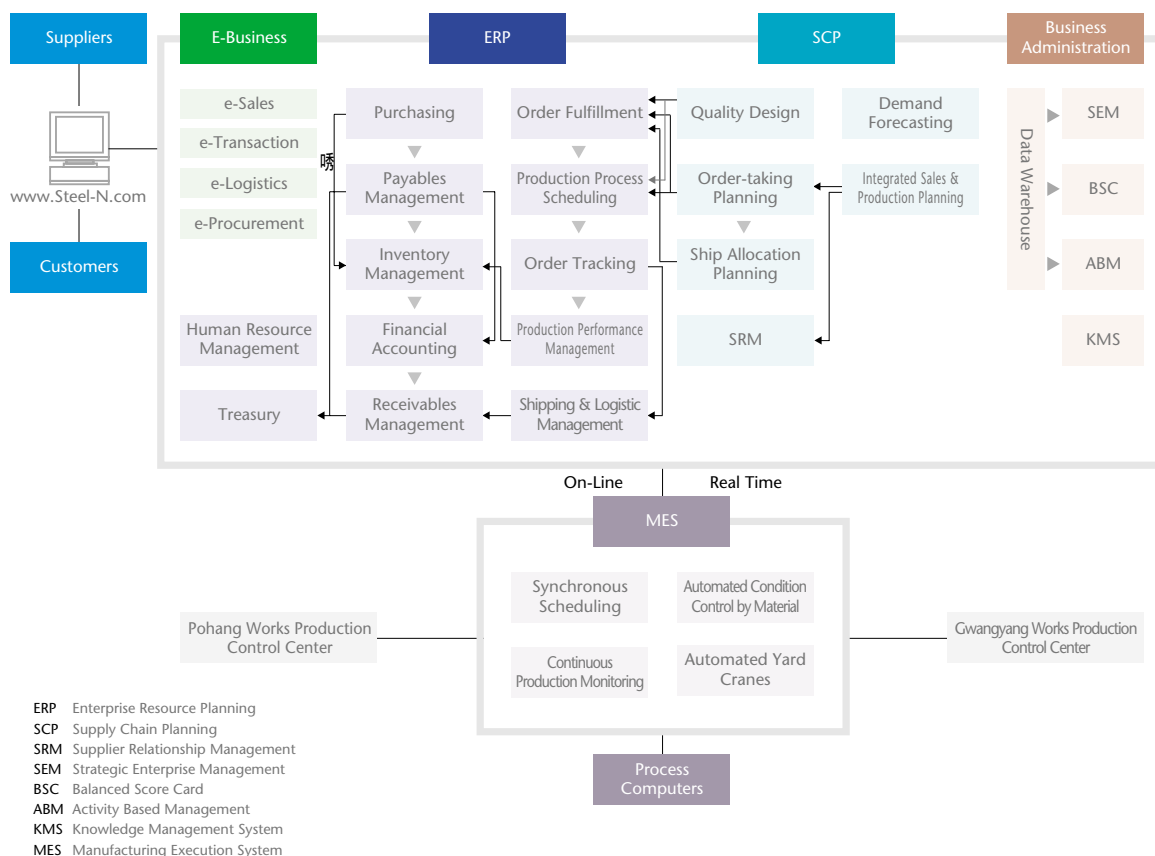


Six Sigma

We developed the Manufacturing Execution System (MES), a web-based system that has integrated and standardized the previously separate operating systems of Pohang Works and Gwangyang Works. Implemented and tested between January 2002 and December 2003, we successfully applied MES to the way we handle raw materials, sintering, coking, and ironmaking operations. Due to positive results, we intend to extend the MES application to all operations by the end of 2004.

Introduced to POSCO in 2002, Six Sigma is a data-driven measure of quality that strives for perfection with zero defects. The Six Sigma projects tend to enhance productivity and decrease costs. At December 31, 2003, 896 projects were completed and 988 projects were in progress. In particular, 35 Six Sigma projects were linked to greenhouse gas emissions and recycling of byproducts. We are excitedly pushing ahead with Wave 4 of Six Sigma through which 822 new projects will make innovation an integral part of our daily lives throughout the organization.

POSCO's Information Technology Architecture



BUSINESS PERFORMANCE

Economic Performance

In 2003, we recorded our highest net income in POSCO's 36-year history due to an increase in world steel prices and our successful efforts in three key strategic initiatives:

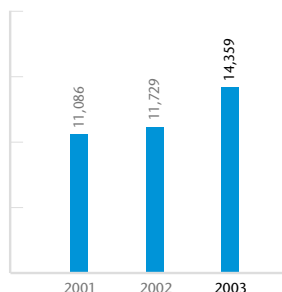
- 1) persistent investment in expanding production capacities of high value-added products, including the timely construction of 450,000-ton-capacity continuous galvanizing line (CGL);
- 2) increasing proportional sales of four strategic product categories (automotive steel, high API-specification linepipe, ferritic stainless steel, and high-grade electrical steel) by 40%, from 3.07 million tons in 2002 to 4.31 million tons in 2003; and,
- 3) continuous process improvement and efficiency gains through management innovation based on corporate-wide PI and Six Sigma activities.

Although the sales volume remained relatively unchanged with a slight 3.7% increase, from 27.2 million tons in 2002 to 28.2 million tons in 2003, the sales revenues rose by 22.4% to KRW 14,359 billion due to the rise in global steel prices and improved sales mix. The domestic price for our major product, hot-rolled coil, increased by 14.4% compared to 2002, while the export price rose by 29.4% in U.S.-dollar terms.

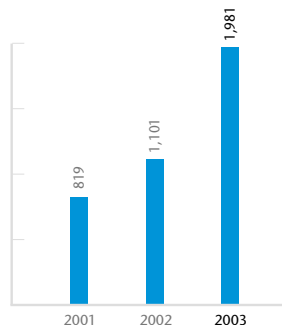
Our cost of goods sold increased by 14.1% to KRW 10,416 billion due to a higher materials price and a production volume increase. In 2003, high demand for raw materials, particularly from China, led to high international prices for raw materials, effectively raising our raw materials cost by 19.0% to KRW 5,224 billion. Other materials cost increased by 9.8% to KRW 1,239 billion due to a production increase, and outsourcing cost rose by 12.8% to KRW 895 billion primarily due to an increase in our outsourcing partners' wage and other costs.

To cope with the price fluctuation of raw materials, we actively seek to secure a stable supply of raw materials through long-term supply contracts and large bulk procurement. This is especially important in the current raw materials market because of the expanding capacity of global mills. In anticipation, we officially opened our POSMAC joint venture in Australia in October 2003, to secure stable supply and price of iron ore.

Sales (KRW in Billions)



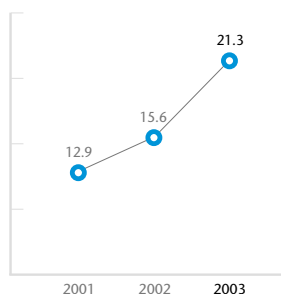
Net Income (KRW in Billions)



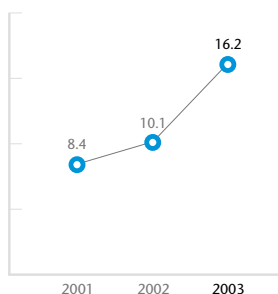
Our operating margin increased from 15.6% in 2002 to 21.3% in 2003, indicating our ability to take advantage of global steel price fluctuations and our increasingly efficient cost structure. Net income improved by 79.9%, from KRW 1,101 billion in 2002 to KRW 1,981 billion in 2003. Our financial structure also showed growing strength from 2002 to 2003; ROE improved from 10.1% to 16.2% and liabilities to equity fell from 49.1% to 42.1%.

| Summary Financial Statements (KRW in Billions) | 2001 | 2002 | 2003 |
|--|---------|---------|---------|
| Sales | 11,086 | 11,729 | 14,359 |
| Operating Income | 1,429 | 1,833 | 3,059 |
| Net Income | 819 | 1,101 | 1,981 |
| Assets | 17,616 | 17,244 | 18,407 |
| Liabilities | 7,419 | 5,677 | 5,449 |
| Shareholders' Equity | 10,197 | 11,567 | 12,958 |
| Retained Earnings | 6,987 | 8,483 | 9,867 |
| Financial Ratio | | | |
| Operating Margin (%) | 12.9 | 15.6 | 21.3 |
| Return on Equity (%) | 8.4 | 10.1 | 16.2 |
| Liabilities to Equity (%) | 72.8 | 49.1 | 42.1 |
| Shares Outstanding (in thousands) | 93,589 | 90,782 | 88,966 |
| Earnings per Share (KRW) | 10,043 | 13,442 | 24,306 |
| Year-end Stock Price (KRW) | 122,000 | 118,000 | 163,000 |

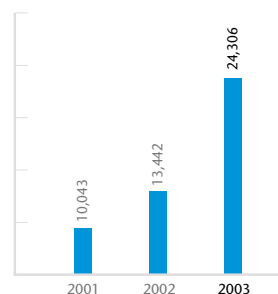
Operating Margin (%)



Return on Equity (%)



Earnings per Share (KRW)



Distributions to Supplier of Capital

Stock buyback: On October 16, 2003, POSCO bought and retired 1,815,640 shares, reducing the number of outstanding shares to 88,966,155. This has contributed to a rise in shareholder returns by increasing the company's earnings per share.

Dividend: At the end of 2003, cash dividend payment totaled KRW 326 billion and dividend payable was KRW 2.5 billion. The dividend payable accrued represents uncollected dividends for stock certificates that were not deposited at a securities company subsequent to POSCO's listing on the Korea Stock Exchange due to loss or unknown ownerships as inheritors. Inquiries on stockholder validation and dividend collection should be placed to Equity Team at Tel: 080-005-6060, +82-2-3457-1172.

Interest expense: From 2002 to 2003, interest expense decreased by KRW 67.8 billion to KRW 215.2 billion, and net interest expense fell by KRW 95.7 billion to KRW 153.5 billion.

Taxes Paid to Central and Local Governments

The amount of tax paid in 2003 totaled KRW 662.6 billion: KRW 537.7 billion in national taxes, KRW 70.9 billion in local government taxes, and KRW 54.0 billion in custom duties. We paid city tax of KRW 33.8 billion to Pohang city, accounting for 20.0% of Pohang's tax revenues, and KRW 30.6 billion to Gwangyang city, accounting for 51.5% of Gwangyang's tax revenues. The above figures represent taxes paid in cash, while the accounting standard income tax as indicated on our income statement was KRW 683.3 billion. As a separate note, we did not receive any government subsidies.



POSCO Listed in *Forbes'* "World's 400 Best Big Companies" in the Metals Category for Five Consecutive Years.

In its April 14, 2003 issue, *Forbes* selected and announced the top 400 global corporations in 27 industries by evaluating 1,100 companies worldwide with total sales of over \$5 billion on their annual average ROE, dividend yield, and stock price trends over the past five years. The results included POSCO as a leader in the steel sector for the fifth consecutive year.

POSCO Listed Among "The World's Most Admired Companies" by *FORTUNE*.

In its March 3, 2003 issue, *FORTUNE* compiled a list of "The World's Most Admired Companies." POSCO was ranked among the top three in the metals group.



There are only few industries and companies in Korea that are globally competitive and POSCO is definitely one of them. In my view, POSCO is a corporate leader not due to its profitability or size but because the company focuses on economic, social, and environmental values. POSCO has strived to sustain a well-balanced approach to these important values relative to its global and domestic peers. I believe this is the only way of attaining and retaining one's global position.

As an equity research analyst responsible for many different companies and sectors, I can generalize that POSCO, relative to its peers, is also highly regarded for providing very timely information and data to the market. In addition, I believe POSCO is at the forefront among the Korean companies in the area of corporate governance. The company stresses the importance of transparent management and I believe that POSCO abides by that philosophy.

The access to senior management is also relatively good at POSCO and it is one of the few blue chip companies in Korea whereby the CEO participates in an annual CEO Forum and various other events with investors and the financial community. This is quite rare in a Korean corporation but much more common among international global firms. I hope that POSCO will provide more frequent opportunities with the CEO and that many other corporations will follow the example of POSCO in the near future.

Finally, there is no doubt in my mind that the investment community welcomes POSCO's management philosophy of combining economic values with social and environmental responsibilities, which is referred to as "Corporate Sustainability Management" at POSCO. A business model of simply making money is no longer applicable in our world and thus a corporation must also be willing to invest and enhance its non-business environment, for which I believe POSCO should be benchmarked.

Zayong Koo

Senior Vice President, Equity Research
LEHMAN BROTHERS



Nature

Environmental preservation has always been fundamental to POSCO's management approach. Our steel products are continuously manufactured and supplied in the most environment-friendly way possible. Initially established in 1995, we revised the environmental policy in January 2004, to better link global environmental preservation with corporate responsibility. Our "Clean and Green POSCO" movement continues to move us closer to our environmental vision of "increasing company value through environment-friendly management."

| | | | |
|--|-----------|--|-----------|
| Environmental Policy | 28 | Environmental Accounting | |
| Management System | 29 | Investments | |
| Objectives and Action Plans | 30 | Supply Chain Environmental Management (SCEM) | |
| Five-year Technology Development Plan | | Environmental Data Disclosure | |
| Organization | 32 | Environment-friendly Products and Processes | 43 |
| Performance | 34 | Environment-friendly Products | |
| POSCO Environmental Performance Index | | FINEX | |
| Water, Air, and Soil | | Climate Change and Energy Management | 45 |
| Byproducts | | Climate Change | |
| Assessments | | Energy Management | |
| Innovative Environmental Projects | 39 | Active Participation in Domestic and International Organizations | |
| Six Sigma | | Other Nature News | 50 |

ENVIRONMENTAL POLICY

Our environment is a vital factor in corporate management strategy. We fulfill our environmental responsibilities by harmonizing all corporate activities with the protection of environment, the efficient use of resources, and the well-being of our communities for sustainable growth. Our policy governs all activities being carried out at Pohang Headquarters, Seoul Office, Pohang Works, and Gwangyang Works.

We develop a company-wide integrated system of cooperation and harmony to stimulate sustainable management.

We strictly adhere to environment-related laws and regulations, and endeavor to reduce our environmental impact on worksites and local communities.

We always seek ways to improve environmental friendliness, prevent environmental pollution, use energy more efficiently, and increase the value of recycling.

We strengthen the environmental friendliness of the steel industry by establishing and implementing production and product development processes that have less environmental impact.

We ensure an environment-friendly work place for the benefit of each employee's health and safety.

We establish effective communication channels with all major parties concerned, and provide appropriate training to employees so that they can fully participate in our proactive sustainable development activities.

We fortify inter-company cooperation and strive to develop an environment-friendly supply network to promote sustainable development in companies that work alongside POSCO.

We operate a transparent monitoring system to routinely review, evaluate and release our sustainable development management targets, policies and results.

At the corporate level, we encourage every employee to participate in our "Clean and Green POSCO" movement by setting positive examples. We recycle heat that escapes during the production process by converting the heat into steam, which is then redistributed through pipelines to residential areas. At Pohang Works and Gwangyang Works, we have a policy in place that allows employees to drive to work three out of five days. Therefore, we provide company shuttle buses and trains to help alleviate traffic and prevent automobile gas pollution. The freed-up parking lots have been converted into "green" fields so that employees can enjoy natural surroundings. We also turn off lights during meal times and utilize automated light sensors for less frequented facilities. We believe our constant reminder to ourselves about the need for environmental protection and energy conservation efforts will help achieve a cohesive vision.

ENVIRONMENTAL MANAGEMENT SYSTEM



Environmental Management Audits

POSCO's firm foundation for our Environmental Management System (EMS) was realized in July 1996, when we achieved ISO 14001, the international certificate for environmental management standards. We also undergo periodic environmental inspection by both internal and external inspectors in accordance with ISO 14001 standards to measure the effectiveness of the Environmental Management System, enhancing the transparency of our environmental performance. The inspection results are presented to POSCO's Environment and Energy Committee, which in turn analyzes the results and sets response measures.

2003 Audit Results from Lloyd's Register Quality Assurance Korea Co., Ltd.

Assessments

Pohang Works

Period: April 14 - 17, 2003

Inspected 11 departments, including Ironmaking Department.

Gwangyang Works

Period: September 22 - 24, 2003

Inspected nine departments, including Ironmaking Department.

Audit Results

Improved Factors:

- Improvement of indoor working environment (Coke Making Department at Pohang).
- Implementation of emergency situation response training and facility management excellence (Wire Rod Rolling Department at Pohang).
- Audit results showed that there were no cases of non-conformity with ISO 14001.

ENVIRONMENTAL OBJECTIVES AND ACTION PLANS

To ensure proper ongoing implementation of POSCO's Environmental Policy, we reset our environmental objectives and action plans each year to reflect major environmental issues and the voices of stakeholders both at home and abroad. By adhering to the detailed objectives and action plans, POSCO is devoting efforts to environmental preservation, not only at our steelworks and neighboring regions, but also throughout the world.

| | |
|--------------------|--|
| Objective 1 | Continued reduction of pollutant emissions |
| Description | - Reduce pollution from the source beyond treating pollutants generated in the production process |
| Action Plan | - Devise and implement measures to reduce air pollutant emissions - Actively implement activities to reduce water use and reuse wastewater |
| Objective 2 | Development of preliminary preventive environmental management and treatment technologies |
| Description | - Respond to the changes in domestic and international environment policies by developing voluntary and proactive preliminary preventive environmental management and treatment technologies |
| Action Plan | - Establish stable transmission of telemetry-measured data - Respond in advance to stricter emission standards on incinerators - Early stabilization of denitrification facilities through the enforcement of regulations on total nitrogen content in wastewater that is being discharged - Conduct surveys on the emissions and other hazardous chemical substances, and devise reduction measures - Devise and implement countermeasure strategies for the Kyoto Protocol and participate in international joint technology development - Develop persistent organic-pollutants reduction technology |
| Objective 3 | Improvement of byproduct value-add and minimization of landfill |
| Description | - Pursue development of new uses for byproducts to increase their value-added characteristics and reduce recycling costs - Minimize landfill by finding ways to apply unused byproducts in an environment-friendly manner |
| Action Plan | - Increase value-added byproducts and their application - Develop recycling technology for unused byproducts to minimize landfill |
| Objective 4 | Implementation of regional environment monitoring and related disclosures through active communication |
| Description | - Establish mutual-trust relationships by monitoring environment changes in surrounding areas and promptly providing stakeholders with environmental management performance information |
| Action Plan | - Actively and frequently monitor environment changes in surrounding areas, and provide clear and easy access to information - Publicize environmental preservation efforts to investors, regional citizens and non-governmental organizations - Share our efforts for earth conservation through greenhouse gas reduction |

Five-Year Technology Development Plan

Every year, POSCO formulates a five-year technology development plan based on domestic and international issues and the demands of our stakeholders. To prepare for future developments, we study various issues in the environment and energy sectors and develop contingency plans.

The technology development plan devised in 2003 contained the following details:

- Preparation for Kyoto Protocol on climate change
- Reduction of air pollutants
- High value-added byproducts and safe utilization
- Reduction of environmental impact of steelworks on regional communities
- Use of sustainable energy
- Flexible energy management in response to environment change

Periodic Technology Conferences for Employees

POSCO has diverse, in-house training programs for employees on environmental and energy management and technologies. We hold both quarterly Environmental Technology Conferences and Energy Technology Conferences, at which professionals and researchers from various fields and organizations share their ideas and insights about the latest environmental and energy issues, activities, and technological trends. We also have online educational programs on our intranet that include a course on basic knowledge about environmental management.



Environmental Technology Conferences

ENVIRONMENTAL ORGANIZATION

Environmental Organization

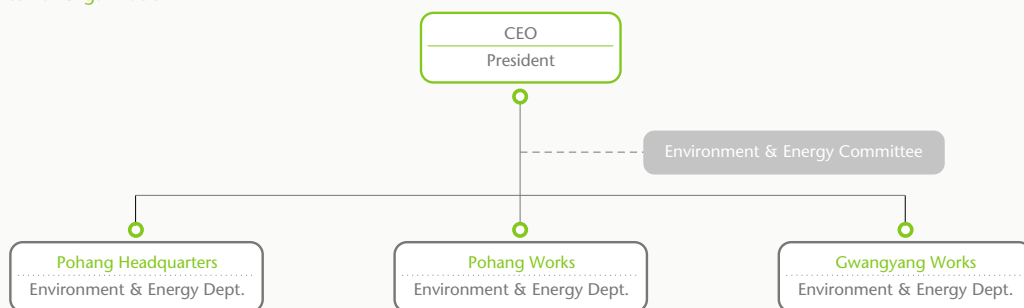


For detailed information on POSCO's environmental management system, please go to <www.posco.co.kr>.

As the environmental-management inspection body, POSCO's Environment & Energy Committee, consisting of executives and department managers in charge of environmental and energy concerns, is responsible for reviewing environmental and energy management diagnosis data, and supporting top management's decisions on important issues. For the effective implementation of our environmental objectives and action plans, the Environment & Energy Committee is responsible for environmental facility management, environmental education, and environmental accident prevention. Top management reviews our environmental management activities, the opinions of stakeholders, and the impact of emerging environmental issues on corporate activities, which are then applied in managerial strategies.

In 2003, the committee conducted a diverse range of activities, including consultation on the evaluation results of the environment and energy award, which selects and awards internal departments for excellence in the environment and energy area. The committee also discussed POSCO's energy use outcome, approved the POSCO Environmental Performance Index (POSEPI) results and targets, and set mid- to long-term targets.

Internal Organization



R&D Organization



Pohang Headquarters, Pohang Works, and Gwangyang Works each has its own Environment and Energy Department. The Environment and Energy Department at the headquarters establishes the basic direction for environmental management, and attends to international environmental conventions and regulations. The onsite Environment and Energy Departments at Pohang Works and Gwangyang Works formulate and carry out the action plans, and extend environmental management throughout all departments at their respective steelworks.

We receive scientific and technological support, as well as support on environmental management policies and techniques from internal and external cooperatives: the Research Institute of Industrial Science & Technology (RIST), the Environment & Energy Research Center, POSCO Research Institute (POSRI), the Environment Management Research Team within Management Study Center, and the School of Environmental Science and Engineering at the Pohang University of Science and Technology (POSTECH).



POSCO's environmental management standard is among the highest in the global steel industry. The steel industry brings a diverse and complex set of environmental aspects, but POSCO has received high international appraisals for environmental activities from the beginning of its founding.

Large corporations, like POSCO, are confronted with considerable number of difficulties in maintaining harmonious partnerships with its various stakeholders. However, their policies and efforts with regard to environmental concerns have substantially contributed to the fact that POSCO has had no significant conflicts or confrontations with their regional communities of Pohang and Gwangyang.

POSCO is leading the world's steel industry with its innovations like FINEX that goes beyond pollutant management, development of environment-friendly steel products, and introduction of the latest environmental management techniques, such as Life Cycle Assessment (LCA) and environmental accounting.

I believe POSCO's environmental management is a model for both the world's steel industry and domestic businesses alike, with its value being recognized by all stakeholders, including the capital markets.

Byung-Wook Lee, Ph. D.

CEO/President
LG Environmental Strategy Institute

ENVIRONMENTAL PERFORMANCE



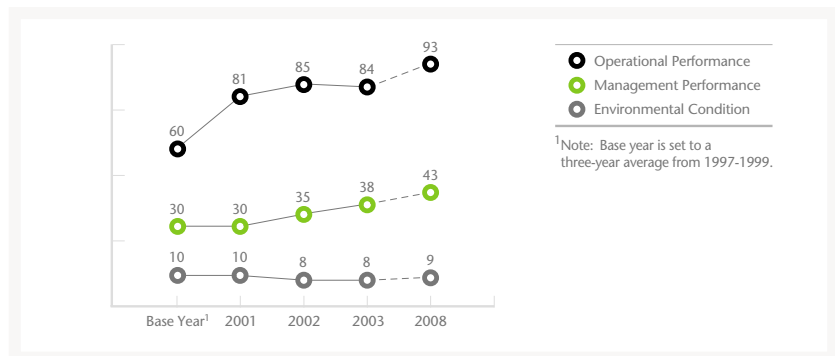
POSCO Environmental Management System (POEMS) improves our environmental management efficiency through operational standardization and data integration.

POSCO Environmental Performance Index (POSEPI)

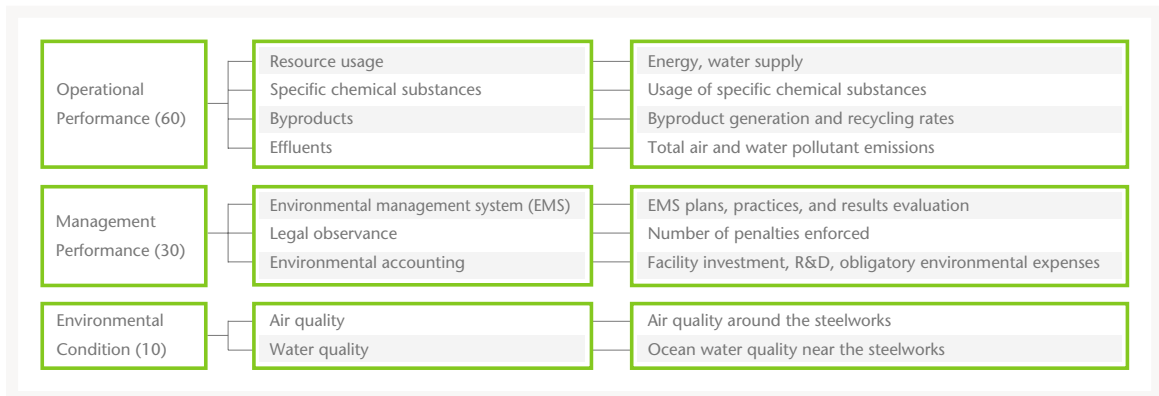
Created in 2001, POSEPI evaluates our environmental performance against objectives and targets. The indices are included in the Balanced Score Card (BSC), and serve as another barometer for measuring the environmental performance of Pohang Works and Gwangyang Works, as well as a tool for measuring the overall performance of managers.

POSEPI evaluates operational performance, management performance, and environmental condition over a specified period of time to arrive at a single index. The performance indices are computed relative to those of a three-year average from 1997 to 1999, which is set at 100 points. POSEPI allows for comprehensive environmental assessment and feedback, and supports rational decision making for management. The indices also provide environmental performance transparency to stakeholders.

POSEPI Performance Trends



POSEPI Factors



Water, Air, and Soil

Among the Lowest in Water Usage

According to European IPPC Bureau, integrated steelworks use anywhere between five cubic meters per metric ton of steel ($\text{m}^3/\text{T-S}$) and $100 \text{ m}^3/\text{T-S}$ of water for their operations, and sometimes less than $5 \text{ m}^3/\text{T-S}$. POSCO's water use is low compared to our industry peers as a result of the scientific water management techniques, and our reuse of wastewater. Through improvements in process technologies, we contribute to the protection of water resources by minimizing the water usage per one ton of crude steel at Pohang Works and Gwangyang Works to $3.8 \text{ m}^3/\text{T-S}$ and $3.5 \text{ m}^3/\text{T-S}$, respectively.

Wastewater Conservation: Recycling of Wastewater

At POSCO, water used at each stage of steelmaking process is initially treated in the wastewater treatment facility in each plant. More than 90% of the treated wastewater is reused in the operational process of each plant and the rest is sent to the final wastewater treatment plant. Most of the secondarily treated wastewater is used for road cleaning within the complex and raw material storage yards to prevent dust, and the remainder is discharged to the sea nearby.

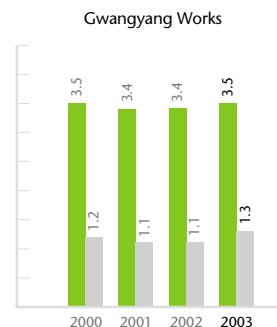
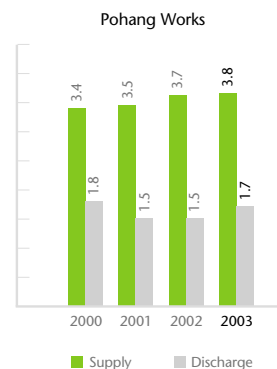
Slight Improvement in Air Quality Control Trend

Major air pollutants generated from steelmaking processes include dust, sulfur oxide (SO_x), and nitrogen oxide (NO_x). POSCO has continued to invest in technology development for reducing the amount and density of air pollutants. As a result, we have over time reduced the emission of dust, SO_x and NO_x at both Pohang Works and Gwangyang Works.

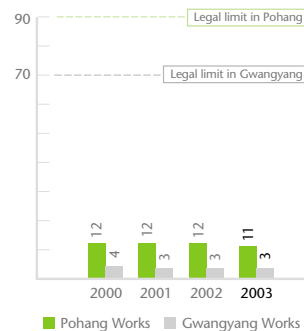
No Significant Contamination to Soil

POSCO adheres to the guidelines of "Control & Management Standards for Soil Contamination of Pohang Works and Gwangyang Works" that was established in December 2001, and conducts soil contamination assessment within our steelworks periodically. In 2003, an independent study revealed that there was no significant adverse impact from our operations with respect to soil contamination for both Pohang Works and Gwangyang Works.

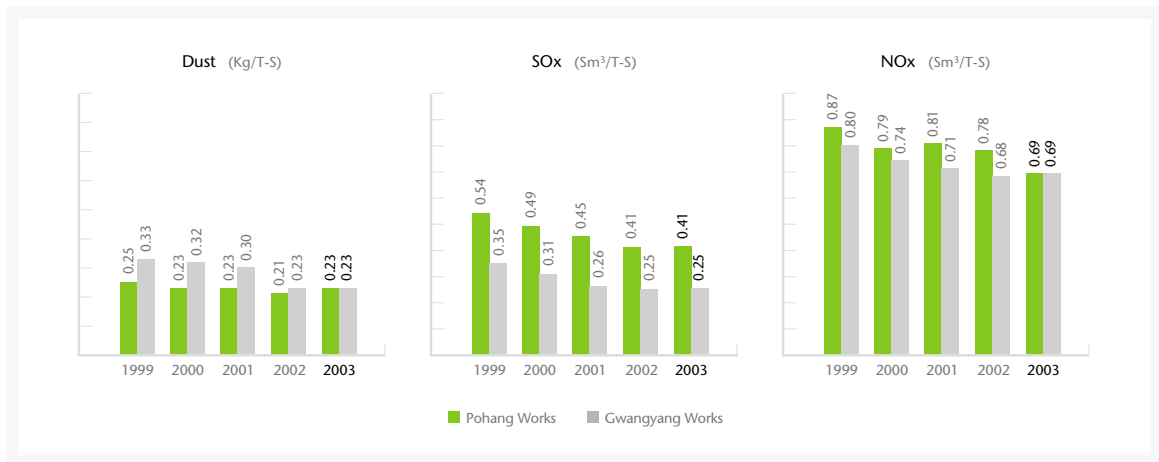
Industrial Water Supply and Discharge (Unit: $\text{m}^3/\text{T-S}$)



Chemical Oxygen Demands (COD) in Effluents (mg/l)



Dust, SOx, and NOx Emission



Byproducts

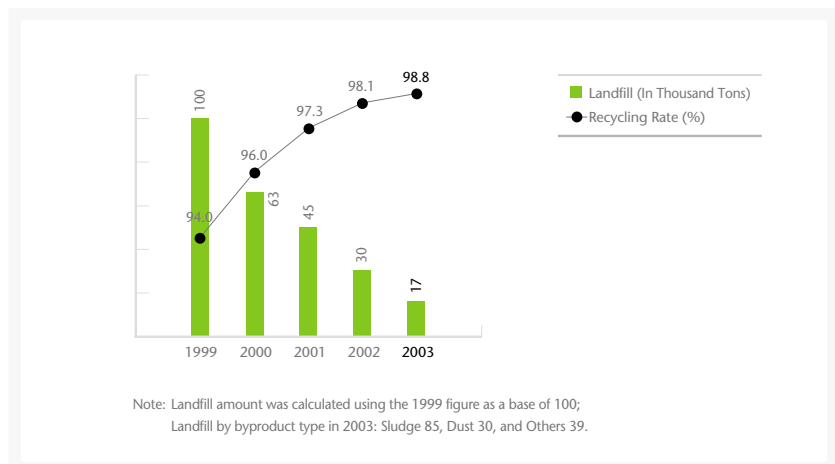
Recycling of Byproducts Reaches 98.8%

In 2003, byproducts generated from Pohang Works and Gwangyang Works totaled 17.1 million tons, of which 98.8%, or 16.9 million tons were recycled.

Recycling Rate and Landfill Trends of Byproducts



POSCO plants trees over former waste-deposit landfill to make forests.



CO₂ and Limestone Reduction through Blast Furnace Slag Cement Clinker Substitution

Blast furnace slag is a byproduct generated when non-ferrous substances in iron ore, limestone, and coke are separated from the hot metal in a blast furnace. It consists of inorganic substances, primarily lime (CaO) and silicon dioxides (SiO₂), and is used for cement, fertilizer production, road construction materials, and civil engineering aggregates.

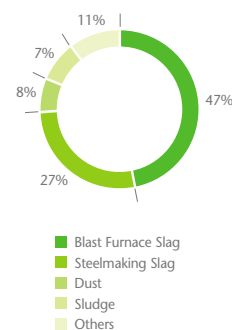
Granulated blast furnace slag preserves limestone and reduces CO₂ emissions by being recycled as a mixture in the production process of cement, or as a substitute for cement clinker. In 2003, six million tons of ground granulated blast furnace slag were used for cement production. We estimate this is equivalent to saving eight million tons of limestone, thus eliminating as much as five million tons of CO₂ emissions.

High Value-add Byproducts and Safe Utilization

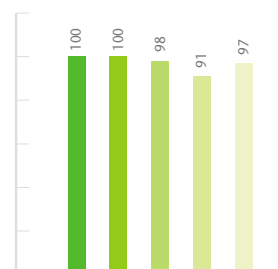
In 2003, POSCO recycled 82% of the blast furnace slag into granulated slag for high value-added utilization. We also expanded the use of composite slag for road construction due to supply shortage of lump ore as a result of increased granulated slag production, and to maintain a stable supply of steelmaking slag.

We also use stainless steel smelting furnace granulated slag generated from the increased stainless steel production by developing new uses for slag as fertilizers and compounds. We minimize landfill by expanding the external and internal use of dust and sludge.

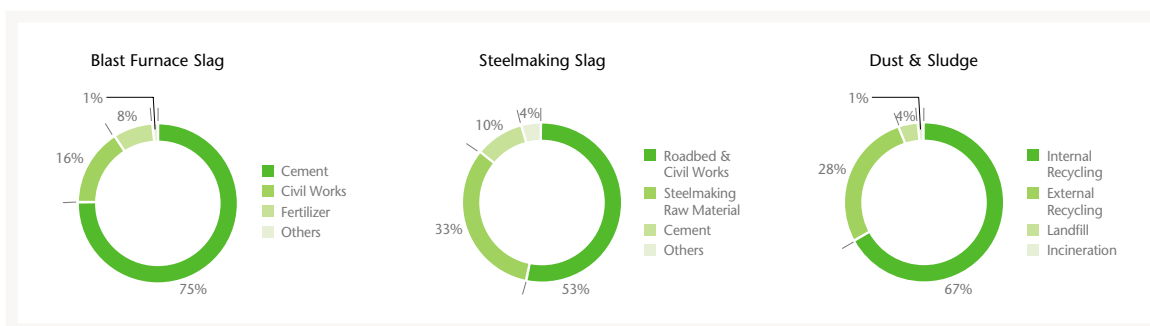
Byproduct Type Ratio in 2003



Byproduct Type Recycling Rate (%)



Utilization Rate of byproducts in 2003





Each year, more than 3,000 visitors come to our 75-meter high Environment Center at Pohang Works to get a glance of the environmental system.

Environmental Assessments

We conduct periodic environmental surveys on water quality, air quality, and the ecosystem in the surrounding areas of Pohang Works and Gwangyang Works in our efforts to preserve the environment of neighboring regions.

We also monitor our environmental impact in neighboring regions by conducting periodic third-party environmental impact evaluations on ocean water quality, ecosystem, and topography for surrounding sea areas of waste-landfill grounds used by Pohang Works and Gwangyang Works. The results are reported to the government.

Furthermore, we constantly measure the air quality of the surrounding areas of steelworks with our environmental mobile monitoring vehicles. In particular, upon the request of community citizens, we provide the measurement results directly to them onsite to help improve their understanding.

Assessments by Both Internal and External Organizations:

| | |
|-----------------------|------------------------------------|
| Jan. 1999 - Aug. 2000 | Gwangyang Works Area: First Phase |
| Dec. 2000 - May 2002 | Pohang Works Area: First Phase |
| Jul. 2002 - Dec. 2003 | Gwangyang Works Area: Second Phase |
| Jan. 2004 - Jun. 2005 | Pohang Works Area: Second Phase |

INNOVATIVE ENVIRONMENTAL PROJECTS

Linking Six Sigma Activities to Environmental Management for Optimal Performance

We introduced Six Sigma to use data-driven quality measures for optimal performance in our environmental activities. The POSCO Environmental Management System (POEMS), which was established as a result of the first phase of Process Innovation (PI), aims for strong foundation for prompt and transparent management, among other goals.

In 2003, we completed nine projects at our Pohang Headquarters, 13 projects at Pohang Works, and 13 projects at Gwangyang Works.

Major Six Sigma Black Belt Projects in the Environment and Energy Sector

| Category | Project Name |
|---------------------|--|
| Pohang Headquarters | <ul style="list-style-type: none"> - Greenhouse gas emission measurement process improvement - High value-added use of stainless steel crushed slag - Development of hourly energy supply and demand forecast model |
| Pohang Works | <ul style="list-style-type: none"> - Improvement of value-added byproducts utilizing serpentinite crushing facilities - Reduction of generator boiler NOx emissions - Improvement of Linz-Donawitz Converter Gas (LDG) recovery |
| Gwangyang Works | <ul style="list-style-type: none"> - Liquefied Natural Gas (LNG) power generation output increase - Byproduct gas supply and demand imbalance improvement - Reduction of cold rolled sludge treatment costs |

Environmental Accounting in Development and Testing Phase with Full Implementation Expected in January 2005

At the end of 2003, POSCO completed the design for a system that automatically measures our environmental costs in detail. The Activity Based Management (ABM) system is expected to be in full operation by January 2005, upon completion of development and testing.

The ABM system currently defines environmental management activities conducted throughout POSCO into 757 standard activities, and classifies early prevention and management activities into 53 categories. The system will allow POSCO's environmental accounting system to aggregate environmental costs by activities and categories.

The system is designed to analyze environmental costs and benefits generated from energy recovery and byproduct recycling. The value-added information from the environmental accounting system will better support management decisions, such as

environmental facilities investment, while allowing for rational execution and reduction of environmental costs by departments.

Environmental Investments

Since our founding in 1968, we have invested a total of KRW 2,486.3 billion in environmental improvement projects, representing 8.9% of our total facilities investments at the end of 2003.

Environmental Facility Investment for Pohang Works and Gwangyang Works in 2003

| Category | Details | Cost (KRW in Billions) |
|--------------|---|------------------------|
| Air | Installation of stainless steel reinforcement dust collector and chemical volatile organic compounds emission prevention facilities | 44 |
| Water | Streamlined the dust collector for No. 1 steelmaking mill and changed programmable logic controller for No. 2 wastewater treatment facilities | 27 |
| Recycling | Installation of stainless steel reinforcement waste treatment facilities and upgrading of blast furnace granulated slag | 22 |
| Total | | 93 |

Environmental Cost Breakdown for Pohang Works and Gwangyang Works in 2003

| Classification | Details | Cost (KRW in Billions) |
|---------------------------------------|--|------------------------|
| Environmental-facility Operation Cost | Electricity, maintenance cost, operator wages | 297 |
| Recycling Cost | Cost of byproduct processing, transporting, incinerating, landfill, outsourced treatment | 134 |
| Depreciation Cost | Depreciation cost of environmental facilities | 120 |
| General and Administrative Cost | Wages of environmental departments, water usage dues | 20 |
| Total | | 571 |

Supply Chain Environmental Management (SCEM)

We gladly participated in a major government program to encourage small- to medium-sized suppliers within the supply network of conglomerates to adopt clean production and environmental management systems. In 2003, POSCO collaborated with 11 small- to medium-sized suppliers to conduct various environment-related activities.

To effectively implement the government's policy for voluntary adoption of clean production and environmental management systems, we established the Supply Chain Environmental Management program because we believe environmental management of suppliers improves the competitiveness of the individual companies.

We proactively encourage our suppliers to establish environmental management systems by transferring and spreading our years of experience and knowledge, while requiring medium-sized suppliers to achieve the ISO14001 certification.

We are pleased by the results to date. At the end of 2003, 11 companies (most of which were small businesses) participated in POSCO's SCEM program. We helped four companies achieve ISO 14001 certification and three companies produce draft environmental reports.

The following table summarizes the program results:

SCEM Participating Companies

| Number of Employees | Number of Companies | Major Products |
|---------------------|---------------------|--|
| Below 10 | 2 | Basalt, steel structures |
| Below 50 | 3 | Rubber products, chemicals, limestone |
| Below 100 | 6 | Machinery parts, byproduct reuse, casting, briquette |
| Total | 11 | |

Key Details from the POSCO SCEM Project

| Category | Objectives and Details | Performance |
|--------------------------------------|---|--|
| Environmental Management Diagnosis | - Environmental management demand forecast and analysis | Condition analysis for environmental management diagnosis and guidance |
| Environmental Accounting | - Pursue education-related environmental costs and accounting - Provide applicable manuals | Understanding of environmental cost and introduction of environmental accounting |
| Green Purchasing | - Education on green purchasing concept and related issues - Review applicable items and education of procurement guidelines | Establishment of green purchasing guidelines |
| Environmental Report | - Education and publication of environmental reports | Production of initial draft report (three companies) |
| Environmental Performance Evaluation | - Education on environmental performance evaluation | Awareness of its importance and review of next year's actions |
| ISO14001 Certification | - Education and consultation on environmental management system - Achieve ISO 14001 Certification | Certification completion (four companies) |
| Life Cycle Assessment (LCA) | - LCA-related education - Review applicable items and action plans | Education and consultation |
| Design for Environment (DfE) | - DfE-related education - Review applicable items and action plans | Education and consultation |
| Kyoto Protocol on Climate Change | - Education on Kyoto Protocol's effect on industry and response efforts of industries | Improvement of awareness level and review of response measures |



Pohang residents monitor pollutant emissions through POSCO's real-time electronic message boards located in the steelworks, as well as throughout Pohang city.

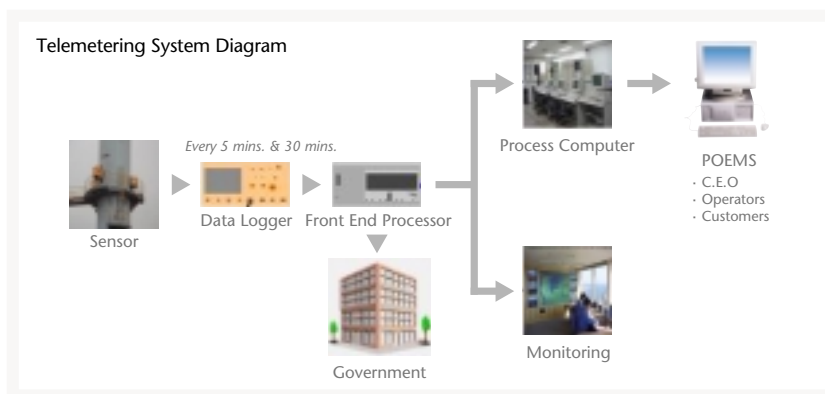
Environmental Data Disclosure

POSCO established a digital environmental monitoring system with real-time feedback on pollutant levels and a forecast system of pollutant density in surrounding areas, breaking new ground in environmental management. The telemetry system was first introduced at the Gwangyang Works in 1986 and later at Pohang Works in 1989.

The system monitors gas emissions for 41 and 65 stacks in Pohang and Gwangyang Works, respectively. The data measured for exhaust gas and air quality are automatically relayed through transmission equipment, and stored and analyzed in computers.

Real-time data results are displayed to our community residents through electronic message boards installed within the cities and onsite operators and management through the POSCO Environmental Management System (POEMS). The data are also reported to the governmental monitoring center every 30 minutes.

We encourage all citizens, environmental groups, students and business people to visit the Pohang Works' Environment Center. It is located on top of a 75-meter tower that monitors the steelworks' environment 24 hours a day. Overlooking the steelworks, the center is equipped with automated environmental monitoring system, allowing visitors to directly experience our advanced onsite environmental management system.



Monitoring Facilities

| | Stack Emission | Atmospheric Concentration | Open-path Method | Wastewater Effluent |
|-----------------|--|--|--|---------------------|
| Pohang Works | 41 | 2 | 7 paths | 3 |
| Gwangyang Works | 65 | 3 | 9 paths | - |
| Detecting Items | Dust, SO ₂ , NO ₂ , Temp., HCl, CO, NH ₃ , O ₂ , Flux | PM10, SO ₂ , CO, NO ₂ , O ₃ , Temp., Wind Direction & Speed, Moisture | SO ₂ , NO ₂ , O ₃ BTX, NH ₃ , CO, HCl | SS, COD, Flux, Oil |

ENVIRONMENT-FRIENDLY PRODUCTS AND PROCESSES

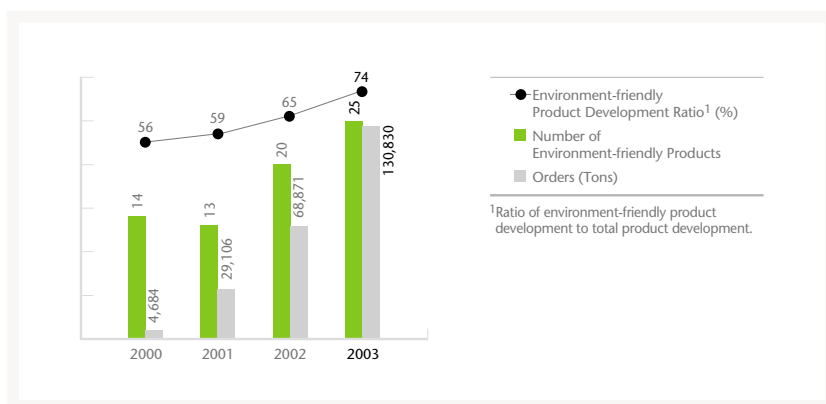
Increasing the Number of Environment-friendly Products

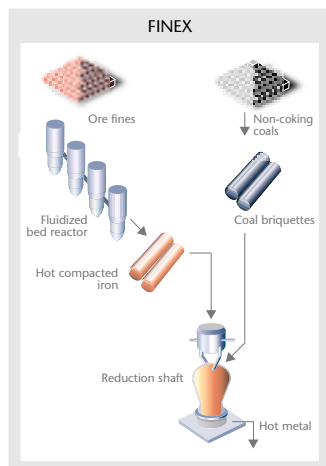
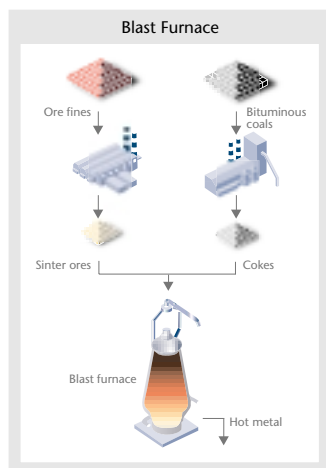
We developed 25 new types of environment-friendly steel products in 2003, an increase of 25% over the previous year, adding to the total of 72 since 2000. Of the 72 environment-friendly products, five are environment preservation products (such as chrome-free steel), 53 are energy saving products (such as highly durable steel), and 14 are recycling improvement products (such as corrosion-resistant steel). From 2002 to 2003, the ratio of environment-friendly product development to total product development increased by nine percentage points, while the order demand increased by 90%.

Environment-friendly Products

| Category | Development Cases | Accumulated Number of Environment-friendly Products from 2000 to 2003 |
|--------------------------|---|---|
| Environment Preservation | Non-containment of environmental hazardous substances, isolation of substances harmful to the body, reduction of noise and quakes, improvement of exhaust gas purification performances, improvement of collision and safety properties | 5 |
| Energy Saving | Light-weight automobiles, process/heat treatment free products, improvement of energy efficiency, improvement of process methods | 53 |
| Recycling Improvement | Improvement of corrosion-resistance and life span, improvement of durability | 14 |

Development of Environment-friendly Products





FINEX, a more Environment-friendly Ironmaking Process that Reduces Emission of Pollutants, Conserves Natural Resources, and Decreases Product Costs

A large amount of fuel and raw materials are used in the process of steelmaking. Therefore, POSCO has pursued diverse efforts to minimize environmental pollutants generated during our operations. In the past, we focused on reducing pollutant emissions mainly at the final stages of emission. However, we have recently focused our attention on reducing fuel and raw materials through process innovations to decrease pollutants at the source.

The need for a new steelmaking process to substitute the conventional blast furnace process has increased with the expectation that high-quality iron ores and coals required in steelmaking process will steadily be depleted over time.

Together with RIST and Voest-Alpine Industrienbau (VAI) of Austria, we started developing the FINEX technology in 1992. Once that objective was met, the COREX facility was built and put into operations in 1995, with an annual capacity of 600,000 tons for the trial application of the FINEX process. Since June 1999, the operation of an ore fines fluidization reduction pilot plant (150 tons per day) has confirmed the technological and economical feasibility of the FINEX process. Bolstered by these successful results, we completed the construction of a FINEX demo plant in May 2003, with an annual capacity of 0.6 million tons in the commercialization stage.

In the conventional blast furnace method, a steelworks must be equipped with a separate sinter plant to process ore fines into sinter ores, and a coke plant to process expensive bituminous coals into cokes. To treat pollutants generated from the sinter and coke plants, additional environmental facilities are needed. But the FINEX method permits the production of hot metals with cheap and abundant ore fines and steaming coals without pre-treatment, such as sintering and coke-making. Therefore, the FINEX method can considerably reduce processing costs and pollutants compared with the traditional blast furnace method. Based on our internal testing, we estimate that FINEX reduces emissions by 92% for sulfur oxide and 96% for nitrogen oxide.

CLIMATE CHANGE AND ENERGY MANAGEMENT

Climate Change

The Carbon Disclosure Project, carried out by 35 European investment companies, identifies POSCO as the leading steel company in addressing climate change issues.

Most of the greenhouse gases generated in the steelworks are CO₂ emissions from coal, which in turn, is generated from coal raw materials added directly and indirectly in blast furnaces. However, substituting coal with other raw materials in blast furnaces is difficult since it reduces iron ore. As such, coals used in steelmaking processes are classified as raw material rather than fuel.

As CO₂ emissions in steelworks are directly connected with coal and energy use, POSCO has installed energy consumption reduction facilities, including coke dry quenching facilities, and continues to reduce CO₂ emissions through process and energy efficiency improvements, for example, by increasing the input of pulverized coal in blast furnaces.

POSCO is preparing for the Kyoto Protocol of the U.N. Framework Convention on Climate Change (UNFCCC) through smooth and long-term systematic preparations, including continued investments in economic energy facilities and reinforcement of energy-consumption reduction activities. At the same time, we participated in the IISI-led CO₂ Breakthrough Program, a joint development program carried out by global steelmakers for carbon dioxide reduction technologies.

The Carbon Disclosure Project rated POSCO as having the most competitive ability to cope with climate change in the global steel industry in February 2003. Investment companies looked at the Financial Times Top 500 Companies for 2002, analyzing their measures for addressing climate change issues and risks and opportunity factors, to reflect the survey results in their investment portfolios. The outcome showed that our systematic measures against climate change put POSCO as the leader in the steel industry.



POSCO consistently reduces GHG emissions through the improvement of production processes and procedures, and promotion of energy efficiency.

CO₂ Emissions – Pohang Headquarters, Pohang Works, and Gwangyang Works



High-performance, Value-added Steel Products and Recycling Byproducts Help Reduce CO₂ Emissions

POSCO's objective of reducing CO₂ emissions extends to the development of high-performance, value-added steel products and recycling byproducts.

POSCO's high-performance electrical sheet reduces CO₂ emissions by lowering core loss of transformers and motors. We estimate, based on a number of assumptions, that the CO₂ emissions savings over the lifetime of such products could be in the order of three million tons of CO₂.

Our high-tensile steel sheets reduce CO₂ emissions by decreasing the weight of automobiles. Based on a range of assumptions, such as the average lifetime of a car and the average kilometers driven by a car per year, we estimate that the resulting fuel efficiency of the lighter weight car could result in CO₂ emission reductions in the order of four million tons of CO₂ over the life of cars.

The use of ground granulated blast furnace slag as cement substitute has helped cement companies contribute to reducing CO₂ generated from cement production. Our estimations show CO₂ emission reduction in the order of five million tons for slag used by other companies in cement production this year.



Non-oriented Electrical Sheet
CO₂ ㄹ



Grain-oriented Electrical Sheet
CO₂ ㄹ



High-strength Automobile Sheet
CO₂ ㄹ



Slag as Cement Replacement
CO₂ ㄹ

Energy Management

POSCO's Purchase of Environment-friendly Fuel & Raw Materials Increases

We do not directly possess a company that mines iron ore or coal needed in our operations, relying mainly on imports. In 2003, crude steel output increased by 834 thousand tons to 28.9 million tons over the previous year. Iron ore and coal purchases reached 41,479 thousand and 19,989 thousand tons, respectively. While POSCO's net procurement of Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG), and light oil has decreased from 2002 to 2003, our purchase of more environment-friendly fuel, such as LPG and LNG has actually increased.

POSCO utilizes hot metal made from blast furnaces, scrap generated in-house, and scrap imported from the outside as steel sources for crude steel production. In 2003, we utilized 2,332 thousand tons.

Pohang Works and Gwangyang Works

| Category | | | 2001 | 2002 | 2003 |
|-------------------------------|---------------------|-----------------|--------|--------|--------|
| Production | Crude Steel | 1,000 tons | 27,826 | 28,066 | 28,900 |
| | Product Production | 1,000 tons | 27,239 | 27,101 | 28,266 |
| Fuel & Raw Material Purchases | Iron Ore | 1,000 tons | 39,518 | 40,448 | 41,479 |
| | Coal | 1,000 tons | 18,542 | 19,188 | 19,989 |
| | Electricity | GWh | 3,264 | 2,960 | 3,039 |
| | Fuel Oil | 1 million liter | 71 | 35 | 35 |
| | LPG, LNG, Light Oil | Tcal | 5,714 | 5,994 | 5,682 |

Approximately 83% of Electricity is Supplied through In-house Generation Using Byproduct Gases and Electric Power Recovery

Total electricity use in Pohang Headquarters, Pohang Works, and Gwangyang Works in 2003 was 17,974 GWh. Approximately 14,935 GWh or 83% of electricity use was supplied through either in-house generation using byproduct gases created from production process or electric power recovery from Coke Dry Quenching (CDQ) and Top Gas Pressure Recovery Turbines (TRT) energy recovery facilities. The remaining 3,039 GWh or 17% was purchased externally. In addition, most of the fuel needed in our operations was supplied by byproduct gases, such as Coke Oven Gas (COG), Blast Furnace Gas (BFG), Linz-Donawitz Converter Gas (LDG) and COREX Furnace Gas (CFG) generated during the process.

Energy Consumption and Saving: Energy Use per Unit Remains Unchanged

In 2003, POSCO used 15,071 thousand tons of oil equivalent energy (TOE) due to rising crude steel production, an increase of 436 thousand TOE over the previous year. However, energy use per unit of one ton of crude steel has remained at the 5,200-Mcal level.

| Category | | 2001 | 2002 | 2003 |
|--------------------|------------------------|--------|--------|--------|
| Energy Consumption | 1,000 TOE ¹ | 14,455 | 14,635 | 15,071 |
| Energy Basic Unit | Mcal/T-S | 5,195 | 5,214 | 5,214 |

¹TOE is equal to 10,000 mega calories (Mcal).

Voluntary Agreements for Energy Reduction Target of 5.9% by 2003 was Achieved in 2001

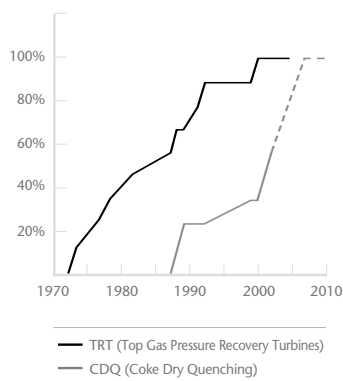
We continue to strive toward our goal of reducing electricity-based CO₂ emissions by decreasing energy consumption. The collective recognition by all employees to solve energy problems has resulted in our rapid improvement in environmental management.

In a joint effort with the government, POSCO was the first to implement the Voluntary Agreements (VA) in 1998 to reduce energy consumption. We agreed to reduce 5.9% in energy consumption over five years from 1999 to 2003, using 1997 as a base year (13,330 thousand TOE). However, we were able to reduce energy consumption by 6.0% in 2001, and by 1,255 thousand TOE or 9.4% in 2003. In turn, POSCO was awarded "Businesses that Exemplarily Fulfilled Their Voluntary Agreements" in 2003 by the Ministry of Commerce, Industry and Energy for advance achievement of our targets.

POSCO's major activities for energy saving include energy efficiency and process improvement, and facility substitution and heat recovery. During the agreement period, we invested in 323 energy savings projects.

Meanwhile, we continue to devote efforts to reducing energy consumption beyond achievements made to date. Currently, we are pursuing a second voluntary agreement with the government.

Establishment Ratio of Major Energy Recovery Facilities



Active Participation in Domestic and International Organizations

We actively participate in international cooperation and information exchange through close relationships with international organizations, including the International Iron and Steel Institute (IISI), International Stainless Steel Forum (ISSF), and South East Asia Iron and Steel Institute (SEAISI). POSCO also plays a role in solving international environmental issues, such as the Kyoto Protocol of the U.N. Framework Convention on Climate Change and the Stockholm Convention on Persistent Organic Pollutants (POPs). In addition, POSCO conducts technological exchanges with the world's steelmakers.

POSCO's major activities through the International Iron and Steel Institute are as follows:

- ENCO (IISI Committee on Environmental Affairs) (January 1973 ~)
Cooperation on environmental issues and measures of the steel industry.
- CO₂ Breakthrough Programme (December 2002 ~)
International joint technology development project to reduce CO₂.
- Kyoto Protocol and the Steel Industry (September 2002 ~)
Information exchange with global steelmakers about dealing with the U.N. Framework Convention on Climate Change.
- Sustainability Indicators Project Group (December 2002 ~)
Working group for developing and reporting sustainability indices in the steel industry.
- Korea Business Council for Sustainable Development (March 2002 ~)
Introduction and promotion of sustainable management to all industries.

To share and encourage sustainable management with all industries in Korea, POSCO has participated in various activities for promoting and spreading environment-friendly management practices to other industries as the founding member of the Korea Business Council for Sustainable Development (KBCSD), established in March 2002.



POSCO will host the IISI ENCO-42 Conference in Gyeongju city on October 17, 2004.

OTHER NATURE NEWS 2003

POSCO develops Bio Wave steel sheet that intercepts electromagnetic waves and radiates far infrared rays

We developed the world's first Bio Wave steel sheet that intercepts over 93% electromagnetic waves emitted by electronic appliances, such as televisions.

Frequent sightings of animals at Gwangyang Works

Workers at Gwangyang Works' sinter factory saw their efforts to create a green park within the steelworks become fruitful with their discovery of a raccoon looking for food after its hibernation on the premises of our woods. Delighted by what they witnessed, employees renewed their efforts to create a greener steelworks for the future.

POSCO develops smelting furnace slag dry-cooling treatment facilities in stainless steelmaking mills

Previously, slag generated in the stainless steelmaking mills was finely crushed and treated by wet-cooling method that uses water in the process of dehydration. However, such method not only required large-scale facilities and high costs, but it also generated dust and wastewater. Our new development of dry-cooling facilities simultaneously solves these problems.



Chemical Testing Department Members

Pohang Works selected as the best water quality testing organization

Pohang Works' Chemical Testing Department was selected as one of the best testing organization in the field of water quality among 13 prominent domestic organizations that specialize in water quality analysis, in the annual evaluation of analysis data accuracy of certified testing organizations by the Ministry of Commerce, Industry and Energy's Korean Agency for Technology and Standards.

"Clean & Green POSCO." Environmental preservation has always been fundamental to POSCO's management approach.

Gwangyang Works' Coke Making Department shares its joint-effort model for improving environment and implementing safer working conditions with partner companies

In a conference held for employees, our Gwangyang Works' Coke Making Department and partner companies shared the results of their joint-effort activities. The activities included discussions and solutions for identifying and reducing the kinds of pollutants that are produced by partner companies and how to improve working safety conditions. This conference renewed everyone's devotion to protect the environment and make the work environment more safe and pleasant.

Environmental Manager System implemented at Pohang Works through the appointment of an Environmental Manager

At Pohang, an environmental manager with significant experience in onsite technology, facilities management, and environmental work was appointed. The manager is responsible for identifying and improving environmental problems throughout all areas, including air quality, water quality, and byproducts, as well as the education of enhancing environmental awareness. Gwangyang Works has operated the environmental manager system since 2001.





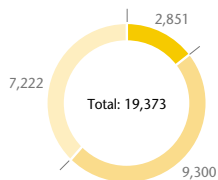
Human

POSCO's strength and sustenance is our people. Without their determination and hard work, POSCO would not be at the forefront of the global steel industry today. In pursuit of sustainable development, our priority is to ensure the well-being of employees by providing a safe and comfortable work environment that fosters individual growth and development. We also believe sustainable development is built on commitment to promote harmony in our society through social contributions and volunteerism to enhance the quality of life of regional communities. Through our example of sharing and giving back to society, we hope to instill in our youth the value of caring for each other and building a better and happier community.

| | | | |
|---|-----------|---|-----------|
| Employees | 54 | Compliance with Fair Trade Order | 62 |
| Our Employees | | Regional Communities | 63 |
| Employee Compensation | | Volunteerism | |
| Welfare Benefits | | Activities | |
| Educational Programs | | Regional Community Educational Support | |
| In-House Venture System | | Culture and Arts Support | |
| Human Rights | | Support of Regional Economies | |
| Safety and Health Management | 60 | Financial Donations | |
| Safety | | | |
| Health | | | |
| Protection of Customer Safety and Private Information | | | |

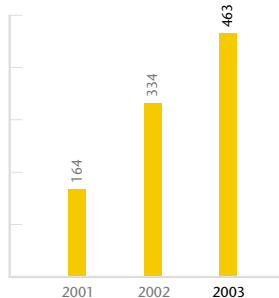
EMPLOYEES

Number of Employees by Region



■ Pohang Headquarters and Seoul Office
■ Pohang Works
■ Gwangyang Works

Recruitment



■ Number of Employees

Our Employees

As of the end of December 2003, the total number of POSCO's employees reached 19,373, with 2,851 in the Pohang Headquarters and Seoul Office, 9,300 in Pohang Works, and 7,222 in Gwangyang Works.

The number of non-regular workers totaled 223, with 31 workers on annual contract, 46 on part-time basis and 146 on temporary basis.

The number of women totaled 304, or 1.57% of our total employees. Few women are employed in heavy industries, particularly in steel business, due to both traditional and cultural reasons, and the relatively short period of industrialization. However, this number has been on a steady rise, especially in the past three years. In addition, women in position of manager or higher has increased from 1 in 2000 to 4 in 2003.

In 2003, the number of new hires was 463. POSCO's recruitment has been on the rise recently with 164 in 2001, and 334 in 2002. This can be attributed to the increase in the number of pending retirees. In 2003, the total number of employees who left POSCO were 341, of which 115 were due to retirement.

The Korean Labor Law prohibits layoffs except under necessary conditions as defined by the labor law.

Employees by Gender and Job

| Gender | Administrative Staff & Managers | Engineers & Technicians | Others | Total |
|--------------|---------------------------------|-------------------------|-----------|---------------|
| Male | 1,467 | 17,554 | 48 | 19,069 |
| Female | 247 | 42 | 15 | 304 |
| Total | 1,714 | 17,596 | 63 | 19,373 |



Faces of over 19,000 POSCO employees are displayed on a mural at the POSCO Museum in Pohang.

Employee Compensation

We make every effort to keep our overall employee compensation package and benefits, including employment security and working conditions, such as wage, welfare, work hours, and work environment, are maintained at a competitive level. Since 2000, POSCO has partially introduced a competency and performance-based human resource management system, by which compensation is differentiated by individual performance. This is an evolving process that has enhanced our human resource management system for evaluation, compensation, and promotion of employees.

POSCO conducts three different evaluations each year to better assess our employees' skills and capacities. The three different types of evaluations are Management by Objective (MBO), evaluation of individual abilities, and multi-dimensional evaluation for leadership. Feedback is then provided to the employee to help form self-improvement and career development goals.

In addition, connecting employee contributions to POSCO's performance serves as an effective incentive tool for fostering mutual accomplishments. We distribute a fixed percentage of operating income to employees as business performance bonuses. In 2003, the employee profit-sharing ratio was increased from 4.5% in the previous year to 5.5%, totaling KRW 180 billion in employee distribution.

Employee Stock Ownership Plan

From 2002 through 2006, POSCO employees can take advantage of the employee stock ownership plan (ESOP). This plan was created as a means to enhance a sense of employee ownership, assist in their wealth formation, and share in our company's increasing shareholder value. In addition, we match the employee stock purchase amount, of up to the yearly limit of KRW 2.4 million per employee. As of the end of December 2003, a total of 1,507,236 shares were owned by 18,859 POSCO employees.



POSCO employees cheer, "Let's do it!" to show their commitment to meeting the team's business goals.



ESOP was created as a means to enhance a sense of employee ownership, assist in their wealth formation, and share in our company's increasing shareholder value.

Work Hours

We continue to lead in the enhancement of employee welfare and labor productivity. On June 16, 2003, POSCO transitioned from a six-day, 44-hour workweek to a five-day, 40-hour workweek, ahead of the government-mandate of July 1, 2004, as stipulated by the Labor Standard Act revision. The conversion had no effect on the employees' salaries, and no wage cutbacks were conducted.

Welfare Benefits

Labor Welfare Fund

We created the Labor Welfare Fund for our employees' welfare in April 1991. We contributed KRW 51.1 billion in 2003, with cumulative contributions totaling KRW 278.9 billion as of the end of 2003. A substantial portion of this amount, totaling KRW 157.1 billion, was used for employees' children scholarship grants. The remainder was used for congratulatory and condolence gifts, donations to the needy, employee loans, and others.

Cafeteria Benefit Plan

We provide welfare cards with a fixed number of welfare points to each employee once a year. The card allows them to spend the money at their own discretion, such as to pay for health care, transportation, and educational expenses. Employees can earn extra welfare points with the completion of cyber education courses, acquisition of professional licenses, and frequent use of the Knowledge Management System. This is to enhance the work capacity of our employees and stimulate voluntary career and life planning.

Private Pension Support

We subsidize half of the private pension insurance payments, up to a limit of KRW 55,000 per month, separate from the national pension operated by the government. In 2003, approximately 18,100 employees received this benefit.

Housing Support

POSCO supplies housing for purchase and rent through the construction of housing complexes, as well as housing loans, up to a certain limit for home purchase or rent. In addition, we provide housing for single employees.

Living Support

POSCO grants full tuition scholarships for up to two children per employee from middle school through college. We also provide loans for living stabilization, up to a limit of KRW 10 million.



POSCO promotes a clean and pleasant living environment by providing housing complexes, educational facilities, and public parks for our employees.



POSCO Welfare Card

Leisure Support

POSCO supports the use of our company's external recreational facilities by employees throughout the year, including health centers, golf clubs, and tennis courts.

On June 15, 2003, POSCO received the grand prize in the welfare category at the First Management Information Awards hosted by the Korea Accounting Information Association and sponsored by Chosun Ilbo. We were recognized for implementing an advanced labor welfare system, including the improvement of our in-house Labor Welfare Fund, the introduction of selective welfare system, and the operation of employee stock ownership plan.

Educational Programs

We have strengthened our human resource competitiveness in pursuit of sustainable development.

For optimal efficiency, we make strategic placements of employees by matching their expertise with areas in need of their specialized skill set. In addition, we evaluate the qualifications and skills of employees to offer constructive advice on their education and career development.

To encourage a self-directed learning culture at POSCO, we offer many incentives for employees who participate in after-work and weekend educational programs. For example, we approve overtime payment for safety and Six Sigma-related training, provide notebook computers for those acquiring IT certifications, and offer welfare points for achieving national licenses and completing online educational programs.

Our customized educational programs are designed to improve both business performance and individual competency. In 2003, more than 95%, or 19,181 employees received education through the HRD Center, with an average of 270 educational hours per employee. These hours include in-house, external group, and online education.



POSCO's Human Resource Development Center offers classes to help employees develop new skills and knowledge.



"In the past, if I had a question about work, I had to look for the person in charge of that area. But now, all employees share their knowledge and information through the Knowledge Management System, so I am able to obtain the information that I need instantly. Even though I just started working at POSCO, I learned a great deal about my work through KMS, which has increased my work efficiency."

Ji-Sung Kim

Environment & Energy Department

Online Educational Programs

We provide online educational programs through our enterprise portal. This system allows employees to pursue learning that is tailored to their individual needs without time or location constraint. To provide incentives to partake in online education, we credit employee welfare cards upon completion of a course. The number of points varies depending on the type of course completed.

Offsite Work Experience and Studies

Employees are provided the opportunity to participate in offsite studies or gain work experience, both at domestic and overseas institutions. In 2003, 65 employees completed offsite studies in Korea and 35 completed offsite studies abroad. The Human Resource Development Center also offers computer classes and foreign language education classes for employees. These classes are also offered to the children of employees during school vacations.

Green Life Education Program

We offer the "Green Life Education Program" to assist employees upon their retirement. Retiring employees are provided an evaluation, goal-setting assistance, business start-up and re-employment advice, and life planning education over an 11-month period. In addition, they receive online counseling services for three months after retirement. During 2003, a total of 38 employees completed the third Green Life Education Program.

Knowledge Management System

In May 2003, POSCO introduced an intranet-based Knowledge Management System (KMS). The system is designed to increase work efficiency by permitting employees easy and quick access to information. The system can also be used as a self-improvement tool by providing access to work-related and general information, as well as academic materials. We promote learning by offering welfare card points for registration and active use of KMS.

In-house Venture System

Since January 2001, we have fostered creativity and innovation of our employees by setting up our In-house Venture System to inspire employees to pursue new business opportunities. These ventures include environment-benefiting research and development. Once developed, POSCO helps fund and commercialize the employees' business ideas. At the end of December 2003, there were a total of seven active venture business teams.

| (KRW in Millions) | | |
|--------------------------------|--|--|
| Category (Established Date) | Business Description | Cumulative Order Amount December 31, 2003 |
| TFS ¹ (May 2001) | Consulting related to oil pressure and lubrication equipment optimization | 5,136 |
| ESCO ¹ (Nov. 2001) | Consulting in energy saving technology for buildings and facilities | 5,541 |
| CTA (Oct. 2002) | Consulting in environment pollutant source reduction and environmental cost reduction technology | 1,155 |
| Lemsko (Dec. 2002) | Business completed on Nov 19, 2003 | 307 |
| DCI (May 2003) | Electric dust collector interior management, cleaning, etc., and diagnostic services | 554 |
| CS ¹ (Jun. 2003) | Living & culture services for employees and families | 1,030 |
| RCC (Oct. 2003) | Consulting in climate change response and greenhouse gas emission reduction | 50 |
| COGEN (Dec. 2003) | Small-sized combined heat and power generation supply system and related consulting | - |
| | Total | 13,773 |

¹Became independent entities in January 2004.

Human Rights

Prohibition of Discrimination

Our Code of Conduct clearly states the prohibition of discrimination on the basis of alma mater, birthplace, gender, age, religion, or any other criteria. POSCO also stipulates in the Rules of Employment that we will not discriminate on the basis of gender for employment, job assignment, promotion, wage, education and dismissal.

Since 2002, we have required that all employees complete an online education course on prevention of sexual harassment. In addition, we established a sexual harassment reporting process and procedure in our efforts to address the issues of those affected.

Child and Forced Labor

We follow all domestic and foreign labor laws of countries in which we conduct business. We prohibit forced labor and child labor, and do not hire workers under the age of 15, in accordance to the Labor Standard Act of Korea.

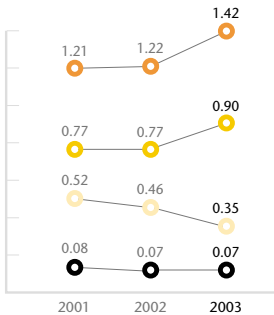


"We received much support from POSCO while working as a venture team in applying the technical knowledge that we gained from field experience to creative projects. Now, as an independent company, we are sharing our technology that can contribute to the development of domestic industries. I feel a great deal of pride and I hope many other venture teams can find similar opportunities through this program."

Jae-Soo Song
CEO, TFS Global

SAFETY AND HEALTH MANAGEMENT

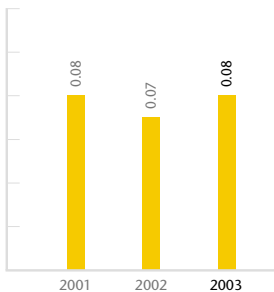
Accident Rate in Korea
(Number of accidents per 100 employees)



- Manufacturing Industry Average
- All Industry Average
- Steel Industry Average
- POSCO Average

Note: The Information excludes contractors.

POSCO Frequency Rate of Injuries
(Number of accidents/yearly working hours)
*200,000 hrs



POSCO's Pohang Works and Gwangyang Works recognize that safety and health management is the utmost priority among the business activities of the steelworks. In this respect, we conduct vigorous quality checks of facilities and work environment, and continuously seek preventive measures. Every year, POSCO has consistently managed our accident rate at a significantly below the steel industry average.

Safety and health management has always been a major concern for past and present CEOs, whose strong will on ensuring an absolute safe and clean work environment has prompted paying detailed attention to safety and health measures.

At each of our steelworks, POSCO created the Industrial Safety & Health Committee to oversee all areas of safety and health. The Industrial Safety & Health Committee is made up of fourteen members, of which seven hold management positions. The committee holds quarterly meetings to review and make decisions on safety proposals for the protection of all employees.

Safety and Health Policies for Pohang Works and Gwangyang Works were announced in 1998 and 1997, respectively. To promote safety and health, our employees and business partners agree to comply with the related standards in the policies. Through the effective collaboration of our people, the accident rate is significantly lower than those of domestic industries, manufacturing industries, and steel industries.

In 2003, we reported significantly lower number of accidents per 100 employees at 0.07 compared to the all industry average of 0.90, the manufacturing industry average of 1.42, and the steel industry average of 0.35. Although we reported no deaths for the years 2001 and 2002, we regret to report that our 2003 results included two deaths and 12 injuries. We will strive for absolute safety with zero deaths and injuries.

Left: POSCO employees make a collective effort to achieve a zero-accident record.

Right: Our employees, business partners, and sisterhood partnership friends participate in a marathon to promote health and harmony.



Safety

To improve work safety standards, POSCO introduced safety management techniques, such as the Isolation & Locking System (ILS) that activates multiple locks on potentially hazardous equipment.

In September 2003, POSCO opened the Virtual Safety Experience Center at Pohang Works, which simulates some of the operating equipment and facilities for safety awareness purposes. Employees receive hands-on training and education on safety through demonstrations.

In May 2004, we established an integrated online safety and accident prevention system on our enterprise portal to allow employees to share information related to safety and health in real-time. Through this system, all employees can promptly report deficiencies or accidents, including near-miss situations. This data is collected and analyzed to seek future preventive measures. In addition, we coordinate safety programs with our business partners by hosting quarterly safety meetings for their related staff.

Health

POSCO's Pohang Works and Gwangyang Works systematically perform industrial hygiene, medical examination and treatment, disease prevention, and health promotional activities at our onsite health care centers that are equipped with state-of-the-art medical equipment.

We provide additional health education, including behavior-related chronic diseases, work-related illness, HIV/AIDS prevention and management, and other disease awareness and prevention through our intranet, two to three times a week. We also assess our work environment twice a year to improve health conditions.

We encourage employees to exercise good health habits for life longevity. We established fitness centers and created stretching exercise programs. In addition, we conduct smoking cessation and alcohol temperance campaigns to better the health of our employees.



"Although it was a hypothetical situation, I have to admit I got scared when faced with an accident. A person who experiences such a situation is bound to have a different mindset and demeanor. Therefore, the Virtual Safety Experience Center is a great educational tool that promotes onsite work safety. We are working closely with POSCO to ensure utmost safety in our business operations."

Sang-Pyo Jeon

POSMEC



Gwangyang Work's onsite Health Care Center

On February 21, 2003, Gwangyang Works achieved the Korea Occupational Safety & Health Agency (KOSHA) 18001 Certification for safety and health management .

Protection of Customer Safety and Private Information

In accordance with the Product Liability Law, we have quality-management activities to protect our customers from physical, as well as financial harm due to defects in our products. In addition, we ensure the confidentiality of all customers, as we do the same for our employees. The agreement between POSCO and our customers prohibits the use of each other's private information for purposes other than the consented POSCO-customer business transactions. We ensure the highest level of privacy and security of our customer's database by limiting employee access level and implementing firewalls.

COMPLIANCE WITH FAIR TRADE ORDER



Compliance Advisory Committee

We implemented the "Understanding Fair Competition" cyber program to train employees on the Fair Trade Law. In April 2004, we established the Fair Competition Support Team, an exclusive department that manages the training program and provides consulting and support services for Fair Trade Law compliance to other departments within POSCO.

The Board of Directors appointed a Compliance Officer to efficiently implement the "Fair Trade Compliance Program". We also conduct systematic fair trade duties through our Compliance Advisory Committee, which is comprised of 13 related department managers across all areas of fair trade.

POSCO developed a cyber fair trade compliance training course on our intranet site. In 2003, a total of 4,159 employees completed the course. In addition, 290 employees in the related departments in Seoul, Pohang, and Gwangyang received practical education by fair trade experts.

In March 2003, POSCO was selected for Fair Trade Compliance Excellence by the Korea Fair Trade Association as a result of the implementation of our Trade Compliance Program.

REGIONAL COMMUNITIES

Volunteerism

There are over 180 registered social service groups at POSCO. During 2003, the total number of participants in social service activities was 47,271. The volunteers provide both specialized skills and knowledge, including farming machinery repairs, music therapy, and medical services, as well as physical labor support, including rice-planting and harvesting, childcare at orphanages, elderly care at nursing homes, and environmental cleanup activities.

Employee Voluntary Service Activities in 2003

| Category | Participating Groups | Number of Participants |
|---|----------------------|------------------------|
| Helping the Needy | 40 | 13,166 |
| Helping the Disabled | 13 | 3,948 |
| Scholarship Support | 72 | 20,497 |
| Volunteer Medical Services | 6 | 1,316 |
| Volunteer Farm Work | 5 | 601 |
| Environment-related Activities and Others | 26 | 7,743 |
| Total | 162 | 47,271 |

POSCO Volunteers

Since 1991, POSCO has developed alliances with Pohang and Gwangyang cities to form partnerships for volunteering activities between various departments of POSCO and more than 212 regional communities' towns, schools, and other organizations. From the establishment of these sisterhood partnerships evolved the POSCO Volunteers in May 2003, to systematically manage employee volunteer activities at the corporate level.

With POSCO's President as the head member, the POSCO Volunteers is in charge of planning and managing the overall volunteer service activities of Pohang Works, Gwangyang Works, Pohang Headquarters, and Seoul Office. Employees can volunteer their time through the web-based Volunteer Service Intermediary Center, regional volunteer centers, and related departments in the city offices.

Community Service Awards

POSCO promotes volunteerism by offering annual in-house community service awards to selected employees and departments that have made significant contributions to the development of regional communities.



POSCO's Social Contribution Report 2002, published in May 2003, and available in Korean only.



"The employees of Pohang Works who help us with events, whether big or small, are like family members to us. Watching them maintain elderly homes and fix up houses of the elderly living alone is a very comforting. Particularly in 2003, when the typhoon really disrupted the neighborhood, their help was very much appreciated."

Seh-Chan Jang

Resident, Heunghae-eup

Activities

Pohang Loving Volunteers Harmony Festival

POSCO jointly hosted the "Pohang Loving Volunteers Harmony Festival" with Pohang city to spread the spirit and joy of volunteer services to community members. It provided the opportunity for employees and Pohang citizens to participate in social service activities.

In addition, Pohang Works and Pohang city actively work together to coordinate volunteering activities in May and October of each year, two of the busiest months of the year for farmers. In 2003, a total of 10,000 people (7,000 from POSCO and 3,000 from Pohang city) volunteered their services.

POSCO Assists Typhoon Relief Activities

In 2003, a total of 2,863 employees (1,833 from Pohang and 1,030 from Gwangyang) participated in typhoon relief activities. In addition to volunteer support, POSCO provided materials required for flood relief, including equipment such as cranes, dump trucks, fork cranes, and 400 tons of slag.

POSCO's employees also voluntarily assisted their neighboring towns during their off-hours in the restoration of vinyl houses and farm roads with heavy machinery. In particular, our employees proposed that we help Seun Steel, one of our customers, by retrieving 7,300 tons of its rusted cold-rolled coil by putting it through our rust elimination process.

Left: Gwangyang Works volunteers support a nearby school by providing funds for free lunches.

Right: POSCO volunteers help farmers restore rice fields after a typhoon.



Friends Receives the Grand Prize at the Gwangyang City Volunteers Awards



Top: Friends volunteers celebrate the birthday of a foreign national they befriended through the program.



Bottom: Volunteers spend quality time with disabled people from the Love Association.

The “Friends” volunteer group from the Production Delivery & Control Department at Gwangyang Works was the Grand Prize recipient at the Gwangyang City’s 2nd Volunteer Conference. The conference was hosted by Gwangyang city for all volunteers to provide a place for festivities and awards. The Gwangyang Works’ Hoop Volunteer Group and Haircut Volunteer Group also received Participation Awards.

Friends, originally formed in February 1988 as the Lamplight Group, has 251 volunteers from Gwangyang Works’ Production Delivery & Control Department to help the needy.

Friends believes it’s important to “Be a friend to your neighbors, communities and anyone in need of help.” The group provides counseling and assistance for foreign nationals working in Gwangyang and supports Love Association, an institution for the disabled. In addition, the group promotes exhibitions of carved arts created by disabled people.

Jun-Seok Ko, an employee in the Intra-works Transportation Section and an active volunteer in social services observed, “Foreign workers and their employers were at first apathetic toward us, but now that they understand our organization’s purpose, working with them has become more pleasant and special friendships have resulted.” One foreign worker from Vietnam, Tran Quac Dung, expressed his gratitude toward the group for helping him pass the Korean Proficiency Test.

Regional Community Educational Support

Community Scholarship Program

In 1971, we officially established the POSCO Scholarship Foundation to expand the number of scholarships granted to select high school seniors and college students in the regional communities. The POSCO Scholarship Foundation provided scholarships to 686 students, totaling KRW 1.08 billion in 2003.



A winner of the Nobel Prize in Physics is invited to share his knowledge with POSTECH students.

Production of Leaders in National Science and Technology Sectors

Pohang University of Science & Technology (POSTECH) opened in 1986, to foster superior talents in serving humankind. Since its opening, it has made meaningful contributions to the development of science and technology in Korea.

As of February 2003, POSTECH produced 7,847 graduates (2,889 bachelors, 4,159 masters, and 799 doctorate) who have played a pivotal role in various fields, including distinguished universities, research institutes, and venture companies. In addition, POSTECH contributes to improving the technological competitiveness of small and medium-sized enterprises.

Steel Research Paper Award

Every year, POSCO grants the "Steel Research Paper Award", which was created in 1994, to arouse scholastic interest of undergraduate and graduate students in Korea's steel industry. The research paper details on topics that can contribute to the development of steel industry, including steel technology, global management and environment preservation.

Through this award, students have an opportunity to propose management strategies and technological developments based on their theoretical knowledge gained on campus. In 2003, we received 47 papers. Starting from 2004, we will operate a two-week internship program for students who apply for the award to work on their papers.

POSCO promotes educational support by providing scholarships to high school and college students in the regional communities. In 2003, the POSCO Scholarship Foundation provided scholarships to 686 students, totaling KRW 1.08 billion.



Hosting of Children's Steel Camp

Since 1993, we have hosted the Children's Steel Camp during each summer vacation. The camp teaches about the importance of iron and steel in shaping the history and civilization of humankind, while inspiring a sense of community teamwork and broadening awareness about environmental protection. In 2003, 570 children from Pohang and 360 students from Gwangyang participated in the camp.

Operation of Youth Cultural Lectures

Every year since 1997, we have offered youth cultural lectures to high school seniors who have completed their scholastic aptitude tests for college admissions. The lectures help students form upright values as they prepare to enter college and take their first responsible steps into society. In 2003, 2,500 students from Pohang and 910 students from Gwangyang attended the lectures.

Free Korean Language Classes to Combat Illiteracy

POSCO provides free Korean language classes for community residents to help eliminate illiteracy within the Pohang region. In 2003, ten people completed the language program.



Children experience a sense of community teamwork and broaden their knowledge about iron and steel at the Children's Steel Camp.



Left: Gwangyang Works volunteers provide needed medical assistance to residents of the Goongi village.

Right: Our employees help upkeep the regional communities' historical buildings and sites.



POSCO steelworks welcome visitations from community members to help them gain a better understanding about the steel industry.

Culture and Arts Support

Hosting of POSCO Cultural Arts and Events

We constructed Hyoja Art Hall in 1980 and Baekwoon Art Hall in 1992 to promote cultural life in our regional communities. In 2003, the two halls conducted over 78 cultural events, including music concerts, theatrical performances, ballets, Korean folklore musical performances and operas, and movie screenings.

In addition, we have hosted the monthly POSCO Music Festival at Seoul POSCO Center's Atrium since 2000, featuring concerts from a broad range of musical genres, from classical and jazz to musicals. Anyone can enter the ticket lottery for free concert tickets through POSCO's website.

We also support local artists by providing them the opportunity to display their arts in the POSCO Art Museum located at POSCO Center in Seoul and POSCO Gallery in Pohang Headquarters.

Support for Construction of Regional Cultural Arts Center

We contributed to the cultural development of regional communities by providing support for the construction of the Pohang Cultural Arts Center and the Gwangyang Community Center.

Support of Regional Economies

We support the Pohang Techno-Park Construction Project in our efforts to promote the continuous development of the regional society through industry diversification. We donated 188,430 square meters of land valued at KRW 11.2 billion, and contributed KRW 10 billion toward the project fund. The total cost of the Pohang Techno-Park construction project is estimated to be KRW 72.7 billion. We will also contribute KRW 10 billion to the construction of Jeonnam Techno-Park in Suncheon city.

Left: Regional community members enjoy theatrical performances held at POSCO's art halls.

Right: Monthly POSCO Music Festivals are held at the Seoul POSCO Center.



Financial Donations

According to POSCO's "Organization, Responsibilities and Authority Rules" and "Rules of Operation of the Board of Directors", all donations between KRW 10 million and KRW 100 million are carried out by the authority of the Chairman, while donations between KRW 100 million and KRW 1 billion are subject to deliberation and decision by the Finance and Operation Committee. All donations exceeding KRW 1 billion are matters of decision at the Board of Directors level, through the deliberation by the Finance and Operation Committee. In 2003, the total amount of donations was KRW 97.4 billion, which comprised of KRW 51.1 billion of Employee Welfare Benefits, KRW 38.8 billion to the POSCO Education Foundation, and KRW 7.5 billion to other beneficiaries.

We are Proud of Our Sisterhood Partnership

Gwangyang Works' Utility Mechanical Maintenance Section's sisterhood partner, Waeap town in Daap county

The Waeap town is located north of Gwangyang Works, along the Seomjin River in Daap county. It is a small town with a population of 101 people. Most of them work in the fields, growing plum and green tea.

Our Utility Mechanical Maintenance Section and Waeap town have shared a harmonious relationship for over ten years. We partake in each other's events and bond to create a lasting friendship. Today, Waeap town is like our second home.

We attend Waeap town's "Devotion to the Parents", a traditional event that is held during spring and fall of each year. During these events, villagers express their concerns and we help develop plans to solve their problems, such as fixing farm equipment and assisting in rice planting, rice cutting, and plum gathering.

In July 2004, we reconstructed the stairs to the second floor of the town hall and built amplifiers to serve as a communication device. We are also in the process of repairing old farm equipment.

We adopted Waeap as our home. Improving the development of Waeap is a dream of both Utility Mechanical Maintenance Section and the town of Waeap.

Kon-Soo Yang

Utility Mechanical Maintenance Section, Gwangyang Works

INDEPENDENT ASSURANCE STATEMENT

To the Management of POSCO

Scope

We have been requested to review POSCO's 2003 Sustainability Report (the Report) in order to provide assurance in relation to a selected sample of data and statements. POSCO is responsible for the collection and presentation of the information within the Report. This includes responsibility for the maintenance of adequate records, systems and internal controls that are designed to support the sustainability reporting process.

The Report covers the activities of POSCO Headquarters in Pohang, POSCO Seoul Office, Pohang Works and Gwangyang Works, unless otherwise stated. The activities of joint ventures and subsidiaries are excluded. Management has used the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (2002) to aid in the structuring of the Report.

Our assurance procedures were performed for the purpose of drawing conclusions about a selected sample of data and statements in the Report. Management is responsible for determining the scope of our engagement. Our examination has been conducted in accordance with International Auditing Standards on Assurance Engagements (ISAE 3000).

This report has been prepared for the purpose set out in this report and for use by the management of POSCO. We disclaim all liability to any other party for all costs, loss, damage and liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

This is the first Sustainability Report by POSCO. There are currently no statutory requirements in Korea in relation to the independent review of corporate sustainability reports. Seeking



assurance for a sample of data and statements in the Report is an important step for POSCO in its reporting to stakeholders.

Assurance Approach

We have performed the following assurance procedures:

We selected a sample of 100 data and statements in the Report, based on our professional judgment of their level of importance, and performed the following procedures:

1. For data and information that was provided by third parties or was previously audited for other purposes, we examined the transcription of that data and information from the source documents;
2. For other selected data and statements we examined supporting evidence on a test basis.

Our sample of data and statements was selected from information in the Report relating to the year ended 31 December 2003. In some cases we also examined more recent information where this was presented. As this is the first Sustainability Report to be produced by POSCO we have not conducted any detailed assurance procedures in relation to comparative historical data prior to the year ended 31 December 2003.

We undertook site visits at both of POSCO's steelworks, Pohang and Gwangyang. During our site visits we reviewed the systems and processes in place for managing and reporting environmental and social data at the steelworks, and reviewed evidence in support of the statements made in the Report regarding POSCO's sustainability performance.

The nature and effectiveness of our assurance procedures is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, assurance procedures cannot guarantee that all material misstatements have been detected.

Our assurance procedures did not involve analysis of the prudence of business decisions made by directors or management in relation to sustainability initiatives.

Inherent Limitations

While we considered the effectiveness of management's internal controls over sustainability reporting processes when determining the nature and extent of our procedures, our assurance was not designed to provide assurance on internal controls.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which we performed our assurance procedures, has not been audited and no opinion is expressed as to its effectiveness.

Any projection of our evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Our conclusions are based on sample testing and therefore may not have identified issues that, on a review of a different sample, might have been apparent.

The conclusions expressed in this report have been formed on the above basis.

Independence

Ernst & Young has not previously advised POSCO on any aspects relating to the organization's approach to corporate sustainability or any business processes relating to the management of the issues discussed in the Report.

Assurance Team

Our international assurance team has been drawn from our Environment and Sustainability Services practice of Ernst & Young Australia and Young Wha Corporation audit practice (a member of Ernst & Young Global), and has the required competencies and experience in sustainability reporting and assurance.

Conclusions

1. For selected data and statements, we found the data and statements presented were supported by adequate evidence;
2. For data and information that was provided by third parties or was previously audited for other purposes, we found the data had been correctly transcribed and statements were consistent with source information.

All material exceptions identified in performing our assurance procedures have been resolved prior to finalization of the Report.

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The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

September 20, 2004

STEELMAKING PROCESS



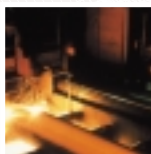
Ironmaking

Iron ore is processed into a uniform size at a sinter plant. Coal is processed into a fuel by high-temperature baking at a coke plant. The ore and coke are then charged into a blast furnace. Air super-heated to 1,200°C is blown into the bottom of the furnace, igniting the coke and triggering a chemical reaction that reduces the ore into "pig iron" or "hot metal".



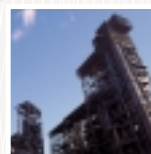
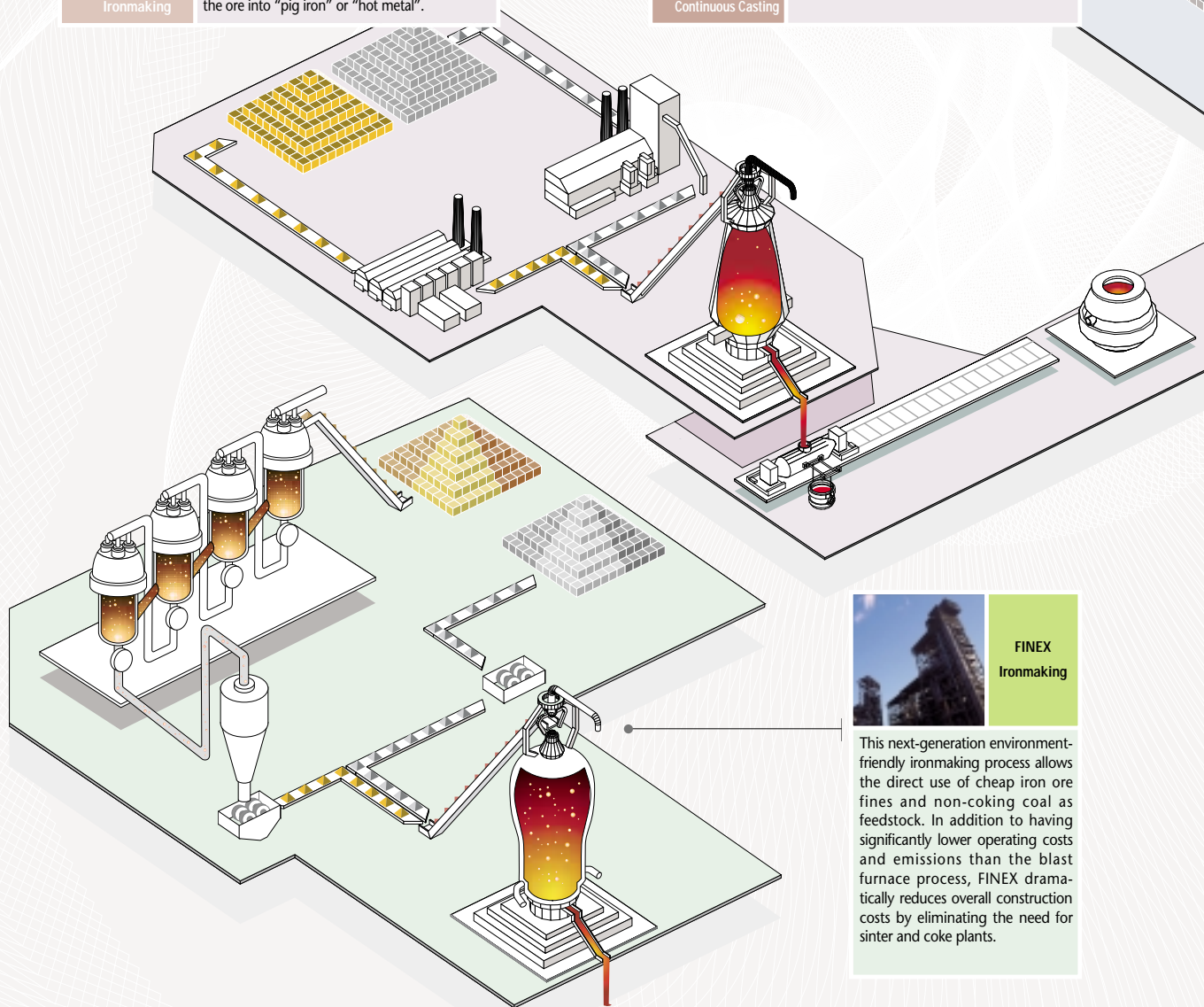
Steelmaking

Hot metal has a high carbon content as well as impurities like phosphorus and sulfur that make it brittle and difficult to work with. The hot metal is charged into a basic oxygen furnace and blown with pure oxygen for 30 to 40 minutes to oxidize carbon and other impurities. The result is liquid crude steel that is free of impurities and ready for casting.



Continuous Casting

The liquid crude steel is poured into a mold and drawn through a continuous caster before being cooled or solidified into slabs, blooms, or billets. These semi-finished products become the feedstock for hot-rolled coil, as well as flat and long products.

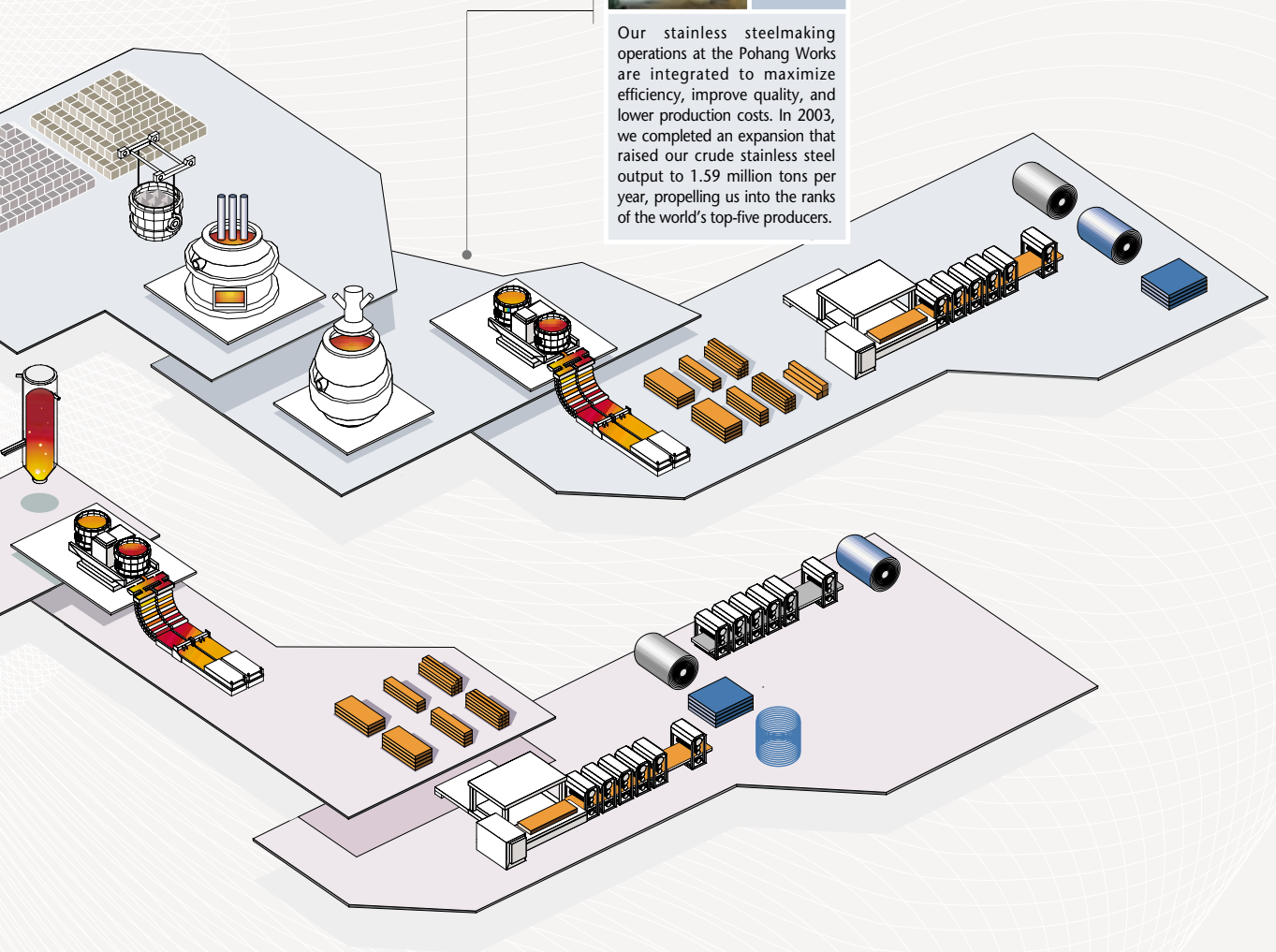
FINEX
Ironmaking

This next-generation environment-friendly ironmaking process allows the direct use of cheap iron ore fines and non-coking coal as feedstock. In addition to having significantly lower operating costs and emissions than the blast furnace process, FINEX dramatically reduces overall construction costs by eliminating the need for sinter and coke plants.



Stainless Steelmaking

Our stainless steelmaking operations at the Pohang Works are integrated to maximize efficiency, improve quality, and lower production costs. In 2003, we completed an expansion that raised our crude stainless steel output to 1.59 million tons per year, propelling us into the ranks of the world's top-five producers.



Rolling

Slabs, blooms, and billets are fed through a series of moving rollers that apply continuous pressure to form products of a specific length, width, and thickness. Hot-rolling mills heat the feedstock to temperatures of 1,100°C to 1,300°C before rolling, while cold-rolling mills work the steel at ambient temperature.

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* Operations covered in this report.

FORWARD-LOOKING STATEMENTS

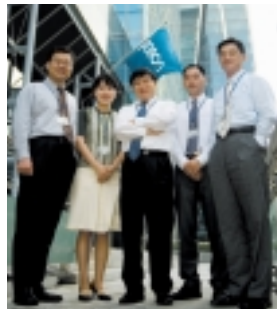
The POSCO Sustainability Report 2003 contains forward-looking statements to provide value-added account of our sustainability activities. These forward-looking statements reflect our current views with respect to future events and performance, and are generally identified by the use of forward-looking terminology, such as "anticipate", "believe", "intend", "should", "plan", and similar expressions. Such statements are included in the discussion of our business strategies and operations, performance goals and targets, and research and development projects, among others. In addition to the foregoing factors, a detailed description of certain risks and uncertainties, which can cause actual results to differ materially, can be found in the section captioned "Risk Factors" in our annual Form 20-F filed with the U.S. Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

CONTACT

The Corporate Sustainability Management (CSM) Task Force was created in April 2004, to research, monitor, and improve POSCO's sustainable management and communication. The team, comprising of members from their respective departments, collaborated with departments that include Finance, Corporate Policy, Environment & Energy, Human Resources, Corporate Ethics, Public Relations, Investor Relations, and POSCO Research Institute, in an effort to report the most complete, accurate, and reliable information about our company. The data collection of our history, facts, and figures contained in this report was conducted to the best of our ability.

As we gain and apply our growing knowledge of sustainability structure and function, we expect to continuously improve our systematic approach to organizational process and reporting. Currently, the Corporate Strategic Planning Department reports to our CEO regarding POSCO's sustainable development.

We welcome any comments or inquiries.



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